Projects, energy and infrastructure in the GCC

What does 2024 have in store?

Green hydrogen to continue its surge?

Last year was big for the green hydrogen industry in the GCC. Alongside the dozens of MOUs entered into and announcements made at COP:

– In May, the USD8.4 billion NEOM Green Hydrogen Project in KSA reached financial close, the world's largest commercial-scale green hydrogen production facility to reach this point (**we advised the ECAs and lenders**).

– In June, the EU published its Delegated Acts relating to renewable fuels of non-biological origin (RFNBOs) under RED II, with the text remaining unchanged from that which **we reported on in March**. This answered a number of developers' questions and provided some much-needed clarity on the treatment of low carbon hydrogen in the EU.

– Just before COP in November, the UAE released its new hydrogen strategy to support its ambition to become a top global producer of low carbon hydrogen. Read our key takeaways **here**.

2024 looks set to be landmark too:

– Hydrom is expected to award up to three additional blocks in Dhofar in Oman in Q1 2024.

– Saudi Arabia and Oman are rumoured to be working on publishing their own hydrogen strategies.

– Further clarity is expected in key potential export markets on the regulatory position and possible incentive structures being put in place; while **Japan introduced various green subsidies** over the course of 2023, Korea is expected to announce its own programme in 2024. The EU's European Hydrogen Bank should also develop the international leg of its auction programme to subsidise green hydrogen producers supplying the EU.

– Crucially, several projects are targeting their own financial close.

We are working on over 20 green hydrogen projects in the region – read our article **on helping green hydrogen projects reach financial close**.

Uncertainty over interest rates - and synthetic LIBOR ends

We do not have a crystal ball so we can't tell you how interest rates will move but we can tell you that synthetic LIBOR will be discontinued in September 2024. Most borrowers have transitioned onto SOFR already but for those that haven't, the time is now.

Long-term carbon sequestration finally takes off

With at least one large project likely to reach financial close this year and others looking to hit critical development milestones, long-term carbon sequestration is due to take off in the region to help GCC countries abate their emissions. Likely led by national oil companies, CCS provides an opportunity for the GCC industry to reduce its carbon footprint while continuing to leverage the region's gas supplies, however, the industry will need support to develop. Read more about it here.

Petrochemicals growth continues

While last year saw financial close on the USD4.4 billion financing of CP Chem's Ras Laffan Petrochemical Project in Qatar and on the second instalment of a total USDc.7 billion on another cracker project elsewhere in the GCC (both of which we advised on), this year is expected to see financial close on at least one other petrochemicals megaproject in the GCC with at least six other large projects also scheduled to launch this year.

Converting hydrocarbons to liquids remains a key focus for many of the economies in the GCC as they look to maximise value from their oil and gas deposits in a decarbonising world.

Very high levels of project finance deployment expected

Project finance will continue to be used across asset classes on a large scale: from Giga Cities to hospitals and schools, from green metals projects to water treatment and desalination plants and from data centres to cables and interconnectors (not to mention gas-fired power and the crucial renewables roll-out across the region), we're working on a very large number of projects in the GCC that we expect to reach financial close in 2024. If trends continue, 2024 will be a very active year indeed in the region.

Project bonds back on the table?

The last couple of years have seen certain sponsors looking again at project bonds and, while it's fair to say the market hasn't yet met initial expectations, anticipation is rife that it will in due course as developers look to recycle capital, mini-perms expire and PPA terms come up for renewal and banks come up against country and developer limits.

Ambitious plans for renewable energy projects will create opportunities for private funds and sovereign investors

Global funds have started to arrive in the Middle East in force, bringing a shared interest in energy transition, looking to raise infrastructure funds that often involve commitments from sovereign investors. A big part of this involves increased allocations of big-ticket funding to renewable infrastructure, such as wind, solar and carbon capture and storage. In March 2023, Rakiza announced that it had raised USD 1 billion for its first investment vehicle. The announcement came after PIF and BlackRock agreed to jointly explore infrastructure projects in the region. There has been an accompanying surge in M&A activity, with a robust pipeline of renewable asset joint ventures and other transactions setting up the market infrastructures required for carbon trading and driving the energy transition – read our article on private capital's moment in the Middle East's energy transition.

Read our report Perspectives on the energy transition in emerging markets. Our insights paint a picture of how emerging markets are approaching decarbonisation, and the challenges they face. It explores global themes that will help create a transition pathway that supports economic growth alongside reducing emissions.