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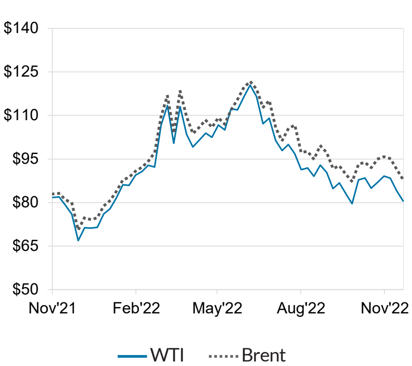
NOTICE TO SUBSCRIBERS: *Energy Compass* is published a day early this week due to the US Thanksgiving holiday.

BRENT, WTI PRICES 2021-22 ($/bbl)



Source: CME, ICE

THE BIG PICTURE

The Cost of Climate Influence

- *Last-stage talks at the COP27 climate summit in Sharm el-Sheikh, Egypt, gave producers most of what they wanted.*

- *The summit agreement avoided commitment to a fossil fuel phasedown — and included language on a "low-emission" energy pathway.*

- *But momentum has shifted decisively in favor of a faster clean energy transition, helped partly by high oil and gas prices.*

Producers, led by Saudi Arabia, threw everything at this meeting. Publicly, Riyadh unleashed a blitz of decarbonization initiative announcements. Privately, producers fought hard to insert language on "low-emission" energy as an acceptable category alongside renewables and avoid any mention of fossil fuels being blamed for global warming in the final meeting communique.

This battle they won — but at a potential cost. Producers' behind-the-scenes negotiating tactics in Egypt may have been no different from past COPs. But a year of record temperatures and catastrophic floods has underlined that this is no time for business as usual. And frustration among those wanting a faster or clearer green trajectory is mounting.

Post-summit, UN Climate Chief Simon Stiell told the *Financial Times* he would be reviewing the COP decision-making process. And at COP28 next year in the United Arab Emirates, where there will be a global stocktake of progress on climate goals, pressure to take action on fossil fuels is likely to ratchet up further.

The sheer scale of the initiatives unveiled by the Saudis impressed.

These included: a major push to hit 50% renewables power generation by 2030; the world's largest carbon capture scheme, with a 9 million ton per year first phase to be installed by 2027; the launch of a Saudi-made electric vehicle brand; new net-zero commitments from the sovereign wealth fund; and a mega-afforestation program, aiming for 10 billion trees in Saudi Arabia alone.

But the announcements did not deflect criticism of Riyadh's fossil fuel agenda. The kingdom also stands to lose credibility if it fails to hit those targets, or at least show significant progress toward them. Unlike in oil, Saudi Arabia, has a history of missing renewables targets. But this latest clean energy drive has real high-level backing and a genuine world-class developer in place, in the form of national renewables champion Acwa Power. A step change can be expected.

Saudi Arabia wasn't alone. Major renewables projects and initiatives were announced by the UAE, Oman and Egypt. In fact, virtually all COP participants are ramping up their clean energy transition.

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Pyrrhic Victory?

But while producers might have won a battle in Egypt, they are at risk of losing control of the war. Roadblocks to renewables implementation, largely regulatory and financial, remain. But the clean energy transition is happening at a pace that poses an existential danger to producer economies. Cost and low-carbon advantages should ensure the big Gulf producers have no problem selling their oil for many decades to come. But a smaller market will mean a lower price in the long term, and with it, less geopolitical relevance.

Looking at Opec-plus' October decision to cut output, producers certainly seem to have judged demand spot on. After rallying in the wake of the decision, Brent is back below $90 per barrel, despite a looming EU embargo and G7 price cap on Russian oil. But the counterargument is that tough economic times require belt-tightening on all fronts, including from producers — that is, lower prices. From a climate perspective, Opec-plus appears to have dispensed with potentially its most effective lever for slowing the transition: price.

This was billed as an African summit, and Opec has frequently championed the cause of the developing world. There were voices arguing the continent should not be forced to dispense with cheap fossil fuels. But the counterarguments in Sharm el-Sheikh were louder.

