Mashreq Sustainable Finance Newsletter

Quarter 1

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.

Content of Newsletter

Top News Digest

COP28 NEWS

COP28 Nations Reach First-Ever Deal to Move Away from Fossil Fuels

The COP28 climate talks in Dubai ended in a historic deal that committed the world to a transition away from all fossil fuels for the first time. The president of this year's UN-sponsored summit, the UAE's Sultan Al Jaber, brokered an agreement that was strong enough for the US and European Union on the need to dramatically curb fossil fuel use while keeping Saudi Arabia and other oil producers on board.

UAE Banks Pledge $270bn in Sustainable Finance at COP28 Climate Talks

Banks in the United Arab Emirates on Monday pledged to mobilize $270bn in sustainable finance, the chair of the country's banking federation told the COP28 climate talks. Announced on the day dedicated to finance at the event in Dubai, it joins a growing list of pledges on everything from building renewable energy to helping farmers improve soil quality.

"At this pivotal moment it is my great honour to announce a landmark commitment that, fulfilling the UAE ambition, our UBF banking, national banks, have collectively pledged to mobilise over AED 1trn ($270bn)," Abdul Aziz Al Ghurai said.

UAE Boosts Climate Fight with $30bn Investment

The UAE has pledged to give $30bn to combat climate change. The money will go towards a new private investment vehicle, Alterra, which aims to raise $250bn globally in the next six years to create a fairer climate finance system. The commitment was announced by President Sheikh Mohamed during his opening address at the COP28 summit in Dubai.
Alterra will become the "world's largest private investment vehicle for climate action", according to COP officials, and will focus on climate investments in emerging markets and developing economies, where traditional funding has been lacking because of the higher perceived risks.

GLOBAL NEWS

At Davos, Conflict, Climate Change, and AI Get Top Billing as Leaders Converge for Elite Meeting

The Earth is heating up, as is conflict in the Middle East. The world economy and Ukraine's defense against Russia are sputtering along. Artificial intelligence could upend all our lives. The to-do list of global priorities has grown for this year's edition of the World Economic Forum gabfest of business, political and other elites in the Alpine snows of Davos, Switzerland. The gathering is mostly high-minded ambition — think business innovation, aims for peace-making and security cooperation, or life-changing improvements in health care — and a venue for decision-makers in an array of fields and industries to connect.

Hedge Funds Are Stepping Up Exposure to ESG Strategies, UBS Says

Hedge fund managers are increasingly incorporating environmental and social metrics in their investments, according to research by analysts at UBS Group AG.

"Hedge funds have continued to step up sustainability integration into investment strategies," according to the January 10 note published by the Global Wealth Management business of UBS. There's also "a subset pursuing dedicated sustainable investment deployment via equity long/short and credit strategies, mostly within thematic equities and green, social and sustainable bonds."

India's Mahindra Group-Backed Infra Investment Trust Goes Public

An infrastructure investment trust (InvIT) backed by India's Mahindra Group and Canada's Ontario Teachers' Pension Plan Board made its trading debut, with an offer size of $273mn, the two entities said. Sustainable Energy Infra Trust (SEIT) (SUSA.NS), opens new tab -- formed to own and operate renewable power generation assets in India -- debuted on the country's National Stock Exchange at an issue price of INR 100 each, exchange data showed.

REGIONAL NEWS

ACWA Consortium Lands $1.5bn Wind Energy Project in Egypt

Saudi-listed ACWA Power, the world's largest private water desalination firm, said its consortium with top construction group Hassan Allam has signed a 25-year usufruct agreement with Egypt's New and Renewable Energy Authority for the development of a 1.1 GW wind energy project in the country. One of the world's largest onshore wind energy initiatives being set up at an investment of $1.5bn, aims to reduce 2.4mn tons of CO_2 annually. The consortium will work during the project's development phase to complete site studies and secure project financing in the Gulf of Suez and Jabal Al-Zeit regions.

