



This week, we identified the following events of significance within sustainability and their respective business implications.

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REGULATORY

1. The United Arab Emirates convened the Independent High-Level Expert Group (IHLEG) on climate finance to drive progress on steps to reform international finance. With COP28 on sight, its Presidency gave further steps to fix climate finance, one of the 4 priority action pillars of COP28, alongside fast-tracking the energy transition, ensuring full inclusivity, addressing lives and livelihoods. The two-day meeting, which took place at the Abu Dhabi Global Markets (ADGM), brought together world-leading economists, private sector leaders, the COP28 Presidency and UN Climate Change High-Level Champions.



- The IHLEG develops and presents policy options and recommendations to enable the public and private investment necessary for delivery of the ambitions of the Paris Climate Agreement. It will evaluate progress on the climate finance landscape and the develop a roadmap of actions needed up to, and during, COP28 and beyond to COP29 and COP30. The ultimate goal of IHLEG is to advance a holistic financial framework for resource mobilisation to deliver an equitable and efficient climate finance system, as set out in the Paris Agreement and Glasgow Pact, and start its implementation.

- The IHLEG will build the action agenda that emerged from the Paris Summit, as well as on the ongoing work at G20. The group aims to explore overcoming geopolitical constraints and identifying gaps and barriers that may require targeted interventions. IHLEG will launch a final report on this matter at COP28 and will establish an engagement plan of actions with crucial stakeholders involved in executing the roadmap during the conference.

2. The European Union (EU) adopted the rules governing the implementation of the Carbon Border Adjustment Mechanism (CBAM). The initiative details the transitional reporting obligations for EU importers of CBAM goods, as well as the transitional methodology for calculating embedded emissions released during the production process of CBAM goods. CBAM is the EU's landmark tool to fight carbon leakage. Carbon leakage occurs when companies based in the EU move carbon-intensive production abroad to take advantage of lower standards, or when EU products are replaced by more carbon-intensive imports, which in turn undermines our climate action.

- In the CBAM's transitional phase, traders will only have to report on the emissions embedded in their imports subject to the mechanism without paying any financial adjustment. This will give adequate time for businesses to prepare in a predictable manner, while also allowing for the definitive methodology to be fine-tuned by 2026.

- To help both importers and third country producers, the Commission also published guidance for EU importers and non-EU installations on the practical implementation of the new rules. At the same time, dedicated IT tools to help importers perform and report these calculations are currently being developed, as well as training materials to support businesses when the transitional mechanism begins. While importers will be asked to collect fourth quarter data as of 1 October 2023, their first report will only have to be submitted by 31 January 2024.



3. California launched a new strategy to scale up its clean hydrogen economy. Expanding the market for clean, renewable hydrogen is key to achieving California's climate goals, especially for a clean electric grid, net zero carbon emissions, and cutting air pollution. California is currently competing to become a federally funded hydrogen hub, under a program that will leverage \$8 billion from the bipartisan infrastructure law to establish at least 4 hydrogen hubs across the United States.



- The move is aimed at creating a market development strategy that is focused on leveraging hydrogen to accelerate clean energy deployment and decarbonizing transportation and industrial sectors. It identifies shared strategies to deliver projects, which may include new financing models, permitting modifications, and procurement initiatives. California also intends to engage relevant stakeholders, including local communities, to advance equity and deliver environmental and economic benefits, while ensuring state agencies and partners continue to pull in a shared direction to accelerate the use of renewable energy throughout California's economy and increase the resilience and reliability of its energy system.

- This initiative builds on California Governor's executive order to create an infrastructure strike team to streamline projects throughout the state. The hydrogen strategy will be one outcome of the team's hydrogen, clean energy, transportation, and zero emission vehicle workgroups. California's application for federal funding was led and submitted by California's Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES), a public-private partnership organized to create an economically sustainable, multi-sector, renewable hydrogen ecosystem that directly benefits Californian communities.



RESEARCH

1. The Taskforce on Nature-related Financial Disclosures (TNFD) authored a report concluding that a global nature-related public data facility could scale the availability, quality and maintenance of nature data. The demand for nature-related data is growing quickly and a public data facility would carry significant benefits for public, private and civil society stakeholders globally. Interest in global scale solutions to nature-related data needs have accelerated since the successful agreement of the Kunming-Montreal Global Biodiversity Framework at the CBD COP15 meeting in Montreal, last December.