On top of oil and gas' disruptive price gyrations, their dependency on transportation infrastructure makes them vulnerable to racketeering and corruption in Africa. In addition, gas has long been steered toward export projects, not domestic consumption. Cheaper renewables are the only effective way to bring sustainable decentralized development to the continent's isolated communities, was the message coming from the majority of panels on the issue.

For the moment, the developing world's demand for "loss and damage" funding is largely directed at the old colonial powers and the US. But there is also mounting frustration with the distancing tactics of big emitters China and India, as well as the major producers. As loss and damage demands mount, producers might not escape unscathed.

A New Political Economy

There are already strong signals that an energy system built on clean energy technology will reshape the future global political economy. Clearly it should spell an end to petro-dollar flows and to a significant extent roll back globalization, in so far as a large proportion of current global trade is in fossil fuels.

But renewables growth, and especially green hydrogen, is also showing a capacity for building new trading relationships. Acwa has renewables projects in Oman, Egypt, Morocco, South Africa, Vietnam and Uzbekistan. The UAE is poised for a significant international renewables push after signing up for a strategic investment alliance with the US. Oman may invest with Acwa in Egyptian wind, and massive green hydrogen projects are being discussed with both Kuwaiti and Indian firms. Egypt is attracting billions of dollars of renewables investment based not just on its strong resource base and investment climate but also its geopolitical location and clout.

By starting from a clean page, many are hoping renewables will enable a more radical rewiring of trade relations and industrialization. Renewables could enable new upstream contender Namibia to become more than just an exporter of raw materials, James Mnyupe, Namibia's green hydrogen commissioner told delegates in Sharm el-Sheikh. Instead of zinc ore, Namibia could export green zinc, which is "a really interesting industrial opportunity," he noted. What's needed is a transformation of the entire supply chain, in tandem with renewables growth. Renewable power could see Congo (Kinshasa) become not just energy independent, but a major manufacturer of batteries, Amani Abou-Zeid, energy commissioner at the African Union argued at COP. "There is a window of opportunity."

Similar industrial diversification pushes, Saudi Arabia's Vision 2030 for example, are being promoted in the Mideast Gulf. But the difference is that the Gulf is dependent on a slow-motion transition from oil to fund its industrialization. As such, expect no let-up in efforts to push back against a tougher stance on fossil fuels, or in the ongoing struggle between producers and consumers over the future of energy.

Rafiq Latta, Nicosia

GEOPOLITICS

The Next Round in US-Saudi Oil Markets Match

- *US-Saudi tensions have eased following Opec-plus' controversial decision in October to cut production by 2 million barrels per day from November.*

- *But a greater level of distrust now characterizes the relationship — and friction could yet re-emerge around Opec-plus' production policy, particularly if prices strengthen or the US Congress pushes to advance "Nopec" legislation.*

- *Another possible trigger to renewed tensions, an additional near-term release from the US Strategic Petroleum Reserve (SPR), now seems less likely — unless market management strains flare again.*

The Issue

The US and Saudi Arabia are confronting a series of oil market-related decisions in the coming weeks that could again inflame tensions in the relationship, which flared after Opec-plus' October decision to curb output. Washington seems to be holding off on a decision about releasing more emergency stocks for January, which could prompt Opec-plus to reassess the options of tweaking the current cut. The organization meets on Dec. 4 to revisit output plans. All of this is occurring against the backdrop of the EU embargo and G7 price cap on Russian crude slated to take effect Dec. 5, which could further tighten markets.

Cooler Heads

Washington is still reviewing its relationship with Riyadh after US officials pledged "consequences" for the October Opec-plus decision, but the tone has eased since the tense days immediately following the announcement that the group would take roughly 1 million b/d — a headline 2 million b/d — out of the market.

That decision dampened what had appeared to be a burgeoning rapprochement following US President Joe Biden's trip to Jeddah in July. US officials argued the move benefited Moscow by keeping the price high — increasing revenues that fund its war in Ukraine. US lawmakers followed up, threatening to halt arms sales and withdraw US forces — neither of which they can do on their own. Saudi Arabia, for its part, argued the decision was technical not political. Saudi's Minister of State for Foreign Affairs Adel al-Jubeir called the US-Saudi relationship "very robust" and attributed the US reaction — ahead of November midterms — to the election or "funny" season.

