



A Message from Mashreq's Energy Sector Team

The success of our team is built on consistent knowledge exchange with our stakeholders, partners, and customers. We hope you find the content of this newsletter informative and insightful.

Thank you for taking the time to read our quarterly newsletter. We wish you the best of health and wellbeing always.

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MASHREQ OPINION EDITORIAL

UAE's Digital Horizons are Rapidly Metaversing!

**By Badar Chaudhry,
Senior Vice President, Unit Manager, Energy Sector, Mashreq Bank**



Data is the new language of the future – and you are already in the classroom learning it, whether you know it or not, and the United Arab Emirates is at the forefront of this change. Grasping how deeply real-time data has filtered into our day-to-day lives and work is hard to pin down. From massive data banks tracking our financial footprints, to the real-time ease of digital banking, and the emergence of a metaverse turning science-fiction into reality, and so much more – all targeted at ultra-convenience, enhanced transparency, and upmost safety.

The UAE government recently declared that the digital economy's contribution to the non-oil gross domestic product (GDP) will soar to 20% by 2031, nearly double the 11.7% achieved last year, powered by the New Digital Economy Strategy. Is this realistic? Absolutely, with the UAE's goal to be a primary global data hub underpinned by ambitious target-based strategies and a colossal cultural appetite for a digital evolution.

Plus, the UAE is increasingly embracing the 'freedom to fail' ethos, which lies behind some of the greatest stories of innovation. Tech giants Steve Jobs and Bill Gates both experienced failures before truly thriving, for example, with the latter saying: "It is fine to celebrate success, but it is more important to heed the lessons of failure."

The facts surrounding the UAE's digital journey are already impressive. It is likely to become the first cashless

country in the Middle East, ranking 8th overall worldwide, according to a report by UK-based Money, and it has 99% internet penetration. These examples are the tip of the iceberg in this National effort, which is far from new. ADNOC, the world's twelfth largest oil company, revealed two years ago that its Panorama Digital Center had generated more than \$1bn in business value, had 250,000 real-time data points, and historical data stretching back to 1991 – more than three decades.

Ramping up digitalization holds great promise for those wanting to make a bolder statement on the global map in the 21st century. For one, \$255bn in regional GDP could be generated by the Gulf states, including the UAE, accelerated their digital growth, highlighted Strategy&. The GCC countries have climbed Strategy&'s Digital Economy Index at twice the speed of countries in the Organization for Economic Co-operation and Development over the last decade.

Imagine living in Dubai yet talking to colleagues from every point on the globe "in person", seemingly physically shaking hands, walking around the office together, or grabbing a 20-minute swim along the Great Barrier Reef in your lunch break. Therein lies the possibilities offered by the metaverse – the convergence of the physical and digital realms in the next evolution of the internet and social networks using real-time 3D software – which could be a \$800bn market opportunity by 2024, detailed Bloomberg Intelligence.

The UAE is pushing hard to get first mover status. For example, One Human Reality will be Dubai's presence in the emerging metaverse, following its launch during the World Government Summit in March. Plus, Dubai's Virtual Assets Regulatory Authority (VARA) announced its entry into this new dimension with the establishment of its Metaverse HQ in the dynamic virtual world of 'The Sandbox' – the first regulator worldwide to make its debut.

Leading the global digital charge requires constant innovation and in turn, a cultural zest for learning and adaptability. This is already very evident in much of the UAE, but there is no finish line. The UAE's National Program for Coders aims to create 1,000 digital companies, 500 internship opportunities, and ten coding sectors in universities.

The UAE's passion for digital education goes beyond its borders, as illustrated by the launch of The Digital School in 2020 with 20,000 students in the Arab region and beyond. With a focus on young people in refugee camps and marginalised communities, the effort by the Mohammed bin Rashid Al Maktoum Global Initiatives (MBRGI) aims to reach 1mn students by 2026 – equivalent to 10% of the UAE's entire population.

So, when the nation's leaders are saying the country will top the digital scorecard, we should listen – and think of how we can all leverage these opportunities.

