





# Iraq says will cut oil exports to compensate for output breach

**Bloomberg**  
Baghdad

Iraq said it will reduce oil exports in the coming months to compensate for producing above its Opec+ limits earlier this year.

The country's output has been a matter of debate in recent months with data from the Organisation of Petroleum Exporting Countries showing Baghdad is above its limit. However, Oil Minister Hayyan Abdul Ghani said this month Iraq is adhering to the assigned target of 4mn barrels a day.

The country, the second-biggest Opec producer with a long history of breaking its output pledges, said it will cut exports to 3.3mn barrels a day in the coming months, according to an oil ministry statement.

Opec and its allies have

pledged to reduce production in an effort to prevent a global surplus. The measures have helped push Brent crude futures above \$80 a barrel while world demand growth slows and rival output from the Americas climbs. Iraq's latest comments are about exports, and not output.

The country reduced production to an average of 4.2mn barrels a day in February, according to a report from Opec this month. That put it about 200,000 barrels a day over its agreed limit. Baghdad is committed to its voluntary cuts, which will be to compensate for over-producing in January and February, according to the statement.

The nation is co-ordinating with Opec+ sources to reflect the export curbs in their upcoming reports, it said. Iraq has in the past disputed Opec+'s assessment of its crude output.



Flames emerge from flare stacks at the oil fields in Basra, Iraq (file). The country's output has been a matter of debate in recent months with data from the Organisation of Petroleum Exporting Countries showing Baghdad is above its limit. However, Oil Minister Hayyan Abdul Ghani said this month Iraq is adhering to the assigned target of 4mn barrels a day.

# Oman fund seeks pitches for logistics firm IPO

**Bloomberg**  
Dubai

The Oman Investment Authority is planning an initial public offering of Asyad Group, the sultanate's logistics company, as the Gulf nation ramps up its divestment programme.

The OIA has asked banks to pitch for the share sale, according to people familiar with the matter, who asked not to be identified as the information isn't public.

Details on the valuation or timing of the IPO were not immediately available. Representatives for the OIA weren't available for comment.

Asyad Group describes itself as a \$4bn enterprise backed by an initial \$26bn in government infrastructure spending. Its assets include deep ports, dry ports, free zones and a fleet of over 80 vessels. It also offers delivery services through Asyad Express.

The move is part of Oman's efforts to deepen its capital markets and raise funds. Banks have been invited to pitch for another three IPOs in the Gulf nation since the start of 2024, including state en-

ergy company OQ SAOC's exploration and production business and the power utility, Bloomberg News has reported.

Oman, the largest non-Opec oil producer in the Middle East, is hoping an influx of capital from state asset sales will boost industries such as energy, transport and tourism. That's part of a broader trend of divestments in the energy-rich region as larger neighbours Saudi Arabia and the United Arab Emirates also look to diversify their economies to prepare for a post-oil age.

The OIA has said that its divestment plan may include several dozen listings over the next five years as it chases an upgrade to emerging-market status. Together with Bahrain they are the only countries in the six-nation Gulf Co-operation Council not classified as emerging markets by MSCI Inc.

Last year OQ floated its gas pipelines business in a record \$749mn IPO for the country, as well as its oil-drilling unit Abraj Energy Services SAOG. Shares in OQ Gas Networks SAOC have risen 4% from their IPO price while Abraj Energy is trading 27% higher.

## Bloomberg QuickTake Q&A

# What the end of Japan's negative interest rates means

By Yoshiaki Nohara

The Bank of Japan is widely expected to end its negative interest rate regime, the world's last. The measure was adopted to encourage bank lending, spur demand and nurture inflation. Now the programme's mission is nearing an end as strong wage gains appear to bring the BoJ's inflation goal into sight. The impact of the policy shift will vary across the economy and financial markets, benefiting some and creating challenges for others – or in some cases both.

**1. What are negative interest rates?**

They mean you pay interest to deposit your money at banks instead of receiving it. It's a radical policymaking tool that central banks in Europe introduced in the 2010s to fight price erosion. The BoJ went negative in 2016, adding a fresh tool to its long battle against deflation, or declining prices. To be sure, the BoJ's negative rate programme was only applied to a small segment of deposits that private banks stash at the BoJ. Retail deposits weren't subject to the policy. The aim was to encourage banks to put their funds to work via lending. The programme was added to the BoJ's aggressive buying of financial assets to flood the economy with money.

