



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

For previous editions please refer to our [website repository](#).



REGULATORY

1. The Global Environment Facility (GEF) witnessed the launch of a [new global biodiversity fund](#). Representatives of 185 countries ratified at the Global Environment Facility's 7th Assembly in Canada, an innovative Global Biodiversity Framework Fund that will attract funding from governments, philanthropy, and the private sector. The new fund ratified and launched in Vancouver, already saw 2 countries setting initial contributions to start its capitalization. Canada pledged 200 million Canadian dollars and the United Kingdom committed 10 million pounds to it.



GLOBAL ENVIRONMENT FACILITY

- The new Global Biodiversity Framework Fund (GBFF) was designed to mobilize and accelerate investment in the conservation and sustainability of wild species and ecosystems, whose health is under threat from wildfires, flooding, extreme weather, and human activity including urban sprawl. The GBFF's ratification came 8 months after the Conference of the Parties to the Convention on Biological Diversity's agreement on a historic set of global biodiversity goals known as the Kunming-Montreal Global Biodiversity Framework, which decided to establish a new GEF-managed fund to support its implementation.
- The GEF comprises funds supporting developing countries' action on inter-related environmental challenges including biodiversity loss, climate change, and pollution. In June, the GEF Council approved the arrangements to establish the fund during a meeting in Brazil. The contributions announced in Vancouver will support action towards halting and reversing biodiversity loss by 2030 and putting nature on a recovery path by 2050. As much as 20% of the fund's resources will support Indigenous-led initiatives to protect and conserve biodiversity. It will also prioritize support for Small Island Developing States and Least Developed Countries, which will receive more than a third of the fund's resources.

2. The U.S. Federal Financial Regulators have [yet to implement climate risk rules, although some progress was achieved](#). A conclusion provided by the non-profit organisation Ceres through its 2023 climate risk scorecard which assessed 10 U.S. financial agencies on their actions to protect capital markets, financial institutions, and communities from climate-related financial risks.

- The Ceres 2023 climate risk scorecard assessed 10 U.S. financial regulators such as the Federal Reserve Bank, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, the Securities and Exchange Commission, the Municipal Securities Rulemaking Board, the Public Company Accounting Oversight Board, the Commodity Futures Trading Commission, the Federal Housing Finance Agency, and the U.S. Department of the Treasury. It showed that if combined, these 10 entities have taken over 100 public actions to address climate-related financial risk between July 2022 and June 2023.
- The U.S. Federal Reserve reached a milestone by announcing the first climate-related scenario analysis exercise, but it is lagging behind other countries, given that at least 31 central banks around the globe have already or are conducting a climate scenario analysis or stress tests. All but 2 regulators improved transparency on measuring and managing climate-related risks, while 9 of the 10 regulators affirmed that climate change is a systemic risk which could adversely impact the financial sector as well as the broader economy.



3. The Reserve Bank of New Zealand (RBNZ) released a [climate stress test \(CST\) scenario](#). The initiative targets the country's 5 largest banks ANZ, ASB, BNZ, Kiwi Bank and Westpac, which hold 90% of the total bank loan balances in New Zealand. The banks have until the end of 2023 to determine their exposure by modelling the effects of the scenario on their sectors and balance sheets out to 2050. The 2023 CST scenario is titled *Too Little, Too Late* and presents over plausible climate-related challenges spread over a 28-year period.



- The CST consists of a severe but plausible scenario in which RBNZ specifies the climate change path, associated policies and the impact on the New Zealand economy. The scenario is hypothetical and does not represent a view of the most likely outcome. Banks take the common scenario and set of variable paths as inputs into their own models to estimate the impact on their profits, balance sheet and capital. The CST adds complications due to the longer nature of the scenario and the new kinds of risk variables, meaning physical and transition climate-related ones.
- RBNZ will publish an aggregate report on how the banks performed in early 2024. The climate stress test design had the input of stakeholders such as the Australian Prudential Regulation Authority (APRA), the Bank of England, and the European Central Bank (ECB).