The Arab Green Summit 2022

"Green finance: Challenges and opportunities faced while transitioning to a clean and climate-resilient world"

Green financing is a loan or investment that supports environmentally friendly activity and often include incentives that make it easier to deal with the cost of switching to a low transition lifestyle/business. Lack of financing to fund the solutions for a low carbon future is seen as one of the greatest obstacles to reaching net zero. A national survey on "state of Green finance in UAE" has highlighted lack of policy enforcement, high risk and low return as the most common barriers to introducing green finance. Significant efforts are underway to alleviate these difficulties and make sustainable investments easier to comprehend for businesses in the energy transition.


- Inability of financial institutions and lack of funds
- Lack of strict policies and procedures governing green financing
- Lack of understanding and access to green financing
- Changing the perception that green financing is a high risk and low return investment.

PANELISTS:

1. Badar Chaudhry SVP Sector Head – Energy, Mashreq Bank
2. Jessica- Deloitte – Senior Advisor
3. Anne Marie - Umbrella institute – CEO & MD
4. Ahmed Samir Elbermbali - CEBC – MD

Energy Transition Dialogues

SOUNDINGS



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PARTNERSHIPS: "Public-private partnerships can help strengthen the development of regulations in green finance. We would need more technical expertise and knowledge transfer from the developed markets. This can help ensure that regulatory controls and checks and balances are in place."

Badar Chaudhry
Senior Vice President, Energy Sector
Mashreq Bank


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Energy Transition Dialogues

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Badar Chaudhry
Senior Vice President, Energy Sector
Mashreq Bank

Banks Need to Increase Capability and Infrastructure to Provide Green Finance!
Policymaking surrounding green finance has matured substantially and is gathering good pace. The UAE's \$50bn pledge to tackle climate change clearly gives a signal to banks that there is a need in the MENA region for increased capacity, capability, and infrastructure to provide green finance. All those commitments need to find the appropriate opportunities which in turn needs to be assessed. Knowledge gap in the market should be addressed in the next five years and more emphasis should be given towards investment policies.

Public Private Partnerships Can Support Project Validation
Collaboration between the public and private sector can be put in place to enable the validation of projects that are subjected to green financing by banks. While private contractors and institutions may be available with their experts capable of doing the evaluation, it would be subjective. We have seen examples in the UAE where there are still some areas that need clarity in their tender process in the renewable energy business. This limits banks' ability to understand and evaluate those projects much more effectively. More attention needs to be given in the regulatory oversight as well and in ensuring that there is standardization in best practices, assessment of technology development and deployment. This is an area which will require more effort in the next two or three years. For instance, when an investor comes up with a project which needs to be validated, a particular authority will be reviewing that and providing the necessary guidance and feedback to put the proposal into action.

Funding Flexibility
All aspects must be considered, including the technology transfer. Grants may be necessary in the developing countries when financial capacity is not readily available but where areas that financial capability is available, the public sector must be involved. ■
*Paraphrased Comments

Badar Chaudhry
Senior Vice President, Energy Sector
Mashreq Bank

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Energy Markets Q2 Review

H.E. Mohammad Sanusi Barkindo, Secretary General, OPEC

"From the very beginning of the Declaration of Cooperation, we have never stood back and waited to act. Rather, we have worked proactively and with determination, and our efforts to restore oil market balance and stability continue to bear fruit."



Global Oil Demand

World oil demand growth in 2021 remained unchanged at 5.7 mb/d. Oil demand in the OECD increased by 2.6 mb/d in 2021, while the non-OECD showed growth of 3.1 mb/d. For 2022, world oil demand growth is broadly unchanged to stand at 3.4 mb/d. Within the quarters, the 2Q22 is revised down, reflecting the lockdown in some part of China leading to lower-than-expected demand, while 2H22 is revised up on expectations of higher demand during the summer holiday and driving season. Oil demand growth in 2022 is forecast at 1.8 mb/d in the OECD and 1.6 mb/d in the non-OECD.