**2. Have they worked?**

The verdict on their effectiveness is mixed globally. In Japan's case, they may have helped, along with the BoJ's asset buying, to prevent deeper deflation in the economy. But ultimately it took supply shocks during the Covid-19 pandemic and the fallout from Russia's war in Ukraine to spark the sharp gains in import costs of energy, materials and food that brought the nation's inflation beyond the central bank's 2% goal. The BoJ is the world's last central bank that's retained a negative rate policy. Its prolonged use cut into banks' profitability and helped push down the value of the yen as other central banks raised interest rates,

diminishing the relative allure of Japan's currency. The weak yen has further fuelled import cost gains, weighing on consumers as their paychecks failed to keep up with rising living costs.

**3. Why is the BoJ poised to end the negative rate programme now?**

Japanese companies have agreed to large wage hikes, boosting expectations that bigger paychecks will make households more willing to spend money. That's what the BoJ calls a virtuous cycle of rising prices accompanied by wage hikes. Last week, unions reported an initial tally of wage growth at the highest level in decades, fuelling bets that the central bank will move early.

**4. What will the end of the negative rate mean for the Japanese economy?**

It will be a first step in the unwinding of monetary stimulus measures meant to put the economy on a self-sustaining growth path. For years, falling prices locked the economy in a downward cycle in which companies cut costs to be competitive even by sacrificing their profits. This downward spiral kept them from investing and raising wages, weighing on consumption and exerting a drag on prices. Now, Prime Minister Fumio Kishida hopes the opposite will take place, with investment, prices and wages all rising in tandem.

**5. Who will win and lose?**

The government and the BoJ will suffer in that higher interest rates will raise government debt servicing costs and cause paper losses on the central bank's sovereign debt holdings as higher rates devalue them. Private banks will be able to make more profits from lending with higher interest rates while their bond holdings take a hit from rising long-term rates. Home buyers will see their mortgage rates rise, which might cool the real estate market. A stronger yen on the back of higher interest rates will cut import costs and help households with cheaper costs of imported food and energy. On the flipside, it will undermine the competitiveness and

Rising Rates in Japan			
Winners	Channel	Losers	Channel
Megabanks	Higher interest rates	Government	Higher interest rates
Regional banks	Higher interest rates	Bank of Japan	Losses on bonds
Importers	Stronger yen	Regional banks	Losses on bonds
Power-intensive firms	Stronger yen	Global Firms, Exporters	Stronger yen
Life insurers	Higher interest rates	Real-estate firms, property owners	Cooler property market
Investment Banks	Higher interest rates	Zombie firms	Higher interest rates
Wealth managers	Higher interest rates	Mortgage holders, renters	Higher rates, rents
Consumers	Stronger yen	Bondholders	Losses on bonds
Foreign holders of Japan stocks	Stronger yen	Japanese holders of foreign stocks	Stronger yen
Bank deposit holders	Higher interest rates	Households with consumer loans	Higher interest rates
Japanese tourists abroad	Stronger yen	Inbound tourists, hospitality sector	Stronger yen

overseas earnings of exporters. For travellers going abroad, the strong yen will help them, while it will make it more expensive to visit Japan.

**6. What's next?**

If the BoJ ends the negative rate with its first interest rate hike since 2007, the next question will be how

high the BoJ will take its policy rate. BoJ Governor Kazuo Ueda has already indicated the bank's overall monetary settings will stay accommodative for a while, meaning he won't be conducting a series of rate hikes of the sort seen in the US and elsewhere in recent years. Weakness in consumption in Japan will warrant caution as the BoJ navigates its policy path in the new era.

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# QSE sees strong buying interests; M-cap adds QR0.9bn

By Santhosh V Perumal  
Business Reporter

The Qatar Stock Exchange (QSE) yesterday rather treaded a flat course despite strong buying interests in the transport, industrials and telecom sectors. The foreign individuals were seen increasingly net buyers as the 20-stock Qatar Index settled at 10,259.95 points although it touched an intraday high of 10,203 points. The local retail investors were increasingly bullish in the main market, whose year-to-date losses were at 5.27%. The Gulf institutions' weakened net selling had its influence in the main bourse, whose capitalisation was up QR0.9bn or 0.15% to QR590.64bn with small cap segments leading the pack of gainers.