The Nov. 8 US elections that saw lawmakers campaigning at home meant the issue fell out of the news cycle in recent weeks. With Congress again out of session for a national holiday this week, public threats to advance legislation have stalled out — although the specter of Nopec antitrust legislation targeting producers still looms.

A stronger-than-expected showing by Democrats in the midterms has helped ease the national focus on US gasoline prices for now, which at any rate are lower than they were before the Opec-plus announcement.

The US government's determination last week that Crown Prince Mohammed bin Salman now "enjoys head of state immunity" in US courts could serve to ease some tension in the relationship.

That decision followed Saudi Arabia's decision to elevate Crown Prince Mohammed to prime minister — a position traditionally held by the king. US Energy Envoy Amos Hochstein, speaking to CNBC Tuesday, insisted there was "no quid pro quo" regarding US expectations on Saudi oil policy, while a source close to the Biden administration insisted it was "strictly a legal determination." But it nevertheless insulates the crown prince from an awkward civil suit brought against him by the fiancée of slain Saudi journalist Jamal Khashoggi.

Hot Spots

The chances of a significant further release of US emergency stocks from the SPR — beyond the 180 million barrels authorized in March — ahead of the Opec-plus Dec. 4 meeting may be fading. On Oct. 18, a senior US official said the Biden administration would need to decide on releases for January in about a month's time, and so far the US has not made any announcements.

Opec-plus members including Saudi Arabia have been frustrated with the US' use of SPR as a market management tool — seen as their domain. Their current calculations on market balances account for the 180 million bbl, but not more, according to delegates. Washington's expectation is that further releases from the SPR could affect Opec-plus' decision-making, as will prices in the next few weeks. Biden is "happy" with the downward trend in oil prices, Hochstein told CNBC on Tuesday.

The futures market is currently expecting sufficient supply — partly informed by China's continued lockdowns — which reduces the chances of more SPR releases. Still, US policymakers should be expected to keep all options on the table. The EU embargoes on Russian crude and products taking effect Dec. 5 and Feb. 5, along with the G7 price caps on each, respectively, promise to add uncertainty to the market. That could yet prompt Washington to take action, but it might not happen until after the Dec. 4 meeting.

US officials are hoping that this new calm could convince Riyadh to bring some supply back to the market at the next meeting, especially with the prospect of a decline in Russian exports. But the effects of the tightening sanctions on Moscow won't be clear by the time of the meeting.

Saudi Energy Minister Prince Abdulaziz bin Salman "categorically" denied a *Wall Street Journal* report that his country and other Opec-plus member states were in talks to reduce cuts by 500,000 b/d. Ministers from Opec members the United Arab Emirates, Iraq and Kuwait also publicly denied the report. US officials told Energy Intelligence that if the group does decide on a deeper cut, tensions could build again, even if one acknowledged the October reaction may have been "emotional."

Opec delegates told Energy Intelligence they don't expect specific policy proposals to be discussed until closer to the meeting on Dec. 4. There might be chance for some token increase — or an adjustment to baselines that has the effect of adding barrels — to show consuming countries the group is flexible. But continued lockdowns in China raise questions over demand growth, an argument for keeping the current pact unchanged.

Wild Card

Russian Deputy Prime Minister Alexander Novak this week reiterated Moscow's position that Russia would not ship oil to countries that implement the price cap and might cut production. Energy Intelligence estimates that Russia oil production might fall by around 1.2 million b/d of crude and condensate due to the upcoming sanctions. But the precise impact of the EU embargo and price cap on Russian output and exports is anyone's guess at this point — likely reinforcing Saudi Arabia's inclination for caution when it comes to easing the cuts.