Source: IEA, OPEC

Global Oil Supply

The estimate for non-OPEC liquids supply growth in 2021 remains broadly unchanged at 0.6 mb/d. Total US liquids production is estimated to have increased by 0.1 mb/d y-o-y in 2021. The forecast for non-OPEC supply growth in 2022 is revised down by 0.25 mb/d to 2.1 mb/d. Russia's liquids production for 2022 is revised down by 0.25 mb/d. The US liquids supply growth forecast for 2022 remains marginally unchanged at 1.3 mb/d. The main drivers of liquids supply growth in 2022 are expected to be the US, Brazil, Canada, Kazakhstan, Guyana and China, while declines are expected mainly in Russia, Indonesia and Thailand. OPEC NGLs and non-conventional liquids production in 2021 is revised up by 20 tb/d from last month's assessment, representing growth of 0.1 mb/d y-o-y to average 5.3 mb/d. Growth of 0.1 mb/d is also expected for 2022. In May, OPEC-13 crude oil production decreased by 176 tb/d m-o-m to average 28.51 mb/d, according to available secondary sources.

Source: IEA, OPEC

	APRIL 2021	MAY 2021	CHANGE (MAY/APRIL)	YEAR-ON-YEAR (Y-O-Y)	
				2021	2022
WTI	\$101.64/bl	\$109.26/bl	7.5%	\$60.25/bl	\$99.20/bl
BRENT	\$105.92/bl	\$111.96/bl	5.7%	\$63.52/bl	\$102.33/bl
DME OMAN	\$102.71/bl	\$107.39/bl	4.6%	\$62.19/bl	\$99.70/bl
SPREAD					
Brent-WTI	\$4.28/bl	\$2.70/bl	-36.9%	\$3.27/bl	\$3.13/bl

Source: IEA, CME, DME and OPEC

Mini Opinion Editorial

MENA region needs increased capacity, capability, and infrastructure to provide green finance.

By Badar Chaudhry,
Senior Vice President, Sector Head – Energy, Mashreq Bank

Banks need to increase capability and infrastructure to provide green finance!

Policymaking surrounding green finance has matured substantially and is gathering good pace. The UAE's \$50bn pledge to tackle climate change clearly gives a signal to banks that there is a need in the MENA region for increased capacity, capability, and infrastructure to provide green finance. All those commitments need to find the appropriate opportunities which in turn needs to be assessed. Knowledge gap in the market should be addressed in the next five years and more emphasis should be given towards investment policies.

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Energy Markets Q2 Survey

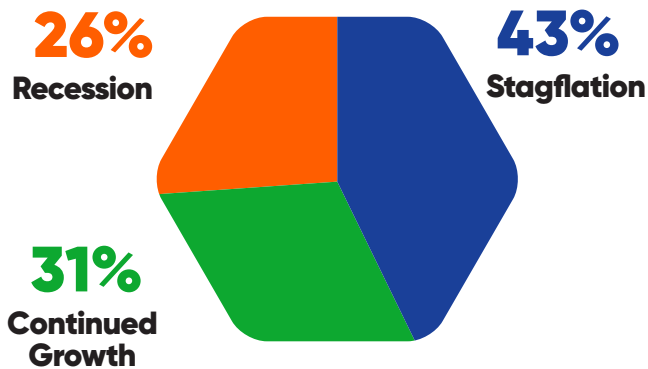
Can 40-Year high Inflation come down without end of Russia's War in Ukraine?



In aftermath of OPEC+ deal last week, will Saudi & UAE now increase their oil production levels over and above their quotas to make up for shortfall of rest of OPEC+?



What is most likely outcome in 2023 for developed countries?



Will Oil prices hit \$150 a barrel before demand destruction kicks in sufficiently to reverse prices?



US & EU Central Bankers Face Choice Between Elevated Inflation or Recession - which will they choose to live with?



Can OPEC+ remain a credible steward of global oil markets with Russia still accounting for 25% of the group's official production Quota?



