Trade Finance Insight

Issue 10 | January 2025

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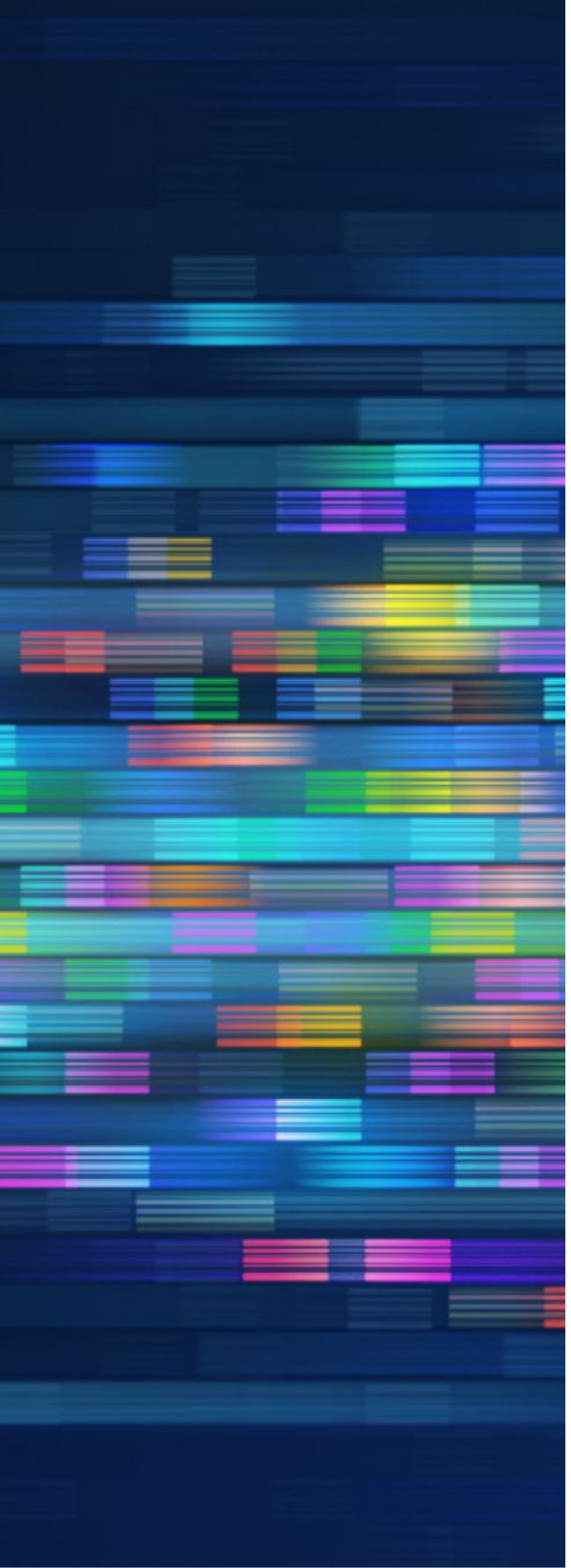

Trade Finance Insight

Welcome to this latest edition of the Trade Finance Insight. We are excited to bring you a fascinating selection of articles and resources that are sure to stimulate your thoughts and conversations.

We lead with an article that delves into the crucial role that pre-export financing plays in providing vital liquidity solutions for exporters in Brazil.

Next, we explore the transformative potential of the new LMA African finance documents. It is anticipated that these documents could help to stimulate liquidity and drive investment across the African continent.

Thirdly, we analyse the far reaching implications, for parties involved in trade finance transactions, of the UK Court of Appeal case Celestial Aviation Services Limited v UniCredit Bank GmbH (London Branch) [2024] EWCA Civ 628.

Our final feature article, prepared by our Energy & Infrastructure team, in collaboration with AME group - a data analytics, research and marketing consultancy focused on the mining sector - provides an in-depth analysis of the current state and future prospects of the low-carbon steel market.

We are also thrilled to present our interactive Global Hydrogen Policy Tracker heatmap. This tool is designed to help you stay on top of key legal, regulatory, and policy developments in the clean hydrogen space worldwide.

As always, do not miss our regular Sanctions and Export Controls update page, featuring a selection of intriguing reads, including, a look ahead at the business impact of a new US administration, a look at the Final Rule on ICTS supply chain review procedures issued by BIS and Swiss Government analysis of the EU directives on the recovery and confiscation of illicit assets and on the violation of restrictive measures.

Lastly, we are proud to share some fantastic news about the recent awards our team has won.

We hope that you enjoy this edition of Trade Finance Insight.

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Editor Highlights

- Pre-export financing in Brazil offers a vital liquidity solution for exporters.
- Structuring pre-export financing with appropriate collateral mechanisms ensures that the lender has control over cash flows to apply in repayment.
- Tax advice on pre-export financing is also important to ensure the arrangement benefits form the zero withholding tax rate intended for monies obtained abroad destined to finance exports.

01

Pre-Export Financing in Brazil: Key Practical and Tax Considerations

Introduction

Pre-export financing in Brazil offers a vital liquidity solution for exporters, but it requires careful navigation of complex legal, regulatory, and tax frameworks. Companies must ensure compliance with domestic and international trade regulations, from securing Central Bank registrations to meeting foreign exchange and export documentation requirements. Structuring financing with appropriate collateral mechanisms, such as Letters of Credit or collection accounts, enhances security, while the use of Brazilian legal instruments like fiduciary liens strengthens asset protection.

Tax considerations, especially the zero withholding tax rate available on qualifying export financing arrangements, offer potential cost advantages; however, strict adherence to fund use and documentation requirements is essential to preserve this benefit. When managed effectively, pre-export financing can provide Brazilian exporters with the financial flexibility needed to fulfill large international orders, foster growth, and maintain competitiveness in the global market.

In this article, we will provide a brief overview of the market, consider some of the practical aspects of structuring and implementing this type of financing.

1. Overview of Pre-Export Financing in Brazil

Pre-Export Financing involves lending funds to an exporter based on confirmed export orders or export receivables, prior to the shipment of goods. This structure is particularly beneficial as it provides necessary liquidity to fulfill large international orders, enabling exporters to finance the production and preparation of their exports.

The financing is typically secured by the future receivables generated from the sale of goods abroad or a Letter of Credit.

Tax exemptions in Brazil are also a significant aspect of the financial landscape, particularly in the realm of international trade.

In Brazil, Pre-Export Financing is often used to finance the production and export of various types of assets, particularly in the agricultural and commodities sectors, such as soybeans, corn, coffee, cellulose, sugar, cotton and ethanol.

In addition, it is also relevant for the metals sector, including iron ore, aluminum, copper, gold, and nickel, as well as steel. These assets are crucial for Brazil's economy, and Pre-Export Financing helps producers manage cash flow and secure funding before the actual export takes place.

Factors such as global macroeconomic conditions, volatility in commodity prices, trade tariffs and geopolitical events have had a direct affect on the Brazilian market and exports, deeply impacting, consequently, Pre-Export Financing. However, in 2025, Brazil's exports are expected to continue being driven primarily by agricultural and mineral commodities, such as soybeans, iron ore, and oil. However, a significant increase will depend on an improvement in the Chinese economy, as well as incentives and subsidies that may foster exports. Additionally, trade tensions between major economies, such as the US and China, could open up new opportunities for Brazilian exporters.

Finally, we expect that some domestic challenges such as persistent inflation and high interest rates will remain, with a stronger dollar pushing against the "Real" (Brazilian currency). This depreciation of the local currency, impacting the exchange rate, will probably increase the competitiveness of Brazilian commodities and the revenue for exporters, potentially incentivizing exports from Brazil to key commercial markets.