- The availability of accurate, comparable and decision-useful nature-related data is an essential pre-requisite to address the global challenge of accelerating nature loss. It also helps organisations become more resilient in the face of nature-related risks, while enabling sustainable development for local communities and facilitating the flow of capital to nature positive outcomes. A nature data landscape analysis undertaken by the TNFD in March 2022 concluded that a significant amount of nature-related metrics and data already exist and are in use today. It faces critical challenges regarding standardisation of methods and definitions; maintenance and connectivity of nature-related data sets; accessibility for a growing list of interested data users; and comparability to assist policy making, business strategy and capital allocation decisions by financial markets.

- The key finding of the scoping study released is that high quality, nature-related data is a global public good increasingly demanded by a wide array of public, private and civil society stakeholders everywhere. The report suggest that, wherever possible, baseline nature-related data should be accessible to a broad range of stakeholders and not kept behind paywalls or in proprietary systems.



2. S&P Global issued a report alerting that the mining industry faces considerable challenges to meet the demand for EV materials spurred by the U.S. climate law. The study analyses the likely impact of the U.S. Inflation Reduction Act (IRA) on U.S. demand to 2035 for 3 US-listed critical minerals such as cobalt, lithium and nickel. It also considers copper. Although not currently designated critical by the U.S. geological survey, copper is fundamental to the energy transition as the metal of electrification. The U.S. IRA seeks to catalyse investment in sectors that advance the energy transition through roughly \$500 billion in tax credits by 2032.



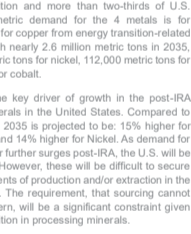
- Post-IRA, the U.S. demand for lithium, cobalt, nickel and copper will be materially higher. Spurred by the IRA, energy-transition-related U.S. demand for the critical minerals lithium, nickel and cobalt, taken together, will be 23 times higher in 2035 than it was in 2021. For copper, it will be twice as high. This is equivalent to compound annual growth rates of 25% for the 3 critical minerals and 4% for copper. Copper remains the backbone of the energy transition and more than two-thirds of U.S. energy transition-related volumetric demand for the 4 metals is for copper. Post-IRA, U.S. demand for copper from energy transition-related infrastructure and EVs will reach nearly 2.6 million metric tons in 2035, compared to about 700,000 metric tons for nickel, 112,000 metric tons for lithium and 53,000 metric tons for cobalt.

- Electric vehicle batteries are the key driver of growth in the post-IRA demand outlook for critical minerals in the United States. Compared to before the IRA, U.S. demand in 2035 is projected to be: 15% higher for Lithium, 13% higher for Cobalt and 14% higher for Nickel. As demand for nickel, lithium, cobalt and copper further surges post-IRA, the U.S. will be increasingly reliant on imports. However, these will be difficult to secure per the IRA's sourcing requirements of production and/or extraction in the United States or FTA countries. The requirement, that sourcing cannot involve a foreign entity of concern, will be a significant constraint given Mainland China's dominant position in processing minerals.

3. Eurostat published a report highlighting that the European Union (EU) economy's greenhouse gas emissions fell 3% in Q1 2023. In the first quarter of 2023, EU economy greenhouse gas emissions totalled 941 million tonnes of CO2-eq, a 2.9% decrease compared with the same quarter of 2022 (969 million tonnes of CO2-eq). This decrease took place simultaneously with a 1.2% increase in the EU's gross domestic product (GDP) in the first quarter of 2023, compared with the same quarter of 2022..

- In the first quarter of 2023, the economic sectors responsible for most greenhouse gas emissions were households (24%), manufacturing (20%), electricity, gas supply (19%), agriculture (13%), followed by transportation and storage (10%). Data showed that, compared with the first quarter of 2022, emissions decreased in 5 out of 9 economic sectors. The biggest decrease was registered in electricity and gas supply with a drop of 12.3%. The main sector in which emissions increased was transportation and storage with a 7.2% hike.

- Emissions in the first quarter of 2023 decreased in almost all EU countries when compared with the first quarter of 2022, except for Ireland (+9.1%), Latvia (+7.5%), Slovakia (+1.9%), Denmark (+1.7%) Sweden (+1.6%) and Finland (0.3%). This group of EU members also saw their GDP increase. The largest reductions in greenhouse gases were registered in Bulgaria (-15.2%), Estonia (-14.7%) and Slovenia (-9.6%). Of the 21 EU countries that decreased their emissions, only 6 also decreased their GDP (Czechia, Estonia, Lithuania, Luxembourg, Hungary, and Poland), meaning 15 EU countries (Portugal, Austria, Belgium, Malta, France, Spain, Netherlands, Germany, Croatia, Romania, Italy, Cyprus, Greece, Slovenia and Bulgaria) managed to decrease emissions while growing their GDP.