Emily Meredith, Washington, and John van Schaik, New York

GEOPOLITICS

Iran's Policies Raise Regional Risks

- *Iran's crackdown on protests comes alongside fresh rocket attacks in Iraqi Kurdistan and drone strikes on vessels off Yemen and Oman.*
- *Prospects for reviving the 2015 nuclear deal were dealt a fresh blow after Iran began enriching uranium to 60% purity at Fordow.*
- *Efforts to isolate Iran could intensify as it continues to supply drones to Russia for use in Ukraine.*

The Issue

The protests sweeping Iran entered their third month last week. Any hopes in Tehran that they are fading from public consciousness were answered by the sight of the national soccer team refusing to sing the national anthem at the World Cup in Qatar on Monday, out of sympathy for the victims of repression. Analysts still downplay the prospect of regime change. But the country's isolation is growing, as chances of reviving the 2015 nuclear deal fizzle and the cheap drones Iran is supplying Russia are used against civilian targets in Ukraine. And that brings dangers, including for regional stability.

Repression vs. Revolution

The protests that were triggered by the death in custody of 22-year-old Mahsa Amin, allegedly at the hands of Iran's morality police, do not currently appear to threaten the regime. The movement remains spontaneous and uncoordinated, and there are no visible cracks among the various forces that comprise Iran's security establishment.

It is a telling sign that the merchants and workers in the bazaars (or marketplaces) across the country, whose participation was critical to the success of the 1979 revolution, have so far failed to stage mass strikes in support of the protesters.

The key oil sector also remains unaffected by major disruptions. In reality, much of the population relies on the regime, directly or indirectly, for jobs, subsistence and even security.

But the ground may be shifting. Iran is under extreme economic pressure from US sanctions, which look set to persist through next year and limit the regime's ability to continue to raise wages and buy the peace. The demonstrations have meanwhile become ever more frequent and defiant, with protesters openly calling for the regime's downfall. The ferocity of the crackdown has fueled indignation, having now killed 416 civilians including 51 children, Oslo-based NGO Iran Human Rights said on Tuesday.

If asked whether revolution or repression was likelier to succeed, "I would say repression ... because as of now, the regime is much stronger. The point is, who has the guns?" says Riccardo Alcaro with Italian think tank Istituto Affari Internazionali. "But in the long term, I think these protests are undermining and endangering the Islamic republic. Some kind of transformation will have to happen. Whether that transformation is in the direction the Europeans would like, to a more pluralist, liberal, democratic Iran, I very much doubt it."

Enemies at Home, Enemies Abroad

A corollary to the social unrest is a strengthening of Iran's siege mentality, in which the regime sees its enemies meddling at home and abroad and seeks to fight them to defend the revolution and distract from its domestic troubles — just as the repression pushes European countries, notably Germany, to take more hawkish positions.

That could impact energy infrastructure in the region, with potential consequences for oil markets. Several maritime incidents in the past week offer a glimpse of what might lie ahead. These include an attack on a Liberian-flagged oil tanker off the coast of Oman — operated by a shipping firm owned by Israeli billionaire Idan Ofer — that the US Navy says involved the same drone model that Iran has supplied to Russia.

On Monday, the UK Maritime Trade Operations reported a missile attack on Yemen's Ash Shihr oil terminal, saying it struck a single point mooring where a very large crude carrier was loading. Iran-backed Houthi rebels claimed the attack.

A repeat of the 2019 strikes on Saudi oil infrastructure is unlikely, says UK-based risk advisory firm Dragonfly Intelligence. But there remains plenty of scope for heightened tensions across the region.

Since September, Iran has launched three waves of rocket attacks against Kurdish opposition groups in Iraqi Kurdistan, and mobilized troops along its border with Azerbaijan. In both of those areas, the regime sees the threat of growing Israeli influence.

Widening the Drone Wars

Efforts to get the US and Iran back into compliance with the 2015 nuclear deal, which would see Tehran roll back its nuclear program in return for sanctions relief, came close to succeeding in August. That now seems like a long time ago, with positions visibly hardening on both sides.