Saudi Arabia, UN Vow to Work Together to Stop Land Degradation Around the World

Saudi Arabia and the United Nations underscored the importance of achieving harmony between countries and working together to stop land degradation around the world in order to live on one land. Both sides reiterated this during a dialogue session held within the ceremony organized by the Ministry of Environment, Water and Agriculture, on the occasion of the signing of an agreement to host the 16th session of the Conference of the Parties to the United Nations Convention to Combat Desertification (COP 16) in Riyadh. Deputy Minister of Environment Dr. Osama Faqeeha and Deputy Executive Secretary of the United Nations Convention to Combat Desertification (UNCCD) Andrea Meza attended the session, titled "The Road to Riyadh COP 16," along with the CEO of the National Center for Meteorology Dr. Ayman Ghulam.

World Bank to Boost MENA Climate Financing to $10bn as Region Eyes $13trn GDP

The World Bank plans to increase climate financing for the Middle East and North Africa (MENA) region to $10bn by 2025. It comes as an official said that by embracing green growth strategies, the region's GDP could potentially grow to over $13trn by 2050. Meskerem Brhane, Regional Director for Sustainable Development, MENA for the World Bank, said: "In the last three years, from 2021 to 2023 alone, the World Bank has provided $6.3bn in climate financing for MENA."

UAE NEWS

Mashreq, UAE Fintech Fils to Launch Carbon Offsetting Services

Mashreq has signed a Memorandum of Understanding (MoU) with the UAE-based fintech firm, Fils, to develop a corporate carbon offsetting offering. This helps corporate and institutional clients to integrate carbon offsetting directly from their Mashreq corporate accounts. Fils is a groundbreaking, enterprise-grade, digital platform that provides the underlying infrastructure for financial institutions, banks and other organisations across industries to launch standalone, sustainable focused products such as carbon offsetting.

This approach to the future of fintech facilitates the transition to an Environmental, Social, and Corporate Governance (ESG) compliant corporate landscape, enabling companies of all sizes to effortlessly embed sustainable and climate action into their business models and customer journeys, across industries.

UAE Tops Regional Green Bond League Tables with $10.7bn

The UAE has topped regional green bond league tables, with sales reaching $10.bn, up nearly 170% and accounting for approximately 45% of regional totals.Data from Bloomberg's Capital Markets League Tables has revealed that in 2023, annual issuances of green social, sustainable, and sustainability-linked bonds (GSSB) in the Middle East and North Africa (MENA) hit a new record of $24bn, an increase of 155%.

Abu Dhabi ADNOC Ramps up Investments in Decarbonization Efforts to $23bn

The board of directors of Abu Dhabi National Oil Company (ADNOC) has increased the state-owned energy major's budget allocation for decarburization projects and low-carbon solutions to $23bn. The chairman of the board, UAE's President Sheikh Mohamed bin Zayed Al Nahyan, directed the company to grow its diversified portfolio to support the delivery of a just, orderly and equitable global energy transition, a statement on Monday read.

The ADNOC board endorsed the company's goal to drive $48.5bn back into the UAE economy over the next five years, building on $11.2bn generated through its In-Country Value (ICV) program in 2023.

Sustainability Case Study

Sustainability-Linked Working Capital Facility for Chalhoub Group

About Chalhoub Group

For over six decades, Chalhoub Group has been a partner and creator of luxury experiences in the Middle East.

In its endeavour to excel as a hybrid retailer, Chalhoub Group has reinforced its distribution and marketing services with a portfolio of eight owned brands and over 300 international brands in the luxury, beauty, fashion, and art de vivre categories. More recently, they expanded their expertise into new categories of luxury watches, jewellery, and eyewear.

CHALHOUB GROUP

- Chalhoub Group is a privately held luxury goods retailer and distributor, headquartered in Dubai, UAE.
- The Group is the largest retail operator in the Middle East and a member of the International Association of Department Stores since 2023. The company has more than 14,000 employees in 14 countries.
- In November 2023, Chalhoub successfully launched their debut sustainability linked facility. Mashreq has provided Chalhoub Group with its debut sustainability linked loan to support the Group's operations across its businesses.

KPI Overview

- Reduction of Scope 1, scope 2
- Reduction of scope 3 emissions
- Increased participation rate of women at senior management level across the Group
- Higher engagement level of the Group's suppliers

Sustainability-Linked Loan for Bahrain Steel

About Bahrain Steel

Bahrain Steel is a Mine-to-Metal iron ore pelletiser, located in the heart of the Arabian Gulf. Its twin plants have a combined rated capacity of 12mn tons of pellets. The Company represents the core of an investment of $3.5bn.