2. Key practical aspects involving Brazilian Pre-Export Financing

A pre-export financing, also known as an export advance payment transaction, may refer to exports by the debtor of the transaction, its parent company, its subsidiaries or a company controlled by its parent company.

Advance payments to Brazilian exporters may be made by:

I - the importer;

II - a non-financial legal entity abroad; or

III - a financial institution abroad.

The amortization of export advance receipt operations must be carried out through the shipment of goods or the provision of services, and interest may be paid through financial transfers or exports.

In the event that goods are not shipped or services are not rendered, the funds that entered the country may be returned abroad, including by the guarantor of the operation, or converted into foreign direct investment or a direct loan.

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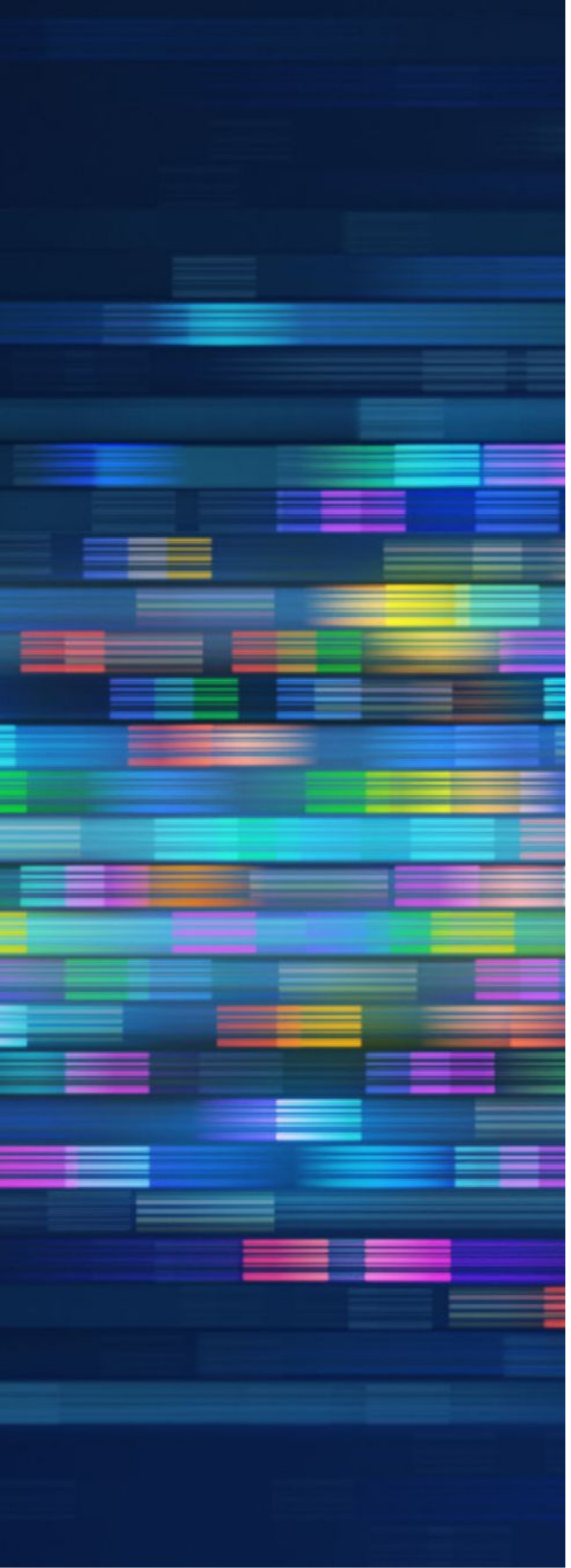

3. Collateral Structure

It is important to highlight the practical use and relevance of collateral mechanisms in Pre-export Financing Agreements in Brazil. To mitigate risk and ensure payment, it is usual for creditors to use a collection account and ensure proper allocation towards loan repayment, as well as the use of Letters of Credit. These mechanisms ensure that the lender has control over the cash flows and can apply them towards the repayment of the loan.

For the in rem collaterals to be enforceable, it must comply with the bureaucratic procedures, including registration in the Brazilian public registry, as well as translation, notarization, consularization and apostille if signed abroad.

Finally, it is essential to highlight some critical specific aspects about the collateral procedure. To the extent that the finance is secured by assets, such as metallic commodities or agricultural commodities,the most important aspect of the arrangement is the protections put in place to avoid any mishandling or co-mingling of the assets.

For agricultural commodities it is usual to have a pledge over the plantation that will follow the harvest until the sale and transfer of ownership to the importer. Commodities are usually stored at a warehouse or in tanks (ethanol), so it is important to have a third party monitoring the storage facility in order to avoid co-mingling and, if avoiding co-mingling is not possible, to ensure that the quantity and quality of the commodities stored in the same warehouse is observed.

It is also necessary to have a lien over the receivables of the sales combined with an collection account, once the ownership of the commodities are transferred to the importer.

4. Tax aspects involved

Brazilian law has established a zero WHT rate in the case of credits obtained abroad that are destined to finance exportations. In order to apply a zero rate of WHT, the funds must be "proven" to be applied to the financing of Brazilian exportations.

Therefore, to benefit from the zero tax rate referred to above, the Brazilian entity must obtain the funds abroad with the sole purpose of applying them to exportations. This burden of proof lies with the taxpayer and not with the tax authorities.

It is worth mentioning that the regulatory legislation imposes no other limits on the operation; the goods can be exported by the actual borrower, its parent company, its subsidiaries or by companies controlled by its parent company. Basically, the main rule that must be observed is that the payment of the principal amount of the loan must be made with monies from the shipment of the exported goods. The interest can also be paid with the shipment or through financial transfers.

If the funds are not invested in export financing, the interest and the commissions remitted abroad are subject to income tax at a twenty-five percent rate, regardless of the beneficiary. The tax shall be collected by the last business day of the first ten days of the month following the calculation of the interest and of the commissions.

The 25% tax rate, readjusted to 33.33% if the tax burden is assumed or incurred by the debtor, has the practical function of a penalty, because the entity obtains certain funds, claims that such funds are destined to finance exportations, to justify a tax benefit, but does not comply with the specific destination.

Here, instead of taxing the interest applied on the difference of balances at 15%, which is the general rate applicable to creditors not located in a tax haven, the external funding will be subject to a 25% income tax, no matter the creditor's location.

Moreover, another aspect that must be considered concerns the deductibility of expenses, with interest, by the Brazilian entity. In addition to the general rule of deductibility of expenses, the deductibility of interest may also be subject to transfer pricing and thin capitalization rules if the transaction is implemented with a foreign related party or with a creditor domiciled in a low tax jurisdiction or operating under a privileged tax regime.

Please reach out to our experienced contacts should you wish to discuss any of these issues further.

> Pre-export financing in Brazil requires careful navigation of complex legal, regulatory, and tax frameworks but ultimately offers a vital liquidity solution for exporters."
>
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Editor Highlights

- Jurisdictional Coverage: The document covers seven African jurisdictions, namely, Ghana, Kenya, Mauritius, Nigeria, Tanzania, Uganda, and Zambia
- Legal Framework: It is governed by English law and is intended for secured financings, it envisages an African Holdco structured group with a particular focus on a Mauritanian holding company structure.
- Standardization and Efficiency: It aims to standardise the market, reduce execution times and costs while retaining flexibility.
- Market Impact: By providing clear direction and settled terms, it seeks to stimulate liquidity by mitigating risk and increasing transparency and, consequently, confidence among new market entrants.