COMMERCIAL

1. Emirates Development Bank (EDB) to create supply chain financing and working capital solutions for small and medium enterprises in the UAE. In line with government priorities, EDB aims to deepen its commitment to foster a healthy, sustainable, and self-reliant economy. EDB has a mandate to approve AED30 billion in financing support of 13,500 companies by 2026, within its 5 priority sectors such as renewables, manufacturing, technology, healthcare, and food security.



- The initiative is a partnership with Trade Capital Partners which led to a Memorandum of Understanding (MoU) between both entities. The MoU will see the creation of a working group to discuss new ways of delivering supply chain financing to SMEs in the UAE. Supply chain finance reduces the risk of supply chain disruption and enables both buyers and suppliers to optimize their working capital.

- SMEs are already a key driver of an economy, and start-ups will be the future drivers. Currently, SMEs contribute more than 60% of the UAE's non-oil GDP. In line with other government initiatives to grow and drive these sectors, EDB's new partnership will provide significant support to this ecosystem and provide trade finance alternatives to growing businesses.

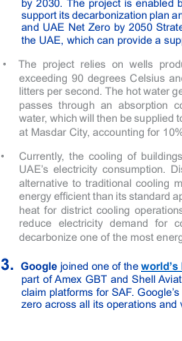
2. ADNOC and Tabreed advanced the first project in the region to harness geothermal energy. A landmark initiative set to decarbonize the cooling of buildings in Masdar City, further diversify the Emirates' energy mix and support the UAE National Energy Strategy 2050, which aims to grow renewable energy capacity to 14 gigawatt by 2030. The project is enabled by ADNOC's initial \$15 billion allocation towards low carbon solutions and will support its decarbonization plan and net zero by 2045 ambition, as well as the Abu Dhabi Climate Change Strategy and UAE Net Zero by 2050 Strategic Initiative. ADNOC is pioneering the development of geothermal energy in the UAE, which can provide a supply of clean baseload energy for electricity generation.

- The project relies on wells producing hot water at temperatures exceeding 90 degrees Celsius and flow rates of approximately 100 liters per second. The hot water generated by the heat from the wells passes through an absorption cooling system to produce chilled water, which will then be supplied to Tabreed's district cooling network at Masdar City, accounting for 10% of its cooling needs.

- Currently, the cooling of buildings accounts for the majority of the UAE's electricity consumption. District cooling offers a sustainable alternative to traditional cooling methods as it is around 50% more energy efficient than its standard applications. Leveraging geothermal heat for district cooling operations has the potential to significantly reduce electricity demand for cooling from the grid, helping to decarbonize one of the most energy intensive sectors in the region.



3. Google joined one of the world's largest sustainable aviation fuel (SAF) programs. The tech company is now part of Amex GBT and Shell Aviation program powered by Avelia, one of the world's first blockchain, book-and-claim platforms for SAF. Google's collaboration with Amex GBT and Shell Aviation builds on its goal to reach net zero across all its operations and value chain by 2030, and contributes to global climate solutions.



- Amex GBT and Shell Aviation's SAF program demonstrates how the private sector can drive systemic change and help finance aviation's transition to net zero by bringing together major corporations such as Google, Aon, Bank of America, Delta, Cathay Pacific, JetBlue, and Japan Airlines. The program is also aggregating clear demand, a foundational step in helping scale the emerging SAF market. The program was launched in 2022 with 1 million gallons of SAF available for corporate customers, providing the enough to power almost 15,000 business trips from London-to-New York. With air travel accounting for around 90% of business travel emissions, sustainable business travel means addressing the deep-rooted problem of aviation's dependence on fossil fuels. SAF, when used neat, can reduce lifecycle carbon emissions by as much as 80% when compared to traditional fossil-based fuels. However, SAF only represents less than 0.1% of available aviation fuel and is 2 to 8 times more expensive than conventional fossil-based jet fuel.

- The program is powered by Avelia, one of the world's first blockchain-verified digital SAF book-and-claim solutions for business travel. Avelia uses blockchain to provide clear and transparent tracking of the environmental attributes of SAF delivered into the aviation fuelling network. Environmental attributes can be allocated to both airlines and business customers, while avoiding issues such as double counting. This means corporates can confidently report verified lifecycle emissions reductions from SAF today, while working to establish sufficient SAF to meet their future net zero or science-based targets.

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