The anti-regime protests and Iran's response to them are certainly an important factor. But the supply of Iranian drones to Russia for use in the Ukraine conflict is seen as more consequential. Moscow and Tehran recently struck a deal that could see Russia manufacturing Iranian-designed drones on Russian soil within months, the *Washington Post* reported last week.

The US envoy to Iran, Robert Malley, confirmed on Monday that the talks were effectively now frozen. "Our focus is not an accord that isn't moving forward, but what is happening in Iran," he told reporters in Paris.

Iran, meanwhile, is pushing ahead with its nuclear program, announcing this week that it had begun enriching uranium to 60% purity at its Fordow facility in response to a resolution by the International Atomic Energy Agency's board of governors criticizing Tehran's lack of cooperation over undeclared nuclear activities dating back decades.

The standoff could yet lead to tighter enforcement of sanctions on Iranian oil flows. That said, from Dec. 5, the US and its European allies will have another oil sanctions regime to worry about, involving shipping and related financial services provided to lifters of Russian crude bought above the planned price cap.

But Iran's assistance in Russia's aerial attacks on Ukraine now risks killing off good-faith nuclear negotiations and triggering escalatory steps over Iran's nuclear program. "It wouldn't surprise me if the decision to provide Russia with drones that it would then use in Ukraine was not the result of a comprehensive decision-making process, but was taken by sections of the Iranian leadership who wanted to bring Iran into an anti-US coalition," says Alcaro.

Simon Martelli, London

COUNTRY RISK

Kazakh Leader Looks to Loosen Russia's Grip

- *Kazakhstan's president, Kassym-Zhomart Tokayev, is set for seven-year term after winning snap elections with more than 80% of the vote.*
- *Tokayev's victory is a relief for Western oil companies such as Chevron, Shell and Exxon Mobil, which view him as the best guarantor of long-term stability.*
- *He will continue to loosen ties with Russia, and move closer to China, Turkey and the EU.*

The Issue

Tokayev's re-election, widely predicted, will allow him to continue to make a clean break with the era of his long-serving predecessor, Nursultan Nazarbayev. That means dismantling the patronage network known as "Nazarbayev Inc." and protecting himself by putting more allies in key positions. Viewed as investor-friendly, Tokayev will urge Western oil companies to do more to support the local economy — but without threatening their long-term contracts — and look to privatize more government-owned assets. On the geopolitical front, he senses an opportunity to exploit the crisis over Ukraine by moving away from Russia and boosting ties with the West and China.

New Sheriff in Town

Tokayev, a former long-serving foreign minister and regime insider who succeeded Nazarbayev in 2019, is now the country's undisputed leader. Nazarbayev had hoped to retain most of his powers in his new position of Elbasy, or Leader of the Nation, but is now a spent force stripped of all authority and seldom seen in public. Members of Nazarbayev's family have been variously dismissed from their jobs, arrested and, in the case of his nephew, Kairat Satypadly, imprisoned for embezzlement. This shakedown looks certain to continue during what will be Tokayev's second and final term in office. It could also lead to key assets such as Kazakhstan's largest bank, Halyk — co-owned by Nazarbayev's daughter, Dinara — being transferred to new owners. "This is the end of the road for the first family," says a veteran businessman based in the commercial capital, Almaty. "There's a new sheriff in town."

Hopes that Tokayev would introduce Western-style political reforms and allow greater representation in parliament all but evaporated in June when he pushed through changes to the constitution that extend the presidential term to seven years, although these also bar any incumbent from being re-elected. As was the case with Nazarbayev, his supporters have the whip-hand in parliament and the senate, and there is no opposition to speak of. It mirrors the situation in Russia, where the Duma, or lower house of parliament, is controlled by the ruling United Russia party, and the results of parliamentary and presidential elections are preordained.

Facing Down Russia

One of Tokayev's greatest challenges will be dealing with his northern neighbor, Russia. There is a school of thought that, with Russian troops bogged down in Ukraine, now is a perfect opportunity for Kazakhstan to break free of Moscow's grip and cosy up to the West and China. To an extent, this is already happening: Tokayev has taken steps to divert some of the oil that Kazakhstan was exporting via Russia to the western route crossing the Caspian Sea, and via the existing Kazakhstan-China pipeline.