The Arab individuals' lower net profit booking had its say in the main market, which saw as many as 0.01mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.13mn trade across 15 deals. The foreign funds continued to be net buyers but with lesser intensity in the main bourse, which saw no trading of sovereign bonds. The Islamic index was seen declining vis-à-vis gains in the other indices in the main market, which reported no trading of treasury bills. The Total Return Index was up 0.09% and the All Share Index by 0.06%, while the All Islamic Index eased 0.09% in the main bourse, whose trade turnover and volumes were on the increase. The transport sector index gained 1.23%, industrials (0.63%), telecom (0.56%), consumer goods and services (0.2%) and real estate



The foreign individuals were seen increasingly net buyers as the 20-stock Qatar Index settled at 10,259.95 points although it touched an intraday high of 10,203 points yesterday

(0.2%); while insurance declined 1.45% and banks and financial services 0.33%.

Major gainers in the main market included Zad Holding, Meeza, Ahlibank Qatar, Nakilat, Gulf

Warehousing, Industries Qatar, Aamal Company, Mazaya Qatar and Ooredoo. Nevertheless, Qatar General Insurance and Reinsurance, Doha Bank, Masraf Al Rayan, Dukhan Bank, Al Khaleej Takaful, Qamco, Qatar Insurance and Vodafone Qatar were3 among the losers in the main bourse. In the venture market, Al Mahhar Holding saw its shares depreciate in value. The local individual investors' net buying increased perceptibly to QR4.67mn compared to of QR4.37mn on March 17. The foreign retail investors' net buying strengthened noticeably to QR2.97mn against QR0.4mn the previous day. The Gulf institutions' net profit booking declined markedly to QR5.87mn compared to QR9.42mn on Sunday. The Arab individual investors'

net selling shrank marginally to QR3.77mn against QR4.21mn on March 17. However, the domestic funds' net profit booking soared notably to QR12.33mn compared to QR10.62mn the previous day. The foreign institutions' net buying decreased drastically to QR13.96mn against QR18mn on Sunday. The Gulf individuals' net buying eased perceptibly to QR0.49mn compared to QR1.48mn on March 17. The Arab institutions had no major net exposure for the fifth consecutive session. Trade volumes in the main market increased 49% to 175.38mn shares, value by 49% to QR495.45mn and deals by 47% to 15,470. The venture market saw a 60% surge in trade volumes to 0.08mn equities, 50% in value to QR0.12mn and 8% in transactions to 13.

## GCC Islamic funds constitute 80% of total public funds at end-2023: Fitch

By Santhosh V Perumal  
Business Reporter

The Gulf Co-operation Council (GCC) countries' Islamic funds were close to 80% of total public funds at the end of 2023, supported by demand from Shari-ah-sensitive investors, according to Fitch, a global credit rating agency. In contrast, Islamic funds' share reached 49% in Pakistan, 33% in Malaysia and 8% in Indonesia. The largest public Islamic funds by AUM (assets under management) were equity funds (36.3%), money market funds (20.9%) and sukuk funds (10%). A number of funds and indices exclude sukuk if they do not comply with AAOIFI Shariah standards. "The fund management industry is still in the relatively early stages of develop-ment in the GCC and underdeveloped in most OIC countries with the exception of Malaysia," said Bashar al-Natoor, Global Head of Islamic Finance. Islamic funds are even at an earlier stage of development due to limited products, lack of economies of scale, differences in Shariah interpretation and shortage of hu-man capital, according to him. Private Islamic funds are expected to be much larger than public funds, with real estate being one of the key asset types. However, there are less disclosures and transparency that would allow us to meas-ure the industry size, he added. Public Islamic funds globally held over \$111bn in AUM at end-2023, up 3% year-on-year. These are concentrated in Ma-laysia (28.3%), Ireland (18.1%) and Saudi Arabia (17.2%). However, Islamic funds, by count, are more granular, with Malaysia's share at 36.8%, followed by Indonesia (16.9%), Pa-kistan (15.3%) and Saudi Arabia (12.8%). This classification is based on the funds' domiciled country and Lipper data, which may not capture all private funds. The AUM of public Islamic funds global-ly are expected to bounce back to the 2021 peak of about \$140bn in the next two-three years, forecasting lower interest rates (US policy rate 2024F: 4.75%; 2025F: 3.5%), which will likely increase appetite for in-vestments in emerging markets, including Islamic funds. However, macroeconomic fluctuations and geopolitics could bring volatilities.