02 New LMA finance documents seek to stimulate liquidity and increase investment in Africa

Introduction

The Loan Market Association (LMA) has published a new exposure draft of a USD currency secured term facility agreement incorporating Term SOFR. The document is specifically designed for use in a number of African jurisdictions where the underlying financing is being made to an African incorporated holding company and its subsidiaries. The document is based on existing LMA documentation for use in certain African countries and other developing markets but has a number of distinguishing features that we highlight in this article.

In more detail

The document is intended for cross-border use where the underlying financing is made to an African incorporated holding company and its subsidiaries in the specified jurisdictions. It envisages an African holding company structure but places a particular emphasis on a Mauritanian holding company structure. The document also differs from the LMA's other 'African Documents' by: (i) envisaging the governing law being English law only; (ii) being intended for secured financings only; and (iii) assuming single currency lending in USD by reference to Term SOFR.

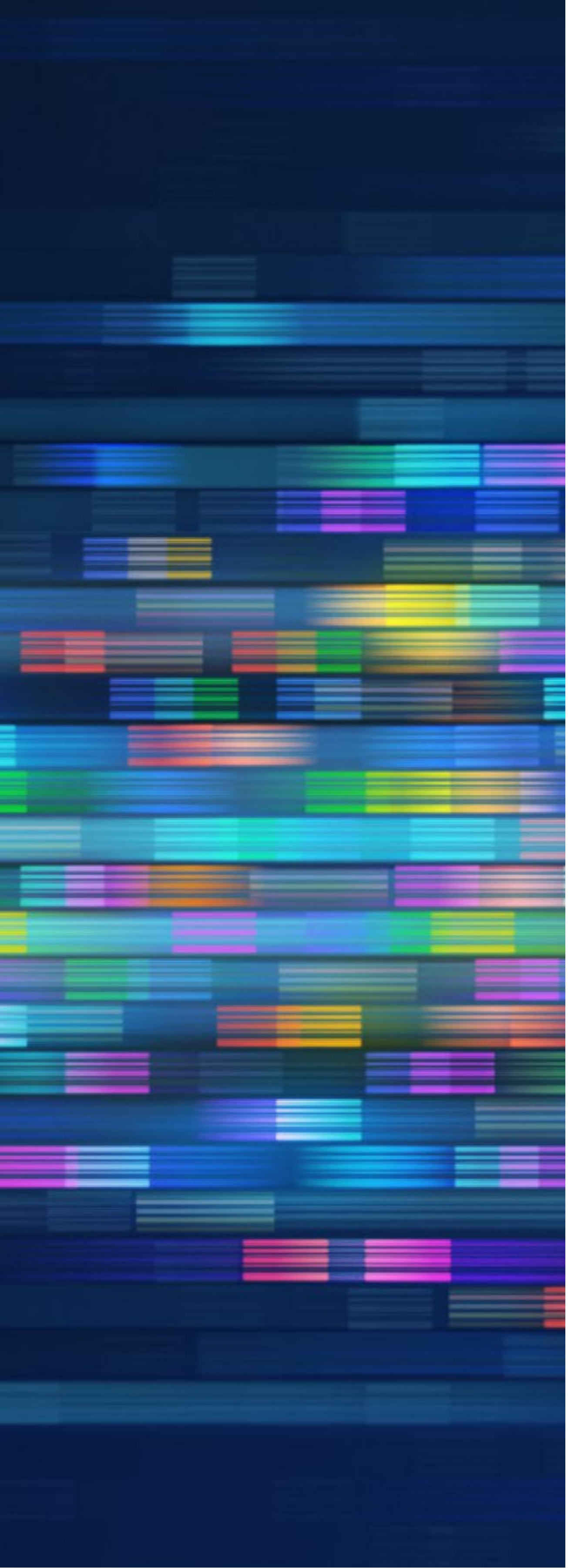
As noted above, a significant feature of the document is the Mauritian holding company structure, which is seen as an attractive option for international investment. Mauritius has emerged as a preferred destination for both domestic and foreign investors into the region due to its sophisticated financial services, good governance, cost-effective company setup, and tax efficiency.

The structure operates by channelling investment into a Mauritian parent Holdco, which then on-lends to operating subsidiaries in relevant African countries. However, given this structure can result in the funding being structurally subordinated to third party debt at the operating subsidiary level, lenders should carefully negotiate covenants in relation to the servicing of debt, dividends (and provisions for cash which cannot be extracted in the underlying financing as a result of hard currency shortage or other factors), additional gearing and the scope of transaction security.

A further useful feature of the document is that it provides initial guidance on compliance with local law requirements in relation to, amongst other matters, stamp duties, registration and tax provisions, which can be further built out with the input of in-country counsel.

More specifically, jurisdictional incentives include 100% foreign ownership is permitted, a well-established network of Investment Promotion and Protection Agreements (IPPAs), and membership in various trade organizations, including the Southern African Development Community, Common Market for Eastern and Southern Africa, African Union, and African Continental Free Trade Area (see our previous article on this topic). The country also provides a stable political and economic environment, a comprehensive range of banking services, and no foreign exchange controls, making it easier to move capital in and out of the country.

Mauritius is not the only attractive option, other jurisdictions, including Kenya, are attractive for foreign direct investments due to having a relatively stable regulatory environment, recent significant law changes aimed at improving commerce, and no foreign exchange controls. Kenya also leads Africa in startup funding and has double tax treaties with Mauritius, making it another preferred destination for finance players to set up HoldCo structures. New market entrants are encouraged to seek advice on the suitability of this structure in other jurisdictions, particularly as it may pertain to withholding tax on payments, governing law provisions and execution requirements.



Future Developments

This document has been published as an exposure draft only at this stage. A final draft of the document will be published following consultation and feedback from stakeholders. The LMA has also indicated that it intends to publish a new Mauritian law share pledge and all-asset security document, adding to its suite of documents to facilitate investment across Africa.

> "Standardisation of documents is a critical and significant factor in the market as it creates efficacy in transaction negotiation, drafting of agreements and completions, and it will ultimately act as a catalyst in driving market confidence and stimulating investment into the region."
>
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Editor Highlights

- The UK Court of Appeal overturned the 2023 decision of the High Court finding that in the context of payment obligations under standby letters of credit ("LCs"), sanctions measures relating to financing the supply of restricted items can apply retrospectively as well as prospectively, significantly widening the scope of application of such measures.
- The complexities in the case highlight the need for market participants to consider including fallback language in their trade finance instruments to mitigate the risk of sanctions.
- The case also illustrates the significant complexity of UK and other sanctions regimes, and the potential for different courts and authorities to effectively reach opposite views on the scope and application of key aspects of the regimes.

03 UK Court of Appeal issues far-reaching judgement on scope of trade sanctions and financial assistance

In brief

On 11 June 2024, the UK Court of Appeal handed down its judgment in the case of Celestial Aviation Services Limited v UniCredit Bank GmbH (London Branch) [2024] EWCA Civ 628. In summary, the Court of Appeal determined that, in the context of payment obligations under standby letters of credit ("LCs"), sanctions measures relating to financing the supply of restricted items can apply retrospectively as well as prospectively, significantly widening the scope of application of such measures and creating uncertainty around the permissibility of payments where they have a degree of connection with restricted items, including where those items were lawfully supplied prior to the sanctions being introduced. The Court of Appeal overturned the 2023 High Court judgment that found UniCredit was not justified in refusing to make payment to aircraft lessors under LCs issued in connection with aircraft leases to Russian companies that were entered into prior to the relevant sanctions being introduced.