But, for the next few years, Russia will remain the main transit route for Kazakh oil, as there are not enough alternatives. This means the bulk of Kazakhstan's oil exports of around 1.4 million barrels per day will continue to flow via the Caspian Pipeline Consortium (CPC) pipeline that exits at a terminal on Russia's Black Sea, unless Moscow decides it is in its interests to limit those exports.

Russia feels less threatened by Kazakhstan's closer ties with Europe, which are hampered by the lack of a common border, than it does by the blossoming Kazakh-Chinese friendship. It is notable that Chinese President Xi Jinping's first overseas visit since the start of the Covid-19 pandemic in early 2020 was to Astana in September, during which he warned other countries not to destabilize Kazakhstan.

This was widely interpreted as a swipe at Russia, which can ill afford to lose China as an ally given the political and economic support it provides. Tokayev has the advantage of knowing China well, having started his career working for the Soviet embassy in Beijing in the 1980s.

Squeezing the Majors

The Western oil majors, who together account for more than half of Kazakhstan's crude and condensate production of around 2 million b/d, have every reason to cheer Tokayev's victory. But they are likely to come under more pressure to contribute more to the overall economy, both in employing Kazakhs and investing in local infrastructure. This applies above all to Chevron, which operates Kazakhstan's largest producing oil field, Tengiz, under a joint-venture contract that dates back to 1993. During the first nine months of the year, the government received around $11 billion in taxes and royalties from Tengiz, which now produces around 650,000 b/d of crude or around one-third of overall Kazakh output.

Chevron and its partners at Tengiz — Exxon, Kazmunaigas and Lukoil — are focusing their efforts on an ongoing expansion project that will increase output at Tengiz by around 25% from 2024, at a cost of around $45 billion. At the same time, Chevron is being urged to invest in a new giant trans-Caspian transportation scheme that, in several stages, would involve as much as 500,000 b/d of oil being shipped across to Azerbaijan and then Turkey.

Industry sources say Chevron is not keen on the idea, especially as the Tengiz contract expires in 2033. "Tengiz is Chevron's most valuable overseas asset, and they don't want to lose it, so there's a lot at stake for them," a source familiar with the company says.

Paul Sampson, London

OPEC-PLUS

Changing Times for Mideast Gulf Sovereign Wealth Funds

- *Two years of high oil prices have filled Mideast Gulf sovereign wealth funds' war chests with billions of additional dollars.*
- *The funds are using their increased firepower to make both opportunistic and strategic investments at a time of global economic headwinds and falling stock markets.*
- *Investments are being made across key sectors to drive economic diversification, build influence and — increasingly — support energy transition agendas.*

The Issue

The Qatar Investment Authority's (QIA) recent deal to invest $2.5 billion in German energy firm RWE met a twofold objective. First, it expands Qatar's strategic footprint in Europe's largest economy. Second, it positions the gas-rich state as a clean energy player in the US, by supporting RWE's acquisition of US firm Con Edison's 3 gigawatt solar power and wind farm portfolio. The deal is just the latest example of Mideast Gulf sovereign wealth funds' (SWFs) drive to access know-how and technologies that support diversification of their economies away from fossil fuels — and to build global influence by investing in sectors such as energy, infrastructure, logistics, transport, hospitality and sports.

No Shortage of Cash

Regional SWFs are sitting on plenty of cash. The four biggest funds alone — Abu Dhabi Investment Authority (Adia), Kuwait Investment Authority (KIA), Saudi Arabia's Public Investment Fund (PIF) and QIA — together sit on around $2.5 trillion of assets, according to the London-based Sovereign Wealth Fund

Institute (SWFI). All rank within the top 10 of the world's largest SWFs. Numerous other funds such as Investment Corp. of Dubai, Abu Dhabi's Mubadala Investment Co., Bahrain's Mumtalakat Holding Co. and the Oman Investment Authority rank within the world's 50 largest funds. Combined, regional SWFs are estimated to have an asset base worth at least $4 trillion, or several multiples of their GDP.