# Inflation may prompt Fed to dial back rate-cut outlook

Reuters  
Washington

US central bankers are not expected to cut borrowing costs this week, but their new economic projec-tions may be a wild card, potentially sig-nalling fewer interest rate cuts and a later start to the policy easing than they previ-ously had estimated. Keeping interest rates at the current high levels for a longer period of time could have big implications for American households and businesses, especially in a presidential election year when the state of the economy is already a cen-tral talking point for President Joe Biden and his Republican challenger, Donald Trump. Market bets still point to the Federal Reserve's June 11-12 meeting as the most likely start for reductions to the central bank's policy rate, which has been in the 5.25%-5.50% range since last July. But with inflation still running well above the Fed's 2% target and coming in stronger than expected in the first two months of this year, traders are pricing a 40% chance that the first rate cut only happens at the July 30-31 meeting. Bets in financial markets also point to an end-of-2025 policy rate in the 3.75%-4.00% range, a quarter of a percentage point lower than Fed policymakers fore-cast in December. "Two months (of higher inflation read-ings) is too soon to declare that all is lost, but it certainly raises the risk that you have a little bit more of an inflation prob-lem, and in that case it makes sense to be cautious," said Jeremy Schwartz, senior US economist at Nomura Securities. "You have to consider the possibility that it will take a longer period of restrictive policy." Nomura is among a minority but growing number of forecasters who be-lieve Fed policymakers this week will trim the number of their anticipated rate cuts this year to just two quarter-percentage-point moves, from the three that US central bankers projected in December. A report last week showing consumer price inflation accelerated to 3.2% in Feb-ruary from 3.1% in the prior month is not going to give Fed policymakers greater confidence that inflation is moving sus-tainably toward their 2% goal, the bar they set in January for cutting rates. "They were hoping for better, clearly... but I'm not sure they are completely sur-



The US Federal Reserve building in Washington, DC. US central bankers are not expected to cut borrowing costs this week, but their new economic projections may be a wild card, potentially signalling fewer interest rate cuts and a later start to the policy easing than they previously had estimated.

prised by this," said Kathy Bostjancic, chief economist at Nationwide, who is among those who think Fed policymakers will stick to the quarterly forecasts issued in December. "I think it probably just validates their view that, yes, it's prudent to wait and see." Despite signs of cooling, the econ-omy remains strong. The unemployment rate, at 3.9% in February, is up two-tenths of a percentage point from the start of the year but still below what Fed officials be-lieve is sustainable in the long run. Busi-nesses added 275,000 jobs last month. "The main message from them is, they can be patient," said Oscar Munoz, chief US macro strategist at TD Securities. If the median expectation for this year does shift to two rate cuts, Munoz said, it would suggest they see the recent stronger inflation readings as a "game changer." Mu-noz expects the Fed to start cutting rates at every other policy meeting — or once every quarter, which he said implies a likely delay in the start of the policy easing to Septem-ber if the central bank reduces the number of rate cuts in 2024 to two.

Either way, Munoz expects policymak-ers to project a slightly higher inflation rate for 2024, perhaps 2.6% by the Fed's preferred inflation measure, the personal consumption expenditures price index, up from 2.4% in December. Deutsche Bank economists likewise see an upside risk to the Fed's inflation fore-cast, and like Munoz they expect the Fed on Wednesday to stick to the projection of three rate cuts for this year, with a start in June. But they also believe sticky in-flation likely means central bank policy-makers will trim the number of rate cuts they forecast for 2025 to three, from the four seen in December. "The main message from the March summary of economic projections should be that the Fed will have little tolerance for further upside inflation surprises, and if they were to occur, expectations for policy easing this year will be dialled back (all else being equal)," they wrote. Other economists caution against reading much at all into the median projections. Gregory Daco, chief economist at EY, expects the median forecast for rate cuts