Energy News Highlights Q2

APRIL

April 1st

Millions of Brits plunged into fuel poverty on Friday as household energy bills surge

The U.K. has been hit particularly hard by the wholesale gas price surge, due to its heavy reliance on gas as an energy source, and the issue has heavily contributed to the country's worst cost of living crisis in decades, after the country's energy regulator increased its price cap by a record-breaking 54%.

Source: CNBC

April 4th

Oil prices fall after truce in Middle East conflict, petroleum reserve news

Oil prices fell at the start of Asian trade on Sunday, after the United Arab Emirates and the Iran-aligned Houthi group welcomed a truce that would halt military operations on the Saudi-Yemeni border, alleviating some concerns about potential supply issues.

Source: Zawya

April 21st

Food, Fuel Prices Affecting SDG Prospects, Should Drive Investment in Sustainable Energy: 2022 FSDR

To ensure that "all financing flows" are aligned with sustainable development, the report says countries should accelerate investments in sustainable energy amid current high fossil fuel prices. It also notes the need for globally consistent standards for sustainability reporting for companies.

Source: IISD

MAY

May 23rd

Supply chain delays and steel costs are part of 'perfect storm' stalling renewable energy growth

Covid disruptions in China and rising costs are affecting supplies of solar panels and wind turbine parts, while domestic energy prices climb. Outages by coal-fired power plants also haven't helped.

Source: The Guardian

May 30th

OPEC+ looks to a future with Russia beyond the pandemic's oil output cuts

OPEC+ officials have insisted that the oil market remains balanced, with no signs of any shortage

of crude, despite healthy global demand and sanctions hammering Russian production. They have instead blamed steep gasoline and diesel prices on a lack of refinery capacity worldwide, along with geopolitics.

Source: S&P Global Commodity Insights

JUNE

June 3rd

The world may be careening toward a 1970s-style energy crisis -- or worse

The global economy has largely been able to withstand surging energy prices so far. But prices could continue to rise to unsustainable levels as Europe attempts to wean itself off Russian oil and, potentially, gas. Supply shortages could lead to some difficult choices in Europe, including rationing.

Source: CNN Business

June 16th

OPEC+ crude oil output boost undershoots targets in May

Underproduction by the Organization of the Petroleum Exporting Countries and its allies, known as OPEC+, was higher in May, when overall compliance with planned output cuts stood at 256%, up from 220% a month earlier.

Source: Reuters

June 20th

Netherlands activates energy crisis plan, removes cap on coal plants

The Netherlands' removal of the cap on coal-fired energy production is expected to save 2 billion cubic meters (bcm) of gas use per year. The Netherlands imported as much as 15% of its gas from Russia, is already buying LNG and cutting back gas consumption, but still may face a shortage this winter.

Source: Reuters

June 20th

Biden says he's considering a gasoline tax holiday

The Biden administration has already released oil from the US strategic reserve and increased ethanol blending for the summer, urging oil refiners to increase refining capacity. The administration is now considering a gas tax holiday. Taxes on gasoline and diesel fuel help to pay for highways.

Source: Gulf News

Energy Transition Q2 Review

H.E. Suhail Al Mazrouei, Minister of Energy and Infrastructure, UAE

“We, in the UAE, believe in the reason for acting on climate change, and we believe on the speed of that action. We need to move in a multifaceted way. One is reducing our consumption as a country and as individuals. Second, we need to diversify our energy mix, and diversify quickly towards cleaner forms of energy. We need to invest in technology, and we need to create a business case for hydrogen at a scale that allows transformation to happen.”



GLOBAL ENERGY INVESTMENT

Global energy investment is set to increase by 8% in 2022 to reach \$2.4trn, with the anticipated rise coming mainly in clean energy. Although encouraging, the growth investment is still far from enough to tackle the multiple dimensions of today's energy crisis and pave the way towards a cleaner and more secure energy future. The fastest growth in energy investment is coming from the power sector – mainly in renewables and grids – and from energy efficiency.