Saudi Arabia's PIF has emerged in recent years as one of the most active — and largest — sovereign investors with assets under management of nearly $610 billion as of June 2022, according to ratings agency Moody's, which assigned an A1 long-term issuer rating to the fund in February.

Founded in 1971, the PIF was originally set up with a remit to fund and invest in strategic projects and companies to help develop the Saudi economy. Under Crown Prince Mohammed bin Salman, who is in charge of economic policy, the PIF has been turned into a major sovereign investor similar to those of its Gulf neighbors in the UAE, Qatar and Kuwait.

The current boom marks a stark change from the mid-2014 to 2017 period of lower oil prices (and another price slump triggered by the Covid-19 pandemic in early 2020), when the region's governments scaled back much of this spending and instead tapped some of their reserves, raised debt and monetized some strategic assets.

In some ways, it harkens back to the decade of record crude prices between 2004 and 2014, when investments from flush regional SWFs flowed into some of the world's leading companies, as well as in trophy real-estate assets in cities such as London and New York, plus currencies and equities. This time around, however, spending targets increasingly reflect the energy transition.

Shift Toward Decarbonization

The recent QIA transaction is part of a broader trend of SWFs investing in sectors such as clean tech and renewables as they position themselves in line with national net-zero targets and growing international decarbonization pressures. The latest set of data from SWFI is a case in point.

According to SWFI, sovereign investors and public pensions directly invested around $12.5 billion in renewables between the beginning of this year and October, up from $11.7 billion in full-year 2021 and just $5.5 billion in 2020. "SWFs do not just invest in the traditional sectors as in the past," says Theodore Karasik, a senior advisor at Gulf State Analytics in Washington.

The PIF has moved swiftly to position itself in the clean energy space. Earlier this month, it made headlines when Crown Prince Mohammed — at the Middle East Green Initiative summit held in Egypt's Sharm el-Sheikh during the COP27 climate summit — announced that the fund had committed to net-zero emissions within its investment portfolio by 2050, 10 years ahead of the national target.

The PIF also recently announced plans to launch an electric vehicle (EV) brand together with Taiwan's Foxconn called Ceer that will produce EVs in the kingdom. The fund raised $3 billion via a green bond this year.

Other Gulf SWFs are doing the same. Last month, Abu Dhabi's Mubadala Investment Co. — alongside Global Infrastructure Partners and other investors — acquired 100% of Germany's Skyborn Renewables, which has developed more than 7 GW of wind power to date and has 30 GW of offshore wind projects under development.

A BlackRock Real Assets-led consortium including Mubadala earlier this year also invested $525 million in India's Tata Power Renewable Energy to support "the country's energy independence and transition."

Adia, the KIA, the PIF and the QIA, are also founding members of the so-called One Planet Sovereign Wealth Funds network, which aims to accelerate the integration of climate change analysis into the management of large, long-term and diversified asset pools.

Diversifying Geographically

Mideast Gulf SWFs have also begun broadening their investment portfolios geographically, in line with regional governments' pursuit of the diversification of political and economic ties, to balance traditional Western partners with new eastern ones. This has seen them take a foothold in strategically important countries and regions such as Central Asia, which in turn offers an opportunity to expand ties to other key players there like China.

Abu Dhabi sovereign funds have led investments in the critical energy sectors in countries such as Uzbekistan and Kazakhstan, while Saudi Arabia's Acwa Power, in which the PIF holds a 50% stake, has also doubled down on investing in Uzbekistan, which now ranks second in terms of the company's overall investments. The QIA too is positioning itself in the region.

Gulf SWFs have also invested in countries such as Turkey and Egypt at a time of market volatility, while remaining committed to the US and Europe at the same time. "They [SWFs] are creating offices globally, that's part of their power — it is a kind of soft power," Karasik says.

Oliver Klaus, Dubai

CLOSING ARGUMENTS

Philippines in the Middle, Kashmir Tensions Flare

Philippines: Caught in US-China Tug of War

Philippine President Ferdinand Marcos Jr., elected in May, is finding out that his foreign policy goal of being "a friend to all, an enemy to none" is becoming increasingly untenable as tensions between the US and China play out in the region.