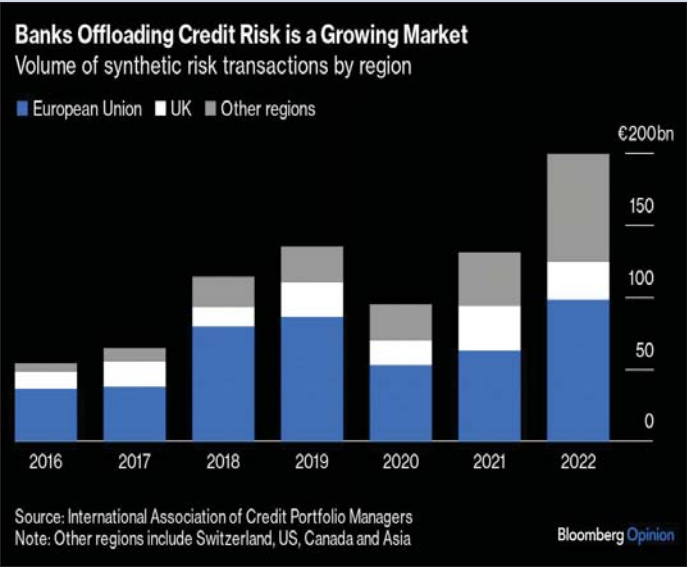
to downshift to two on Wednesday, but for a resumption of softer inflation readings to require a total of four reductions in bor-rowing costs this year. By contrast, Tim Duy, chief US econo-mist at SGH Macro Advisors, argues that as many as eight of the Fed's 19 policy-makers could pencil in fewer cuts than they did in December without shifting the median. Most analysts expect few changes to the Fed's policy statement on Wednes-day, but they see more of an emphasis on the need for "careful" adjustments in Fed Chair Jerome Powell's post-meeting press conference and plenty of hedging around the timing of rate cuts. Many market participants are also hoping Powell provides a better sense of when the Fed could eventually stop shrinking its roughly \$7.6tn balance sheet. To be ready to announce the details of that plan in May and begin slowing re-ductions in June, as Yelena Shulyatyeva, senior economist at BNP Paribas, pre-dicts is the likely timeline, "they need to do a lot at this meeting," she said.

# Hedge fund veteran pitches first-ever emissions risk transfers

Bloomberg  
New York

A veteran of alternative investment management has started pitching a new type of securitisation he says would allow banks to cut the carbon footprint of their balance sheets. Andrew Hohns, a former managing director at hedge fund Mariner Investment Group who now runs Newmarket Capital, says he's currently in talks with a number of banks to construct such novel transfers. For banks, repackaging and transferring the credit risk from their loan books to less-regulated private fund managers is nothing new. The appeal for investors on the other side of such deals is that they get double-digit returns, while banks get capital relief, freeing them up to do more business. Newmarket, a Philadelphia-based alternative asset manager that specialises in structured credit, is now pitching a similar mechanism

for banks to repackage and transfer their so-called financed emissions, which represent the greenhouse gas pollution linked to their lending and investment activities. Banks that channel a lot of capital into the fossil fuel industry, for example, would have big financed emissions. The idea is to "transfer the credit risk, but at the same time transfer the so-called emissions risk to a third-party investor outside of the banking system, such as ourselves," Hohns said. Such structured products would be the latest in a string of innovations that includes everything from debt-for-nature swaps to novel use of carbon offsets, as the wizards of high finance experiment with new instruments to tackle climate risk. Applying a risk-transfer model to carbon emissions remains experimental, in large part because it's hard to assign monetary values to such risk and because no rules exist to guide such a construction. Meanwhile, banks face growing pressure from regulators to



slash their financed emissions. In Europe, where ESG regulations are more advanced than in other jurisdictions, the main industry watchdog has already put lenders on notice.

The European Banking Authority said in October it is revising the framework that sets industry-wide capital requirements — known as Pillar 1 — to incorporate environmental and social risks. The

EBA says the change means that banks will need to review the ESG default and loss probabilities in their portfolios, as well as the risk weights that go into determining how much capital they set aside for each client account. With so-called emissions-weighted risk transfers, banks can use "the same kind of mental models that have been built up on the regulatory capital side to reasonably state that they've reduced the emissions intensity of their portfolio," Hohns said. The global standard-setter for financed emissions reporting, the Partnership for Carbon Accounting Financials, doesn't offer guidance for such securitisations. CDP, a nonprofit that advises public and private entities on how to measure and report their carbon footprint, said such transfers don't address the wider challenge of reducing emissions in absolute terms. An emissions-weighted risk transfer "is not innovation, this is engineering," said Amir Sokolowski, director of climate at

CDP. "The purpose of this financial engineering instrument seems to be to cut the link between emissions and risk," but the result could be to "threaten both direct action and the steer of sustainable finance," he said. The financial appeal of such instruments, however, has attracted the attention of other structured credit specialists besides Newmarket Capital. Ryan Dunfield, chief executive of SAF Group, a Canadian private credit investor, says he's also had talks with banks about taking on their emissions risk. Like Hohns, he declined to name the banks because those talks remain private. Dunfield said demand for such instruments rests primarily on the regulatory landscape. "Ultimately it's going to be regulators saying we're going to increase your capital density, and the economics will actually drive [banks] to start hitting those transactions," he said. Structures that SAF has discussed with banks include a so-called black carbon pool, Dunfield said.