RESEARCH

1. Columbia University published an [article](#) on the commitments and contradictions of Gulf and Middle East decarbonization strategies ahead of COP28. With the Gulf Cooperation Council (GCC) and other Middle East countries facing contradictory pressures, updates of their Nationally Determined Contributions (NDCs), national oil companies' climate plans, and platforms at COP28 will be critical in demonstrating ambitious and realistic pathways to rapid decarbonization.

- The UAE's circumstances are similar to those of its neighbours in the GCC. Other than Qatar, all GCC members aim for net zero carbon emissions, the UAE and Oman by 2050, while Bahrain, Kuwait, and Saudi Arabia by 2060. In contrast, other regional oil and gas producers like Iran, Iraq, Egypt, Libya, and Algeria have much larger populations and lower income levels, and face political and economic instability.
- Collectively, the region's major oil exporters and OPEC alliance members face contradictory pressures. Each time OPEC cut back production as oil prices rose sharply in 2022, heavily criticized by the U.S., while European politicians visited repeatedly to seek increased gas supplies to replace those lost from Russia. Not just OPEC, but the International Energy Agency (IEA) has warned numerous times of underinvestment in production capacity, although other analysts suggest that aggregate upstream investment is sufficient to meet medium-term projected demand.



2. MSCI updated its [report](#) on progress by the world's listed companies toward curbing climate risk. MSCI's net zero tracker for July shows that disclosure and targets edge higher. According to it, 37% of listed companies have disclosed at least some of their scope 3 emissions, as of May 2023, up 2% from 2 months earlier. Nearly half or 48% of listed companies have set a decarbonization target, up 4% over the same period. Also, 32% of listed companies have declared a target of net zero emissions, while 18% of listed companies have published a pledge that, if achieved, would align carbon emissions across the company's total value chain with the ambitious 1.5C goal of the Paris Agreement, an increase of 2% and 1%, respectively, since May's edition.



- The ambition gap narrows as more than half or 55% of listed companies align with warming equal to or below 2C, placing them at the high end of the Paris Agreement's uppermost temperature threshold. Also, 22% of listed companies align with a 1.5°C pathway, the threshold above which the effects of global warming become more extreme. Listed companies are on a path to warm the planet 25°C above preindustrial levels this century, based on an analysis of their future emissions pathways and current climate commitments. While that represents a drop of two-tenths of a degree since the May update, the decline mainly reflects an increase in both the number and ambition of corporate climate targets, not a fall in listed companies' absolute emissions.
- A rapidly shrinking carbon budget was found. Listed companies are likely to put 11.3 gigatons of carbon dioxide equivalent (CO2e) emissions into the atmosphere this year, up about 1% from 2022, when global carbon emissions reached what was then an all-time high. At their current rate of emissions, listed companies are expected to use up their share of the global carbon budget for keeping temperature rise below 15°C by Oct. 31, 2026, unchanged from MSCI's projection in May.

3. McKinsey authored an [article](#) identifying 7 capabilities to win the green scale-up race through out-execution. The 7 capabilities identified were: AI-enabled, fast-paced R&D; Plant-as-a-Product; Leading cost and operations; Supply & feedstock advantage; New talent development; Commercial excellence; Growth-enabling operating model. These capabilities for out-execution will not always need equal emphasis. Leaders can best consider what kind of business they are looking to scale and ensure that they are emphasizing the capabilities that matter most for their route to value creation.

- The magnitude of what is required to achieve net zero is tremendous, and so is the opportunity. The 2023 GBB Summit demonstrated that many companies are taking on the challenge of driving the green transition with determination. Companies that build the right capabilities to out-execute on the finest of details as they hyperscale can set themselves up to play a key role in the green transition and become one of the winners.
- To reach net zero by 2050, McKinsey estimates that the cumulative capital spending on physical assets after 2021 will total \$275 trillion. To develop the low-carbon assets required for the transition, new green businesses such as start-ups and incumbent businesses alike, will need to hyperscale quickly. As the market for climate technologies grows, McKinsey anticipates that 300 well-acorn and 1,000 unicorn companies will emerge by 2030, as well as dozens of sustainability-oriented funds of \$10 billion or more.