The Court of Appeal considered:

- the scope of Regulation 28 of the Russia (Sanctions) (EU Exit) Regulations 2019 ("UK Russia Regulations"), which prohibits the provision of financial services or funds in relation to the supply of certain restricted goods;
- the scope of Section 44 of the Sanctions and Anti-Money Laundering Act 2018 (SAMLA), which provides that a party shall have a defence in civil proceedings in respect of acts done in reasonable belief that the acts are in compliance with UK sanctions; and
- the relevance of US sanctions where a payment obligation is denominated in US dollars.

The Court of Appeal concluded that UniCredit was entitled to withhold payment on the basis the arrangement fell within the applicable sanctions regime. Furthermore, the Court found that even if the relevant sanctions restrictions did not apply, UniCredit would have been able to avail itself of a "reasonable belief" defence in support of withholding payment.

The Court of Appeal's decision has far-reaching implications for any parties involved in trade finance transactions (either banks or beneficiaries), or other financing activities connected to trade in goods that are (or have become) subject to sanctions. The case is also significant in highlighting the extent to which UK courts may take differing views of key elements of the UK sanctions framework.

Background

Celestial Aviation Services Limited ("Celestial Aviation") and two Constitution Aircraft Leasing entities ("Constitution") were Irish-incorporated entities involved in aircraft leasing to two Russian airlines. The relevant leases were entered into between 2005 and 2014. Between 2017 and 2020, twelve USD denominated LCs were issued to guarantee payments under these aircraft leases. UniCredit Bank GmbH ("UniCredit") was the confirming bank under the standby LCs, which were issued by the Russian bank, Sberbank.

On 1 March 2022 (i.e., after the relevant leases and LC arrangements had been entered into), the UK Russia Regulations were amended such that civilian aircraft were categorised as "restricted goods" and subject to trade sanctions measures, including a prohibition (under Regulation 28) on providing financial services and funds in relation to the export / supply / making available of such civilian aircraft. As a result of the expansion of the sanctions to civilian aircraft, Celestial Aviation immediately terminated the leasing of their aircraft and subsequently issued demands for payment under the LCs as their beneficiary, asserting default under the leases.

On 6 April 2022, Sberbank was also designated for the purpose of UK asset freezing measures under Regulations 11 to 15 of the UK Russia Regulations. The asset freeze measures targeting Sberbank broadly prohibit dealings in funds or economic resources owned, held or controlled by a designated person, or making funds or economic resources available to or for the benefit of such a person.

UniCredit refused to pay Celestial Aviation and Constitution (i.e., the beneficiaries under the LCs) on account of sanctions, including on the basis that such payment would be unlawful under Regulation 28, as it would constitute the provision of funds "in connection with" the supply of civilian aircraft, a restricted good under the UK Russia Regulations. In the meantime, UniCredit applied for licences from relevant sanctions authorities in the UK, EU and US.

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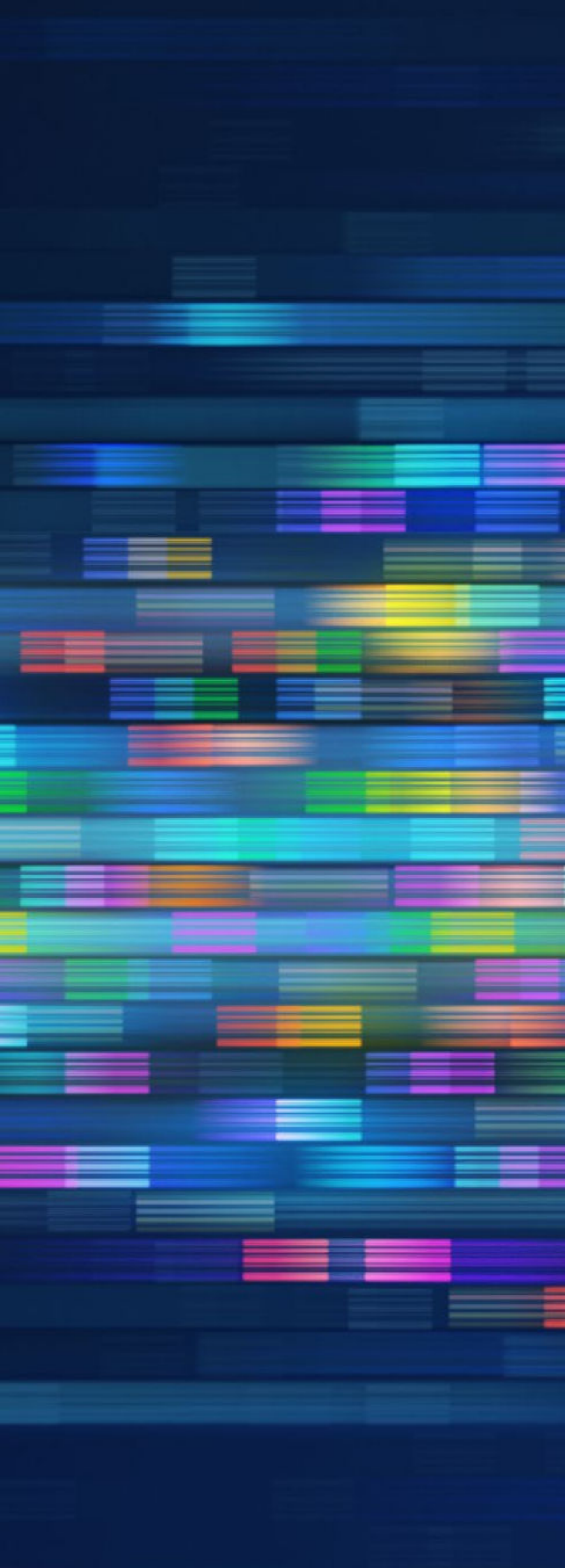

High Court

In the first instance, the High Court asserted that UniCredit's payment obligation did not engage Regulation 28 because the aircraft were provided to the Russian companies under leases, and the LCs were issued, long before March 2022, when the relevant prohibition under Regulation 28 regarding the supply of aircraft came into force. The High Court therefore took the view that UniCredit making payment to the beneficiaries under the LCs would not be "in connection with" an arrangement the object or effect of which was the supply of aircraft to or for use in Russia, or to a Russian person.

On this basis, the High Court took the more purposive position that the prohibition on providing financial services and funds in connection with the export / supply / making available of restricted goods under Regulation 28 is forward- looking and prospective in nature, and would not apply where there is a subsequent payment obligation in connection with goods that have already been lawfully supplied prior to the relevant sanctions coming into force. The High Court's position also supported the "autonomy principle," under which an LC is treated as a separate transaction from the underlying contract on which it is based.

The High Court added that even if payment in USD would have breached US sanctions, payment would have been possible in another currency or by other means, such as cash.

The High Court also concluded that the UK asset freeze provisions relating to Sberbank were not engaged, on the basis that payment by UniCredit to the beneficiaries would not involve any dealings in Sberbank's funds and would not confer any benefit on Sberbank.

Additionally, UniCredit sought to argue that in any event it had a defence under s.44 SAMLA, which provides that a party will not be liable in civil proceedings in respect of acts done in the reasonable belief that the act is in compliance with UK sanctions. UniCredit sought to argue that its belief that it was complying with the UK Russia Regulations by not making the payments to the beneficiaries was reasonable.

The High Court disagreed with this, and determined that UniCredit believing that it was acting in compliance with sanctions was not objectively reasonable, thereby extinguishing the s.44 defence under SAMLA.

UniCredit subsequently appealed to the Court of Appeal.