Bahrain Steel produces a range of pellets for either Direct Reduction (DRI) or Blast Furnace steelmaking. Raw materials arrive by ship at their own port terminal, and from where three-quarters of finished products are exported.

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BAHRAIN STEEL
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- Bahrain Steel operates an iron ore pelletizing facility with an output of 12.3mn tons/year. At an industry level, the iron ore and steel industries is under constant scrutiny as the sector is responsible for a large portion of emissions.
- Mashreq Bank has provided a long-term facility with its debut sustainability linked loan to support the company's operations and support the decarboni zation plans of the company. The deal structured by Mashreq, strives to make a positive impact with the associated KPIs being centered around the reduction of emissions.
- Mashreq bank acted as the sole facility and sustainability coordinator. Bank ABC, ENBD, and Mashreq jointly acted as mandated lead arrangers.

Transaction Snapshot

Facility Amount	**US$ 450mn**
Tenor	**7 years**
Mashreq Role	**MLA & Sustainability Coordinator**

KPI Overview

- Reduction of Scope 1 and Scope 2 emissions in line with the Paris Agreement
- Training program on climate change and environmental risks

Regulatory Developments

EU Plans to Unveil Roadmap for 2040 Climate Target in February

The European Union will unveil a roadmap for its climate target for the next decade in February as the bloc grapples with the challenges posed by its ambitious eventual goal to zero out emissions in the face of high energy prices and growing international competition in clean technologies.

The European Commission, the bloc's regulatory arm, plans to outline options for 2040 targets on Feb. 6, according to a tentative schedule posted on its website on Tuesday. To reach climate neutrality by 2050 the region's net emissions should be at least 90% lower by the end of the next decade than in the 1990s, according to recommendations from its scientific advisory board.

Canada: All New Cars, SUVs, Light Trucks Sold by 2035 Must Be Zero-Emission Vehicles

The new rules, known as the Electric Vehicle Availability Standard, were first unveiled in 2021. They are designed to help ensure supply is available to the market and shorten wait times to get an electric vehicle (EV). Canada on Tuesday released final regulations mandating that all passenger cars, SUVs, crossovers and light trucks sold by 2035 must be zero-emission vehicles, part of the government's overall plan to combat climate change.

Under interim targets set by Ottawa, zero-emission vehicles must make up at least 20% of all cars sold by 2026 and at least 60% by 2030. Industry officials say EVs represented 12.1% of new vehicle sales in Q3 of 2023.

Oman Unveils Sustainable Finance Framework in Green Push

Oman unveiled late on Wednesday a sustainable finance framework to help the Gulf country reduce its reliance on fossil fuels and attract environmental, social and governance (ESG) investors.

Under the initiative, the Sultanate plans to issue financial instruments like green, social and sustainability bonds as well as loans and sukuk - bonds that comply with Islamic law - whose proceeds will be used to fund and re-finance renewable energy projects.

Mashreq Podcast - Sustainability Dialogue

Thomas Jacob
Senior Vice President
Head of Strategy
Mashreq

Full Podcast Here

Accelerating the adoption of green finance is critical

Accelerating the adoption of green finance to support sustainability goals and inspire industry wide transformation is critical. Clean energy, water management, climate change, life on Earth, and life under the water are just some of the SDGs that need green financing. In the face of the pressing environmental challenges that we are seeing, the financial sector wields considerable influence and resources to accelerate the transition to a sustainable low-carbon economy. By prioritizing green finance, the financial industry can not only align with global sustainability targets, but it can also serve as a catalyst for broader transformation across sectors. This is not going to be easy sailing. There are a host of challenges to overcome on this journey. With the right enablers, infrastructure and policies in place, the region can become a leader in the adoption of green finance.