COMMERCIAL

1. Dubai Islamic Bank pledged [AED 5 million to fund the construction of homes for flood victims in Pakistan](#). An initiative under a partnership with the Emirates Red Crescent who will oversee the project and the funds deployed by the bank. The cooperation agreement between both entities specifies the responsibilities of both parties and the methods of executing the project, marking a new level of collaboration to support the country's efforts to provide humanitarian aid.



- Moreover, the agreement reached highlights both parties' keenness to alleviate the suffering of those affected by the floods in Sindh Province and improve the living standards of unprivileged segments of the community who became homeless amid dire humanitarian conditions.
- Dubai Islamic Bank and the Emirates Red Crescent also affirmed their united visions and objectives in social responsibility, highlighting the importance of similar partnerships to meet rising humanitarian needs.

2. Dubai Municipality aims to [increase its recycled water utilisation rate to 100%](#). Dubai already achieved a water reuse rate of 90% and significantly curbed its reliance on desalinated water and groundwater. Dubai Municipality's water reuse strategy aligns with the Emirate's net zero carbon emissions strategy 2050 goal. Besides safeguarding vital groundwater resources for future generations, water recycling also substantially saves the electricity needed for energy-intensive desalination, thereby reducing greenhouse gas emissions. For the next 7 years, Dubai has a target to reduce desalinated water and related power consumption by 30%.

- Dubai extensively uses reclaimed water to irrigate green spaces and landscaping. Stretching approximately 2,400 kilometres, its network, which covers most areas of the city, has facilitated the use of about 265 million cubic metres per year of water for green spaces. Reclaimed water is used to irrigate an area of about 10,400 hectares in Dubai, including public gardens, green spaces, and landscaped areas in property developments. On average, about 22 million cubic metres of reclaimed water is used monthly for irrigation purposes in the city. Between 1980 and 2022, Dubai used over 4.5 billion cubic metres of reclaimed water. By limiting the consumption of desalinated water and groundwater, reclaimed water has resulted in substantial annual savings of approximately AED2 billion. By 2030, Dubai aims to double its recycled water production to over 8 billion cubic metres.
- Recycled water is used for multiple purposes in the emirate ranging from central cooling to firefighting. In 2022, over 6 million cubic metres of reclaimed water was used in central cooling stations, resulting in cost savings of around 47% or AED 7.1 million. Using recycled water in resource-intensive infrastructure operations like central cooling stations has helped reduce costs and drive the expansion of energy-efficient technologies, leading to further reductions in power consumption and carbon emissions. Reclaimed water is also used in physical treatment processes such as washing operations in sewage treatment plants and pumping stations.



3. Equinor inaugurated the [world's largest floating offshore wind farm](#). The project consists of 11 wind turbines and has a system capacity of 88 megawatt. It is expected to cover about 35% of the annual need for electricity on 5 oil and gas offshore platforms in Norway. The Hywind Tampen is also expected to annually reduce 200,000 tonnes of carbon emissions from key oil and gas producers in the North Sea, a value that represents 0.4% of Norway's total carbon emissions in 2022.

- In 5 years, the project has gone from the drawing board to completion, while 60% of the contract values in the project have been already awarded to Norwegian suppliers. This has contributed to new activity, green jobs, local spin-offs and technology development for future floating offshore wind projects in a growing industry.
- The project has significant cost improvements compared to the Hywind Scotland floating offshore wind farm, which was the world's first floating offshore wind farm. Adjusted for price developments since 2016/2017, the investment cost for Hywind Tampen is about 35% lower per installed megawatt.



Disclaimer

This ESG weekly update has been produced for information purposes only. It does not constitute any investment, accounting, legal, regulatory or tax advice or an invitation or recommendation to enter into any transaction.

Information in this ESG weekly update is obtained from external sources and has not been independently verified by FAB. FAB does not make any representation or warranty as to the quality, completeness, accuracy, fitness for purpose or non-infringement of the information obtained from these external sources.

While all reasonable care has been taken in the preparation of this ESG weekly update, FAB or any of its affiliates, directors, officers, employees or agents do not make any representation or warranty as to the quality, accuracy or completeness of this ESG weekly update, and they do not accept any responsibility or liability for the contents of this ESG weekly update, including any errors of fact, omission or expressed opinions.