Court of Appeal

Regulation 28: Provision of financial services or funds in relation to the supply of restricted goods

The Court of Appeal applied a much more literal interpretation of Regulation 28, finding that it can apply retrospectively as well as prospectively. In summary, the Court of Appeal found that payment by UniCredit to the beneficiaries would be prohibited under Regulation 28 of the UK Russia Regulations, as the LCs were factually "in connection with" a lease for supply of restricted aircraft to Russia (notwithstanding that the aircraft had been lawfully supplied to Russia prior to the relevant sanctions coming into effect). The Court of Appeal also noted that "with an ongoing arrangement such as a lease there is a continued "making available" during the currency of the lease".

The Court of Appeal described Regulation 28 as a "relatively blunt instrument … intended to cast the netsufficiently wide to ensure that all objectionable arrangements are caught". In reaching this view, the Court of Appeal also emphasised the wider purpose of applying pressure on Russia and the provision of licensing grounds as a way to mitigate the impact on any unintentionally captured activities as a result of casting such a wide net.

In further justifying this position, the Court of Appeal suggested that the High Court's interpretation of Regulation 28 would mean that parties could wait until the completion of an export or supply of goods before transferring funds. Furthermore, the Court of Appeal noted that fund providers like UniCredit would not have first-hand knowledge as to whether a lease has been terminated, or whether the lessee could acquire the aircraft in the case of termination.

s.44 SAMLA defence: Reasonable belief of acting in compliance with UK sanctions

The Court of Appeal also offered a more favourable interpretation of the s.44 SAMLA defence. In light of its findings regarding Regulation 28 (as discussed above), it was not strictly necessary for the Court of Appeal to consider the applicability of s.44. However, the Court of Appeal acknowledged that UniCredit was under commercial pressure and had to form a view about new legislation at short notice without the benefit of hindsight. Therefore, even if the Court of Appeal had reached a different view in relation to Regulation 28, it would still have disagreed with the High Court "about whether UniCredit's belief was a reasonable one".

The Court of Appeal's judgment also considered the application of the s.44 defence in relation to claims for interest and costs, as compared with an action solely to recover a debt which is otherwise lawfully due (but which has not been paid in the reasonable belief that payment would constitute a breach of sanctions).

In summary, the Court of Appeal took the position that s.44 does not provide a defence for claims to recover a debt, as this is "an amount which is owed irrespective of any action or inaction in purported compliance with sanctions".

Where a claim for interest is not independent of the claim for the underlying debt (e.g. statutory interest to be applied by the Court), the Court of Appeal took the view that the s.44 defence should also not be applicable: "On the basis that proceedings for recovery of the debt itself are not barred by s.44 (as to which see above) it logically follows that a claim which is no more than an adjunct of that, and has no independent foundation, should also not be barred."

However, the Court of Appeal noted that claims for interest at a default rate as provided in a contract would "give rise to different issues", and would be "much closer both to the mischief at which s.44 is aimed and the language, because the claim is for an amount due as a result of ("in respect of") the failure to pay".

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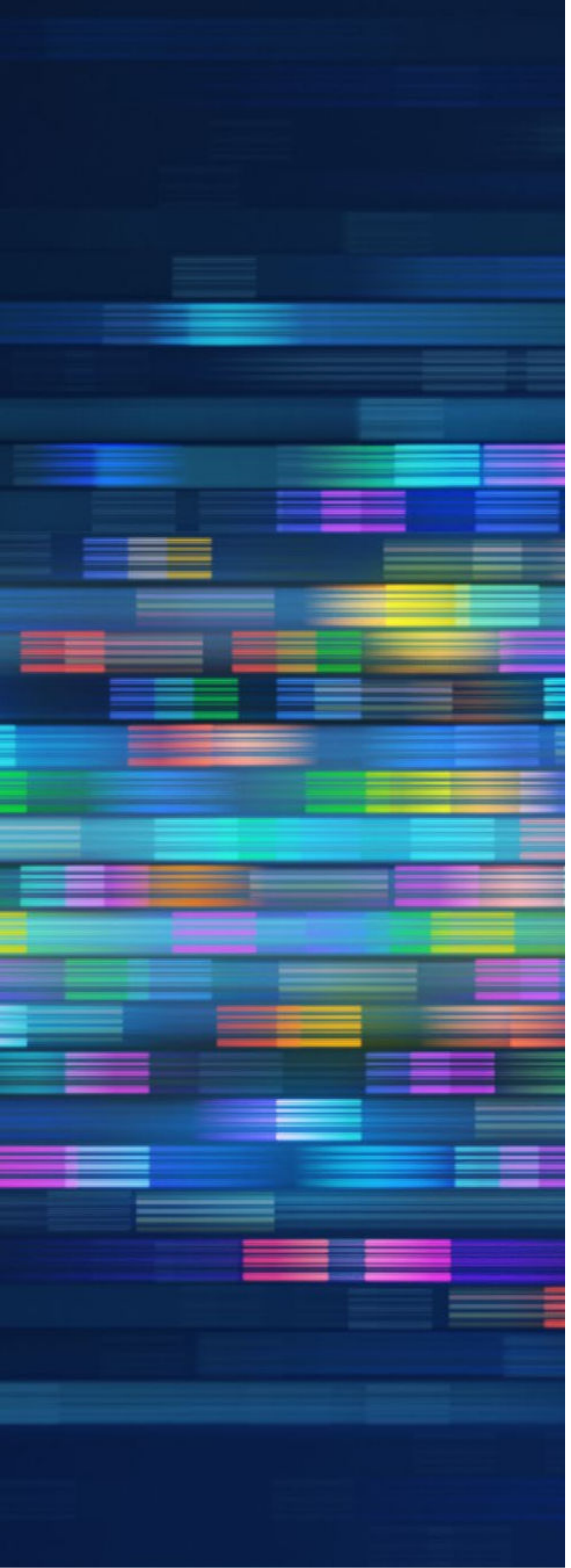

Ralli Bros principle and relevance of US sanctions

The Court also considered the application of the Ralli Bros principle - a limited exception to the general principle that the enforceability of an English-law governed contract is determined without reference to illegality under any other law – in relation to UniCredit's argument that it could not transfer USD to a specified bank account as the LCs expressly required, as such payment would be in violation of US sanctions. The Court of Appeal confirmed that the Ralli Bros exception applies where contractual performance requires anact to be done in a place where it would be unlawful to carry it out. However, a party will not be excused if performance would be legal if a licence was obtained (unless that party "shows that they either made reasonable efforts to obtain a licence or that any such efforts would have been in vain because a licence would have been refused").
The Court of Appeal considered whether payment in USD would involve a US correspondent bank, and therefore involve performance in the US contrary to US sanctions. Notwithstanding, the Court concluded that even if the Ralli Bros principle was engaged so as to make US sanctions relevant, UniCredit could not rely on US sanctions because "it did not make reasonable efforts to obtain a licence from the US authorities". The Court emphasised that UniCredit's application to the US Department of the Treasury's Office of Foreign Assets Control ("OFAC") was overly focused on requesting authorisation for receipt of payment from Sberbank (which by the time of the US licence application had been listed as a US Specially Designated National (SDN)), as opposed to making payment to the LC beneficiaries.

Lord Justice Males, Lord Justice Snowden and Lady Justice Falk unanimously agreed with the decision.

Key Considerations

The Court of Appeal's judgment will have significant and far-reaching implications for parties involved in providing or benefitting from any trade finance arrangements in relation to controlled goods, or that are otherwise involved in any trade in controlled goods. On the basis of this judgment, there may now be significant uncertainty as to the permissibility of any payments that have some degree of connection to trade in restricted items.