Source: Mashreq Sustainability Dialogues

Sustainable Finance Issuances

Loan - Issuer	Industry	Country	Facility Type	Value (USD MN)	Issue Date
MENAT					
QIIB	FI	Qatar	Sustainable Sukuk Mashreq Role: JLM & Bookrunner	500	Jan 2024
Bahrain Steel	Manufacturing	Bahrain	SLL Mashreq Role: MLA & Sustainability Coordinator	450	Jan 2024
Renaissance Duqm Accomodation Company	Real Estate	Oman	SLL	90	Dec 2023
Sanko Holding	Conglomerate	Turkey	Green Loan	150	Dec 2023
IS Bank	Banking & Finance	Turkey	SLL Mashreq Role: MLA & Sustainability Coordinator	693	Dec 2023
Deniz Bank	Banking & Finance	Turkey	SLL Mashreq Role: MLA & Sustainability Coordinator	415	Nov 2023
Bapco Energies	Oil & Gas	Bahrain	SLL Mashreq Role: MLA & Sustainability Coordinator	2,500	Nov 2023
EUROPE					
Iberdrola	Utilities	Spain	Green Loan/SLL	328	Jan 2024
Trailstone	Renewable Energy	Germany	Green Loan	471	Jan 2024
ASIA					
State Bank of India	Banking & Finance	India	Social Loan	1,000	Jan 2024
China Oil & Gas Group	Oil & Gas	China	SLL	300	Jan 2024
NORTH AMERICA					
Bright Night	Renewable Energy	USA	Green Loan	375	Jan 2024

Source: Environmental Finance

Key Industry Highlights

H2 Green Steel Raises more than €4 bn in Debt Financing for the World's First Large-Scale Green Steel Plant

H2 Green Steel signs definitive debt financing agreements for €4.2bn in project financing and increases the previously announced equity raised by €300mn. Total equity funding to date amounts to €2.1bn. The company has also been awarded a €250mn grant from the EU Innovation Fund. H2 Green Steel has now secured funding of close to €6.5bn for the world's first large-scale green steel plant in Northern Sweden. H2 Green Steel is driving one of the largest climate impact initiatives globally. The company was founded in 2020 with the purpose to decarbonize hard-to-abate industries, starting by producing steel with up to 95% lower CO_2 emissions than steel made with coke-fired blast furnaces. The construction of the flagship green steel plant in Boden, with integrated green hydrogen and green iron production, is well under way. The supply contracts for the hydrogen-, iron- and steel equipment are in place. A large portion of the electricity needed has been secured in long-term power purchase agreements, and half of the initial yearly volumes of 2.5mn tonnes of near zero steel have been sold in binding five- to seven-year customer agreements. Today H2 Green Steel announces a massive milestone on its journey to accelerate the decarbonization of the steel industry, which is still one of the world's dirtiest. The company has signed debt financing of €4.2bn, added equity of close to €300mn and been awarded a €250mn grant from the Innovation Fund. Funding amounts to €6.5bn in total.

H2 Green Steel has signed definitive financing documentation for €3.5bn in senior debt and an up-to-€600mn junior debt facility:

- Consistent with project financings, international banks providing the senior debt will be lending in part under cover provided by Riksgälden (Swedish National Debt Office), as a green credit guarantee and Euler Hermes as an export credit cover for €1.2bn each. The guarantees cover 80% and 95% of the loan amount respectively, and are market pricing.
- The group of over 20 lenders includes Svensk Exportkredit (SEK) and the European Investment Bank together with commercial banks, led by BNP Paribas, ING, KfW IPEX-Bank, Societe Generale and UniCredit.
- The junior debt consortium is led by AIP Management and comprises European and international investment banks and funds.

H2 Green Steel has also raised close to €300mn more in equity, bringing the private placement in the project to a total of €2.1bn. New shareholders include Microsoft Climate Innovation Fund, Mubea and Siemens Financial Services. Additionally, IMAS Foundation and Just Climate are some of the existing shareholders which are increasing their investments in H2 Green Steel. In September 2023, H2 Green Steel announced it had raised €1.5bn in equity, making it the largest private placement round in 2023 in Europe. Before that, the company closed its series A equity round of €86mn in May 2021 and announced the close of its series B1 round of €260mn in October 2022. H2 Green Steel has also signed a €250mn grant agreement under the Innovation Fund through the European Climate, Infrastructure and Environment Executive Agency (CINEA). The Innovation Fund is financed by the European Union's Emissions Trading System and supports innovative projects that aim to speed up decarbonization of European industry and accelerate the green transition.