Source: IEA World Energy Investment 2022 Report



Spotlight on Green Finance

“Sustainable Finance Faces Growing Pains, but Remains Important for Clean Energy Financing” – IEA

Top 3 Takeaways:

1. There is a need to align ESG taxonomies and standardize reporting frameworks, and thereby to improve the quality of engagement between investors and companies.
2. Channels need to remain open to support the credible transition plans of carbon-intensive companies, recognizing that half of the investment required to get on track for net zero over the next decade goes to projects that do not immediately deliver zero emission energy or energy services.
3. If ESG investing is to tackle the biggest deficits in decarbonization, it must find a way to channel financing towards the EMDEs where the needs are greatest.

Source: IEA World Energy Investment 2022 Report

Energy Transition Q2 Review

Cleaner Fuel Goals Need Not Lead Nations into Energy Poverty

H.E. Dr. Sultan Ahmed Al Jaber, Minister of Industry and Advanced Technology & UAE Special Envoy for Climate Group MD & CEO of ADNOC

"We all need to recognize the energy transition will take time and it actually requires sober and thoughtful planning. It is more evident than ever before that this cannot be rushed."



Egypt Says Climate Finance Must be Top of Agenda at COP27 Talks

H.E. Rania Al Mashat, Minister for International Cooperation, Egypt

"One of the successes from Glasgow which will always be remembered is how the private sector was mobilized in a very important way. So instead of just billions, the word trillions started coming up. However, these trillions from the private sector commitments or pledges can never make their way to the countries that need them most, unless we have more synergy between public sector development finance and private capital to create de-risking tools."



The Pronounced Dip in Carbon Emissions in 2020 was Only Temporary

Spencer Dale, Chief Economist, BP

"The low-carbon energy sources and technologies needed to achieve a fast and deep decarbonization exist today – wind and solar power, biofuels, blue and green hydrogen, carbon capture, use and storage (CCUS), and carbon dioxide removals. The challenge is to apply them at unprecedented pace and scale."

COP27

COP27 The Countdown Begins

The world's biggest climate related gathering must make huge inroads to help limit global warming to 1.5°C by 2050.

Egypt
Sharm el-Sheikh
1st
COP in Egypt

7-18 November
2022



COP27 Climate Investments Heading in the Right Direction

The global transition to a greener future is expensive, but *far* cheaper than the cost of inaction.

#1

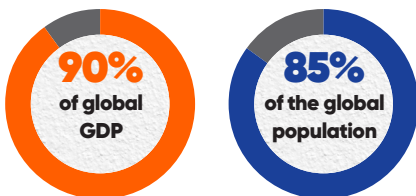
China boosted its energy transition investment by 60% on 2020 levels – leading the global charge.

\$125trn
of climate investment needed to hit net zero worldwide by 2050.

COP27 Momentum for Net Zero Soars

The global push to hit net zero by mid-century is rapidly transforming how we live and work.

Net Zero Coverage (so far)



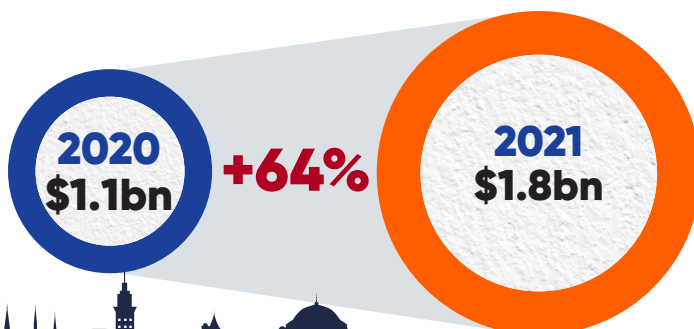
Source: NetZeroTracker

Net Zero Goals



COP27 Green Money on the Rise

The global asset management industry's fees for sustainable funds will climb again after COP27.



2021

saw the world spend \$755bn on deploying low carbon energy technologies.

27%

year-on-year rise in funds for low carbon technologies in 2021.

Source: Sources: World Economic Forum (WEF), Visual Capitalist