Whilst the Court of Appeal indicates that the broad interpretation of Regulation 28 set out in the judgment is offset by the ability for companies to apply for UK sanctions licences, this does not take into account the practical and timing challenges for many companies in seeking to apply for sanctions licences.

The judgment recognises that there will be circumstances where US sanctions apply to English law-governed contracts (notably where USD payments involve a US correspondent bank), whilst recognising that the ability to rely on those US sanctions is premised on having taken all relevant steps to mitigate their impact, as is the case where parties are seeking to rely on UK sanctions.

The case also raises questions around the availability of the s.44 SAMLA defence. The Court's judgment indicates that in order for a party to avail itself of the defence, there is a two-stage test that must be met. The first stage is a subjective test where the party must satisfy the court that they held a certain belief on the position in question. The second stage is an objective test which requires a party to prove that the belief they held was reasonable. The Court of Appeal found that UniCredit met both these tests on the basis that there was sufficient evidence, including documentary evidence, to support its position. In order to make use of the s.44 SAMLA defence, it is therefore prudent to ensure adequate documentary evidence is maintained that actions have been taken in the reasonable belief that they are in compliance with sanctions.

The complexities in the case also highlight the need for market participants to consider including fallback language in their trade finance instruments to mitigate the risk of sanctions. For example, beneficiaries under LC arrangements may wish to consider including an obligation for the issuing bank to pay in EUR or GBP, in the event that sanctions prevent payment in USD.

Finally, the case also illustrates the significant complexity of UK and other sanctions regimes, and the potential for different courts and authorities to effectively reach opposite views on the scope and application of key aspects of the regimes.

Given the nature of the issues in question and the divergent positions taken by the High Court and the Court of Appeal, it is possible that the case will be appealed to the Supreme Court.

> "This judgement will have significant and far-reaching implications for parties involved in providing or benefitting from any trade financing arrangements in relation to controlled goods, or that are otherwise involved in any trade in controlled goods."
>
> **Sven Bates, Of Counsel**

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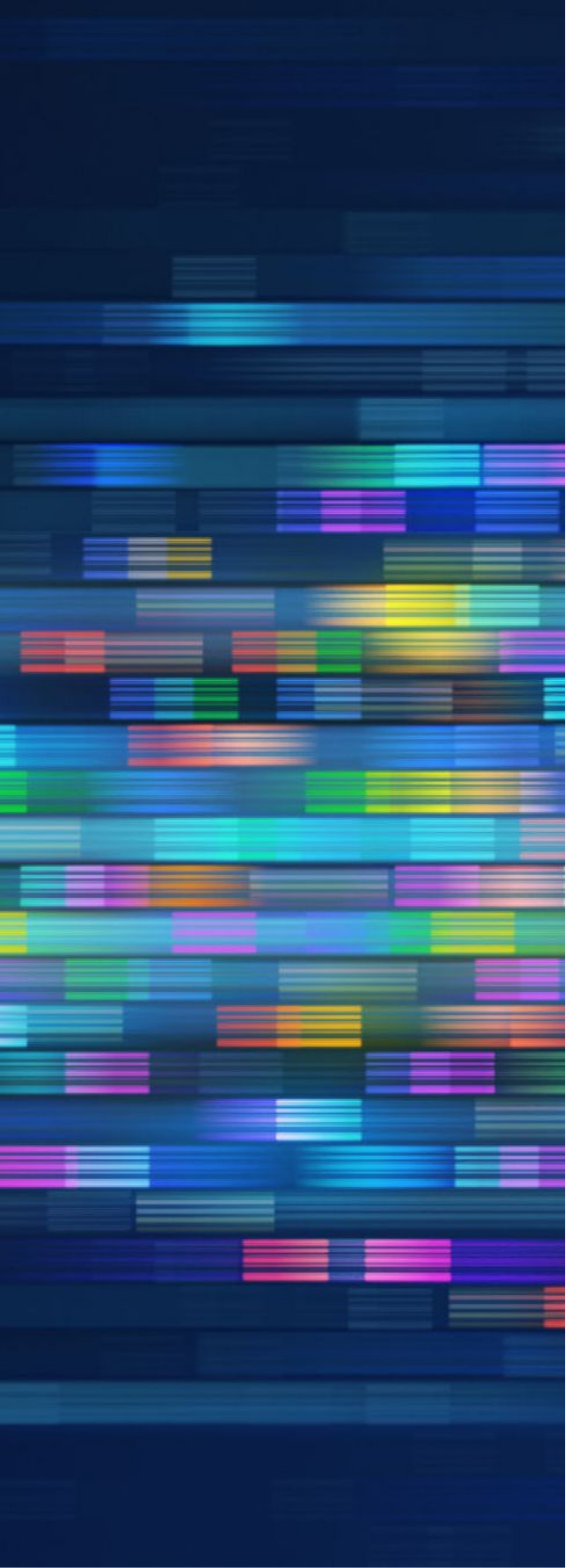

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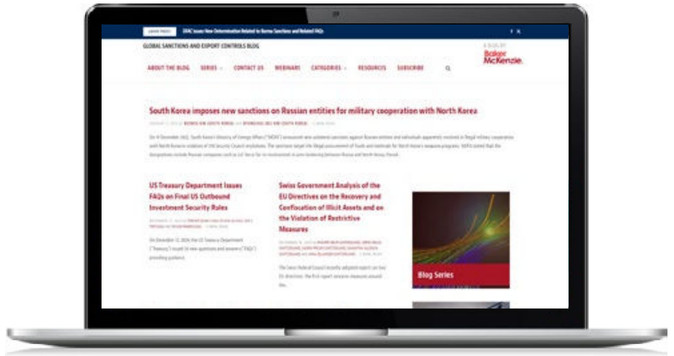
Sanctions & Export Controls Update



[Sanctions & Export Controls Update](#)

Looking Ahead: Business Impact of a New US Administration

BIS Issues Final Rule on ICTS Supply Chain Review Procedures, Responds to Comments Submitted to Interim Final Rule

US Treasury Department Issues FAQs on Final US Outbound Investment Security Rules

South Korea imposes new sanctions on Russian entities for military cooperation with North Korea

Swiss Government Analysis of the EU Directives on the Recovery and Confiscation of Illicit Assets and on the Violation of Restrictive Measures