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COP28: The UAE Consensus

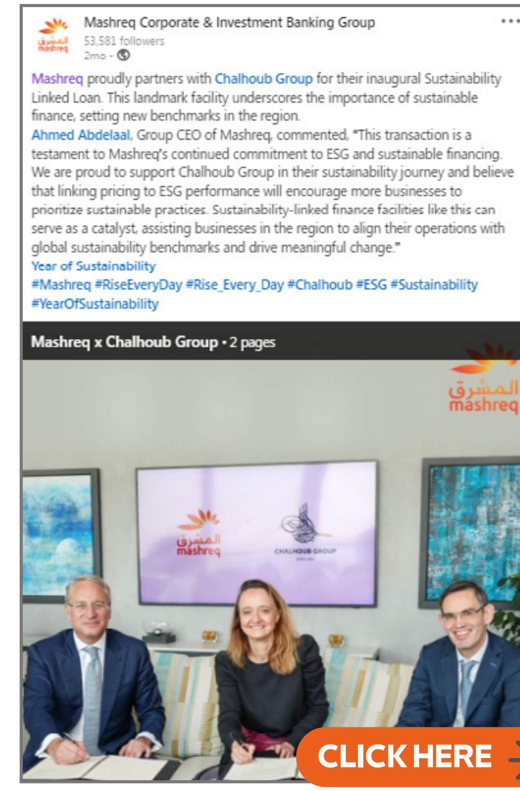
COP28 stands at a pivotal crossroad for the private sector, assuming a critical role in advancing the fight against climate change on an international scale. Its outcomes hold the key to steering the trajectory of stakeholder contributions to environmental challenges, ultimately influencing the destiny of our planet.

The post-COP28 landscape is of paramount importance; policies, commitments, and strategies forged during the conference must swiftly transition into actionable initiatives. Effective implementation becomes the linchpin, transforming lofty aspirations into practical steps toward a sustainable future. The success of COP28 hinges on industry's commitment to convert rhetoric into reality, particularly in light of the global stocktake metrics delineated in the Paris Climate Agreement. These metrics serve as a crucial yardstick for gauging progress, reinforcing the dedication of nations, businesses, and civil society to translate words into transformative actions. The dialogue and communication fostered at COP28 must echo beyond the conference halls, resonating in the tangible, industry-driven initiatives that are indispensable for safeguarding our planet for the well-being of future generations.

COP28 achieved a historic breakthrough with the UAE Consensus on December 13, 2023.
This landmark agreement introduced the first Global Stocktake, emphasizing the urgent need to transition away from fossil fuels by 2050. It calls for ambitious emission reduction targets and sets specific goals for renewable energy and energy efficiency by 2030. The Consensus also highlights the importance of scaling up adaptation finance and reforming the global financial system. COP28 mobilized over $85bn in funding, including contributions to the Green Climate Fund and the Adaptation Fund. Additionally, it launched a $30bn private market climate investment fund and secured commitments from 52 oil companies for ambitious decarbonization targets, signaling a new phase in global climate action.

Click here for Full Report

Top Monthly Social Media Posts



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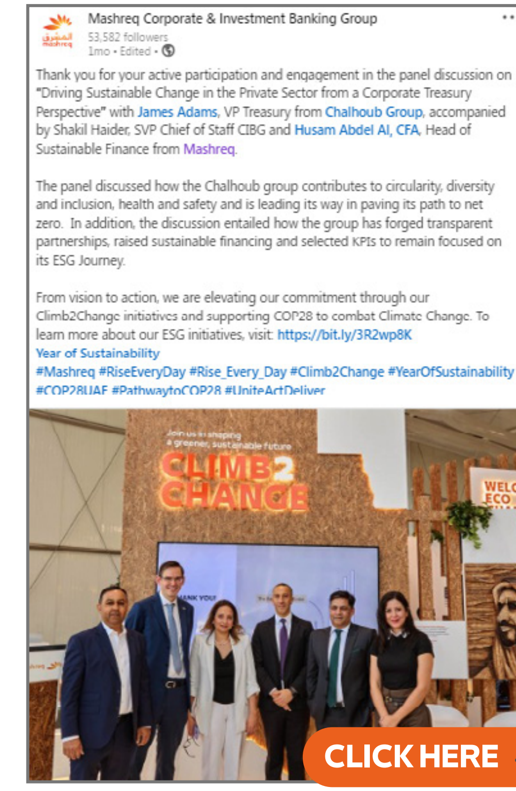