Marcos recently told Chinese President Xi Jinping that he favored an independent foreign policy that "refuses to fall into the trap of a Cold War mindset." The two met on the sidelines of the 29th Asia-Pacific Economic Cooperation (Apec) leaders meeting in Bangkok, Thailand. But US Vice President Kamala Harris during her recent visit to the Philippines sought to restore the military aspects of the US-Philippine relationship that had fallen into disrepair during the tenure of Marcos' predecessor, Rodrigo Duterte. Such ties are deemed critical to US policies pushing back against China's territorial claims in the South China Sea.

Central to the South China Sea issue is the status of the 2016 ruling by the Permanent Court of Arbitration in The Hague, Netherlands, which found in favor of a Philippine petition challenging China's assertion that it has historic rights over the South China Sea. While then-President Duterte opted to downplay The Hague finding, Marcos has repeatedly said he will uphold the decision, declaring that the Philippines will not lose even an inch of territory under his watch.

Marcos avoided any mention of the ruling during his recent meeting with Xi, with the two leaders instead agreeing to settle disputes between their countries through "friendly consultations." Beijing issued a pointed statement after the meeting emphasizing the need for both countries to "keep strategic independence" and "stay the course of regional cooperation" — and to work together "to reject unilateralism and acts of bullying."

Harris' visit was focused on holding Marcos' feet to the fire when it came to asserting Philippine territorial rights under the 2016 Hague decision. It included a visit to Coast Guard facilities on the island of Palawan bordering the disputed South China Sea. By pushing a renewal of US-Philippine military ties, Harris sought to throw a wrench into China's efforts to woo Marcos away from the US orbit. Marcos is scheduled to visit China early next year, and his "friend to all" philosophy will be tested as he balances a desire for improved economic relations with China with the Philippines' historical security ties with the US.

Kashmir: Tensions Flaring Between Pakistan and India

At a recent plenary meeting of the UN General Assembly on Security Council reforms, the Pakistani representative accused India of carrying out atrocities against the Muslim population of Jammu and Kashmir while continuing to violate UN resolutions regarding the status of the disputed territory. India called the Pakistani move a desperate attempt to peddle falsehoods that also undermined the "sanctity of multilateral forums." Nothing came of the diplomatic spat, but it's a potent reminder that the status of Jammu and Kashmir remains an open wound. Left unaddressed, it has the potential to spark renewed conflict between the two nuclear-armed powers.

The security situation in Jammu and Kashmir has been deteriorating throughout the course of the year, amid an increase in attacks by Muslim militants against Hindus. The uptick in violence is in large part a backlash against the repressive policies of the government of Indian Prime Minister Narendra Modi in the aftermath of its controversial 2019 decision to abrogate Jammu and Kashmir's partial autonomy and place it directly under central rule, and also split the state into two union territories — Jammu and Kashmir, and Ladakh. Pakistan has also condemned India for helping indigenous Hindus displaced by earlier fighting return to Jammu and Kashmir, accusing it of seeking to displace the majority Muslim population of that territory.

The upsurge in violence has seen India flex its military muscles in response. The commander of Indian forces in Jammu and Kashmir, Lt. Gen. Upendra Dwivedi, told the press recently that some 300 militants, supported by Pakistan, were operating in the restive Himalayan territory. Dwivedi hinted that he was prepared to go beyond simply suppressing the militants, saying he was ready to carry out any order given by the Indian government. That's seen as a reference to Indian Defense Minister Rajnath Singh's Oct. 28 statement that India would make sure that refugees from Pakistani-occupied Kashmir would get their land and homes back.

Pakistan's military might have something to say about that. The current commander of the Pakistani Army, Gen. Qamar Javed Bajwa, will retire on Nov. 27. His successor will be called upon to address the Dwivedi's accusation. While Bajwa had played a major role in seeking to deconflict Pakistani and Indian forces along the line of contact separating Pakistani and Indian Kashmir, his successor might not be similarly inclined.