EU Forced Labour Regulation adopted and published in the EU Official Journal

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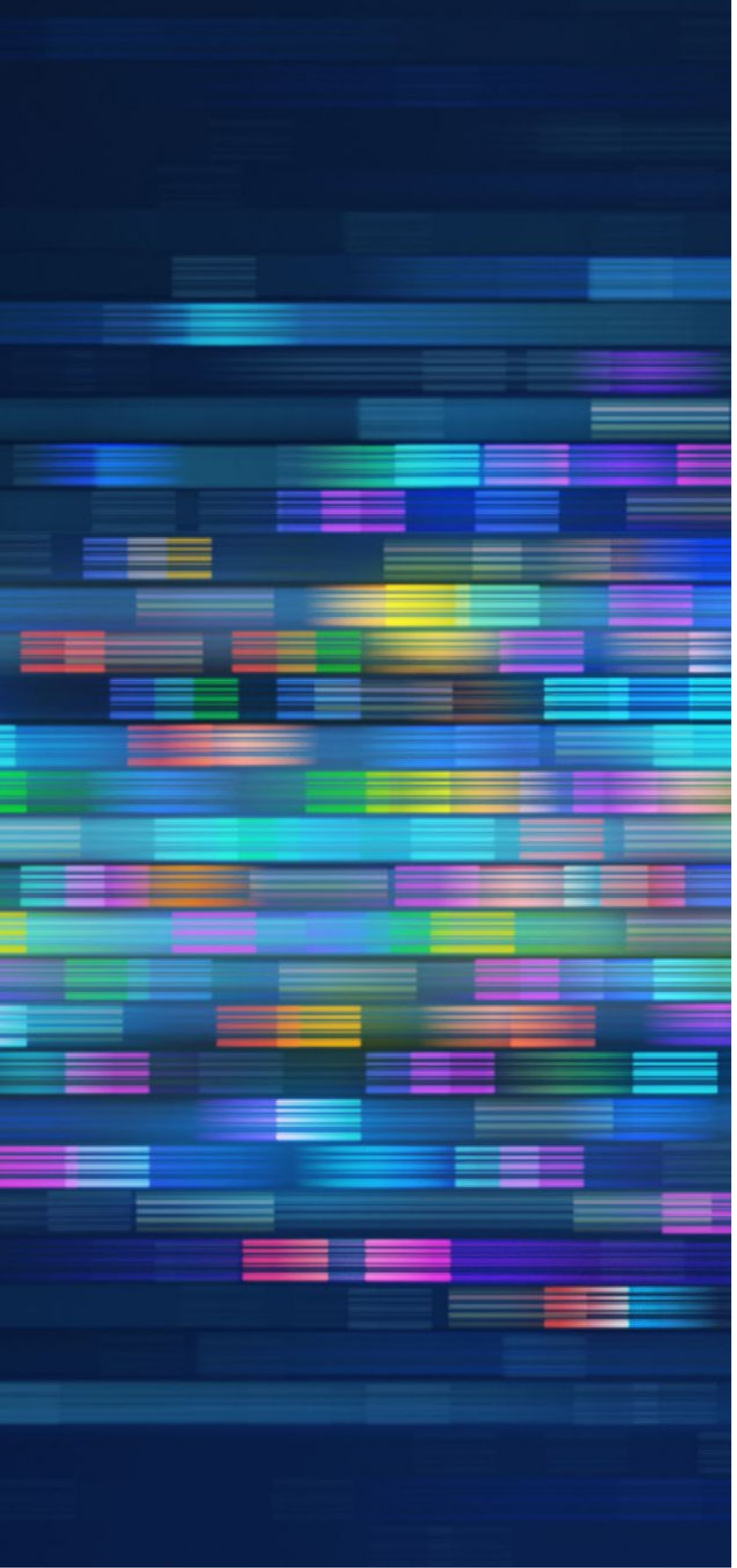


04 Decarbonising Steel: Market Primer

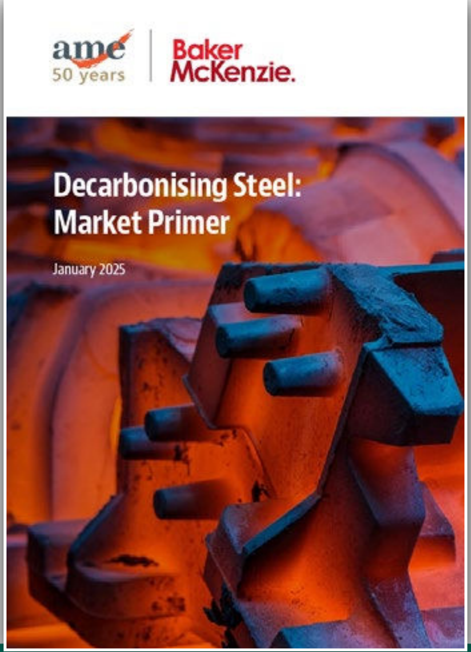
Given that direct CO2 emissions from steel production represent a substantial portion of all GHG emissions, there has been considerable attention from both steel market participants and policymakers on strategies for decarbonising the entire steel value chain. This report provides an in-depth analysis of the current state and future prospects of the low-carbon steel market.

In particular, the report highlights the concept of green premiums, which are the additional costs companies pay for low-carbon steel. These premiums are expected to increase as we approach global emissions targets for 2030 and 2050.

The report also discusses various low carbon-steel technologies and regulatory drivers that are shaping the market, as well as the development of low carbon steel standards and the role of clean hydrogen in steel production. In particular, the report looks at the role of the European Union's Green Deal and the Carbon Border Adjustment Mechanism (CBAM) in decarbonising steel as well as similar initiatives in the United Kingdom, the United States, and Australia, highlighting the global effort to transition to low-carbon steel production.

While the low-carbon steel market has a long way to go, it is developing rapidly creating both challenges and opportunities across the entire steel supply chain. The transition to greener steel production methods will require substantial investment and collaboration between various stakeholders, including steel producers, upstream mining companies, investors, and governments.

Ultimately, the evolution toward green steel underscores the commitment to a more sustainable future, but it is only through targeted government incentives and policies that the economic barriers to green steel can be overcome, aligning economic viability with environmental responsibility.



Please click on the image to access the full report ▶

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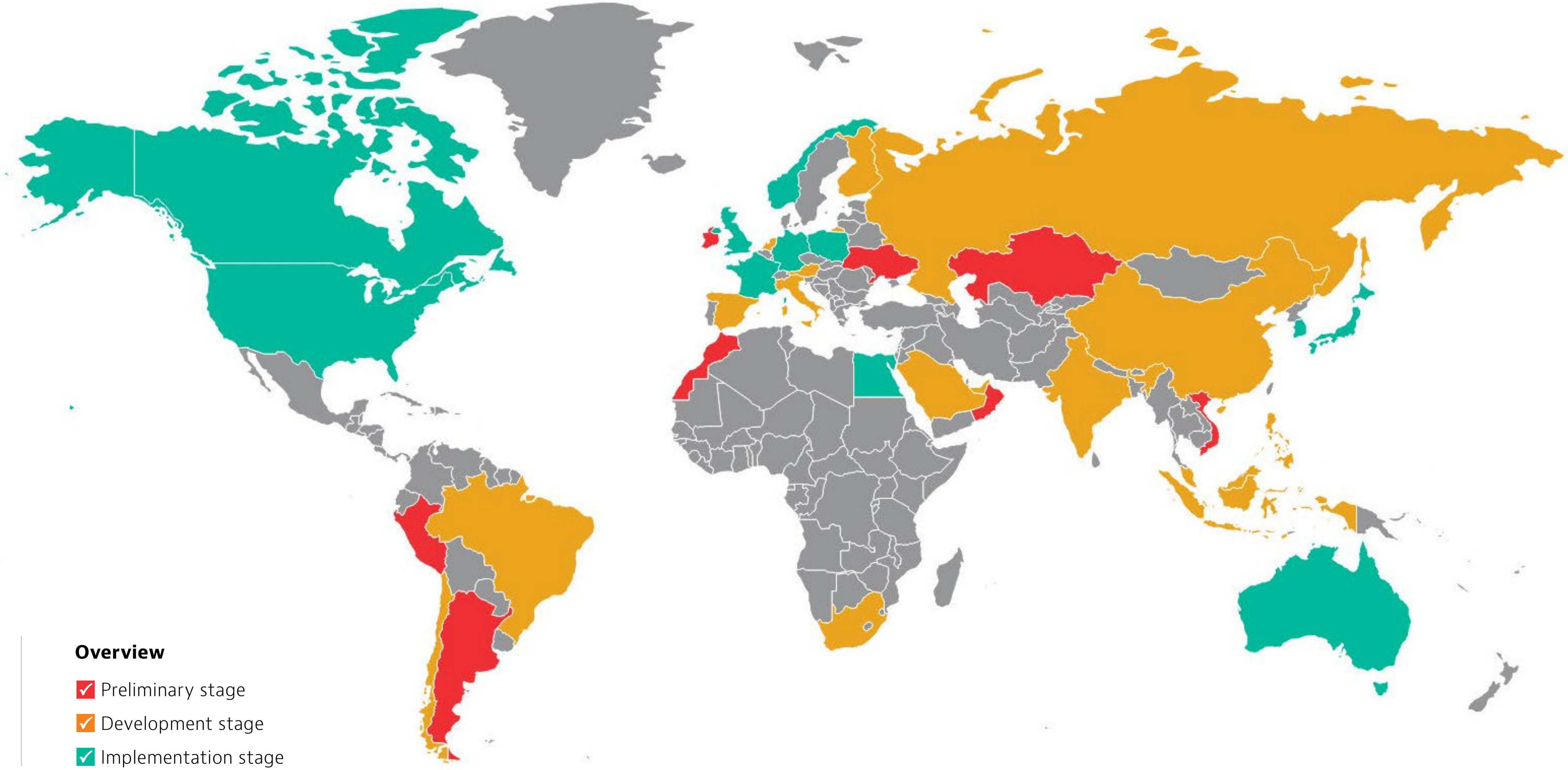
Global Hydrogen Policy Tracker: Interactive Heatmap