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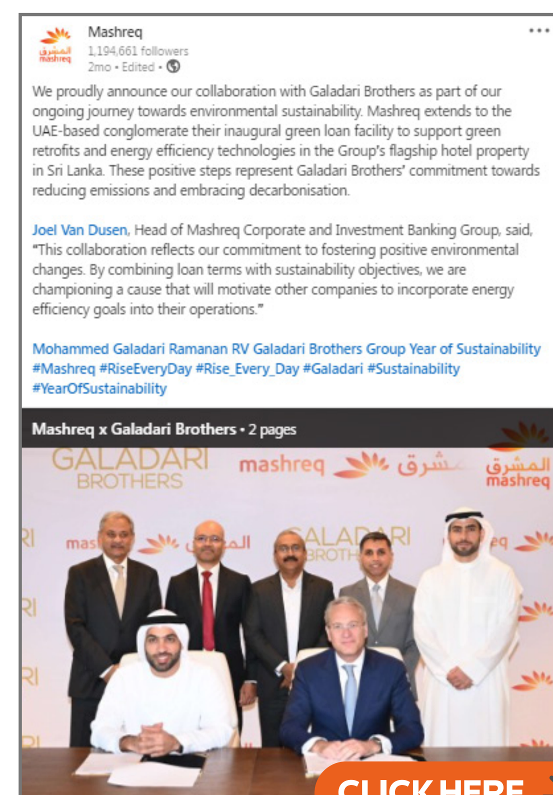

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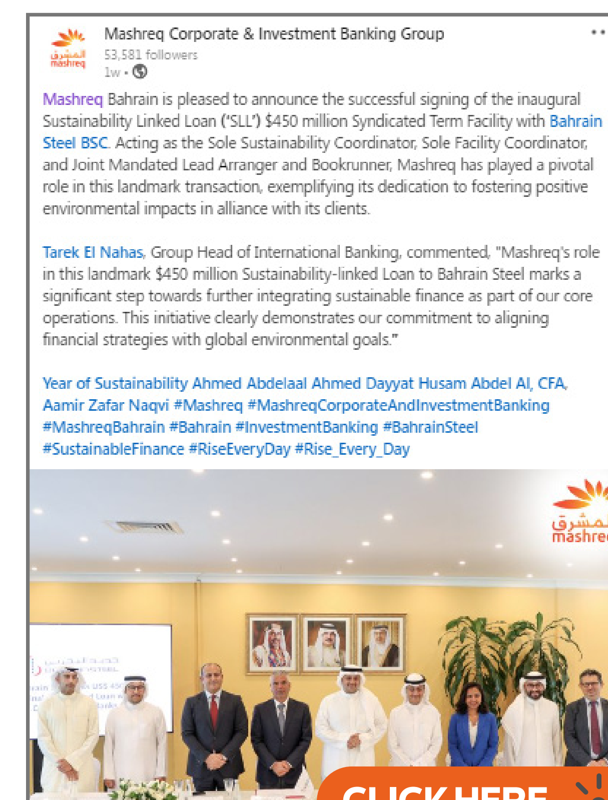

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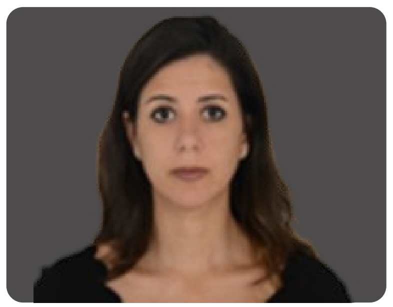
Contact Details

For any further information or clarification, please contact

Husam Abdel Al
Senior Director, Head of Sustainable Finance, Investment Banking
Email: HusamAb@mashreq.com
LinkedIn



Yousra Elsayed
VP, Director, Sustainable Finance, Investment Banking
Email: YousraE@mashreq.com
LinkedIn

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