# Achieving MENA Climate Change Goals While Navigating Cashflow Challenges

February 2024

**The buzz around COP28 may have faded, but the need for businesses to take concrete action for climate change remains. Businesses have the power to be the agents of positive climate action – by investing into green technologies and fostering a culture of environmental responsibility within the business.**

In November last year, Rental Services and Solutions Limited (RSS), a leading tech-enabled temporary and backup power solutions provider with a 16-year operating history in the UAE, Saudi Arabia and Bahrain, successfully secured financing of US$43 million, highlighting the growing emphasis on climate change strategies in the corporate world. This funding is pivotal for RSS, as it facilitates the company's transition towards a hybrid solar-diesel power strategy, a testament to its commitment to sustainability and environmental responsibility. Such a transition not only aligns RSS with the Gulf Cooperative Council's (GCC) efforts to combat climate change, but also positions it at the forefront of innovative energy solutions. The move towards hybrid power systems reflects a proactive approach to reducing reliance on traditional, carbon-intensive energy sources like diesel, and instead, capitalising on renewable, cleaner energy solutions like solar power.

However, for most businesses the gap between the urgency of climate change and the reality of achieving these goals is significant. Implementing these changes can put significant stress on the cashflows of the business.

## Challenges in Achieving Net Zero Emissions

UAE was the first Gulf country to commit to net zero emissions by 2050. However, the latest Climate Action Tracker (CAT)[1] report dated 3 December 2023 paints a complex picture of UAE's progress towards its ambitious goal, even while the nation continues to invest in major renewable projects and infrastructure to support the sustainable transition of energy production and use. Alongside this commitment, several challenges remain for businesses wanting to achieve net zero emissions.

Some of the key challenges faced by businesses in adopting positive climate action and resource use in their operations are:

### Heavy initial investment to adopt climate change strategies

While transitioning to sustainable practices promises long-term benefits, the hefty initial investment remains a critical barrier for upgrading infrastructure, adopting new technologies, and implementing resource-efficient measures, which require significant upfront costs and may put a strain on budgets and cashflow for companies that want to start adopting new or updated practices. Quantifying the long-term financial benefits of sustainability initiatives can be challenging, making it difficult for businesses to justify initial investment, especially when faced with immediate financial pressures. Teneo can enable businesses, who have decided to embark on this journey and want to raise funds, to secure debt financing, thereby addressing the varied financing needs for companies embarking on climate change strategies.

### Setting realistic sustainability targets

Realistic targets (such as carbon emissions or water and natural resources use) should align with national goals and programs. In the UAE, this involves achieving net zero by 2050. Without adequate experience and expertise, businesses may struggle to effectively use industry benchmarks, relevant technology or tools, or develop measurable and time bound targets. Collaborating with environmental experts and leveraging data analytics can help businesses in setting achievable targets that meaningfully contribute to their own corporate objectives, and by extension, the country's overarching goal.

## Appropriate utilisation of funds

Even though green finance fundraising is on the rise, there are still significant challenges in channeling these funds to the companies and projects that need them the most. These challenges can include a lack of awareness and technical expertise, high transaction costs, reluctance in investing in green projects due to longer payback periods and uncertainties, and difficulties in assessing the risk and return of potential investments. Teneo can set up a cash management office for these businesses, offering strict cash controls and governance, thus attracting serious investors and ensuring efficient use of green funds.

## Short versus long-term outlook

While businesses need to manage both short- and long-term priorities in managing their operations, output and investment, prioritising short-term gains over longer-term sustainability goals can limit the potential to achieve broader sustainability goals, including carbon emissions, water and other natural resources use. A clear direction from the company's management or Board can help to create a clear plan of action which delivers both on the business' financial performance and its sustainability targets. Teneo can assist businesses in building and routinely supervising their cashflow, offering a structured approach for managing their immediate and extended financial needs.

## Turning words into action

Teneo can set up a specialised cash management office (CMO), crucial for businesses evolving their strategies to prioritise sustainability. This includes building, monitoring and maintaining a rolling 13-week cash flow for businesses. This system is meticulously designed to monitor and manage cash flows effectively, establishing essential checks and balances that align with the company's funding objectives. This rigorous approach is particularly vital during periods of strategic transition, where financial prudence is key.

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Our cash management services play a pivotal role in supporting companies as they adopt climate change strategies. By ensuring a robust and transparent management of cash flows, we enable businesses to maintain financial stability and prevent any potential financial leakages during these crucial transitions. Our focus on detailed cash flow monitoring and alignment with strategic financial goals not only aids in the smooth execution of sustainability initiatives but also instills confidence in various stakeholders, including financiers. This targeted approach is instrumental in aiding companies to reach their net zero emissions targets, providing a solid financial foundation for their journey towards sustainable business practices.



*(1) The Climate Action Tracker (CAT) is an independent scientific project that tracks government climate action and measures it against the globally agreed Paris Agreement aim of "holding warming well below 2°C and pursuing efforts to limit warming to 1.5°C." A collaboration of two organisations, Climate Analytics and NewClimate Institute, the CAT has been providing this independent analysis to policymakers since 2009.*

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