Many countries recognize the importance of clean hydrogen in the energy transition, understanding that renewable electricity and nuclear power alone cannot achieve decarbonization. The speed of deployment of hydrogen in coming years is expected to vary between sectors and countries due to the different level of maturity or adoption of the technology required for decarbonized hydrogen development, either globally or in specific regions. Meanwhile, governments around the globe continue to support the growth of a clean hydrogen market by developing and implementing clean hydrogen-specific strategies and policies, including new regulatory frameworks and support packages. By making use of government support, smart first-movers will be able to reap the benefits of de-risked investments, become technology leaders and shape the future of the business. Understanding and mastering these strategies and policies is crucial for seizing opportunities effectively.

The Global Hydrogen Policy Tracker helps you track key legal, regulatory, and policy developments in clean hydrogen worldwide. The tracker is regularly updated with the latest announcements on hydrogen-specific government strategies and policies. Each country's stage in developing the legal and policy framework for the clean-hydrogen market is highlighted in different colors, indicating whether they are in the Preliminary, Development, or Implementation phase.

Click on the image to view the interactive heatmap. ▶



Overview

- ✓ Preliminary stage
- ✓ Development stage
- ✓ Implementation stage

Additional Insights and Resources

Transition Finance:
How we can help

The transition to a carbon-neutral economy is a seismic shift on a global scale, leaving no sector untouched. The urgent strategic, operational and reputational challenges are considerable, but so are the opportunities for growth.

Climate adaptation finance:
The challenge for institutional investors and commercial banks"

The article published in the World Economic Forum website discusses the significant gap between the current climate adaptation finance and what is needed, emphasizing the necessity for a fourfold increase in funding to help the world adapt to climate change.

Digital Transformation Hub

The pace and focus of digital disruption, accelerated by COVID-19, has focused companies across all industries to re-examine their business models.

Connect On Tech - Legal Insights on Data & Technology

Explore the Law on Securing and Regulating the Digital Space: untangling the content regulation obligations applicable to online service operators

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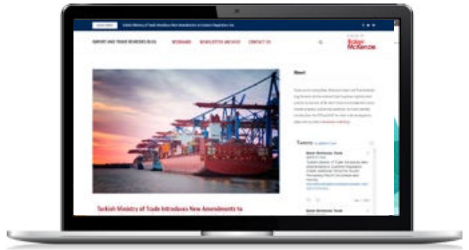
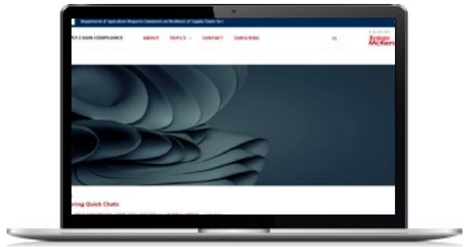
Additional Insights and Resources



Import and Trade Remedies Blog

Baker McKenzie's Import and Trade Remedies blog (formerly the International Trade Compliance Update) provides an overview of the latest trends and developments across customs programs, policies and procedures, and trade remedies, including from the WTO and WCO. For other trade developments, please visit our other international trade blogs.

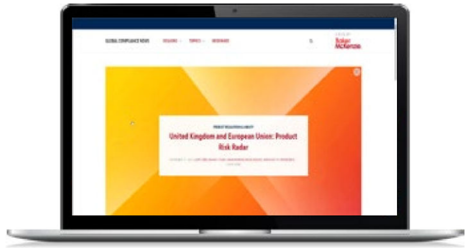


Global Supply Chain Compliance

We bring you supply chain compliance insights from practitioners around the globe to offer our analysis of emerging legal trends and hot topics in supply chain risk management. In addition to providing the latest updates on global and industry-specific supply chain risks, this blog has been created to flag pitfalls and navigate the complexities of supply chain legal regimes, as well as advise on opportunities, ethical considerations and best practices for organizations and in-house counsel.

Foreign Investment and National Security Blog

A growing number of jurisdictions have now introduced national laws enabling the screening and review of incoming foreign investments, often with a focus on specific sectors perceived to be particularly sensitive. This blog aims to provide you with the latest news and updates in respect of foreign investment review and national security trends and developments, keeping you up-to-date and informed about the legal and business risks impacting your next transaction.



Global Compliance News

Global Compliance News is a blog hosted by Baker McKenzie that covers trends and developments in compliance around the world.

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Our Awards

Best pan-African Law Firm

EMEA Finance, African Banking Awards 2021-2024

Banking & Finance Legal Adviser of the Year

Bonds, Loans & ESG Capital Markets Africa Awards 2021-2024

Advised on 3 Deals of the Year (Debt, Equity and Infrastructure)

African Banker Awards 2024

Infrastructure Finance Deal of the Year

USD 1.76 billion loan to the Republic of Tanzania to fund the construction of a standard gauge railway

Bonds, Loans & ESG Capital Markets Africa Awards 2024

ECA, DFI and IFI Deal of the Year

Advised MUFG on the successful completion of a USD 500 million accordion facility to increase the size of a USD 234 million Samurai loan for the Afreximbank

Bonds, Loans & ESG Capital Markets Africa Awards 2024

Local Currency Loan Deal of the Year

KES 20 billion loan to Safaricom.

Bonds, Loans & ESG Capital Markets Africa Awards 2024

Africa Export Finance Deal of the Year

Caculo Cabaca Hydro Power Plant project in Angola.

TXF Perfect 10 Deals 2023

Export Finance Deal of the Year and Power Finance Deal of the Year

Republic of Angola's EUR 1.29 billion dual-tranche loan to support the Angola Rural Electrification Project providing for electrification of 60 sites in rural Angola.

Bonds, Loans & ESG Capital Markets Africa Awards 2023

ECA, DFI and IFI Deal of the Year

AMEA Power $1.1 bn project finance loan

Bonds, Loans and Sukuk Middle East Awards 2023

Local Currency Sovereign, Supra & Agency Bond Deal of the Year

Development Bank of Southern Africa's ZAR 3 billion senior unsecured green bond private placement.

Bonds, Loans & ESG Capital Markets Africa Awards 2023

Project Loan Deal of the Year

Canal Sugar project financing.

Bonds, Loans & ESG Capital Markets Africa Awards 2023

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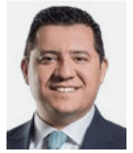

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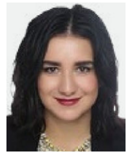

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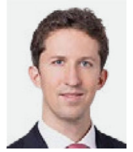

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