

KHALDOON KHALIFA AL MUBARAK

Chairman of the Executive Affairs Authority, Group Chief Executive Officer and Managing Director of Mubadala

Mina Al-Oraibi, Editor in Chief of *The National*

Good afternoon and thank you for joining us. My name is Mina Al Oraibi. I am the Editor in Chief of *The National*, based here in Abu Dhabi, and I am delighted that His Excellency Khaldoon Al Mubarak, Chairman of the Executive Affairs Authority and Group Chief Executive Officer and Managing Director of Mubadala is here with me. I get the joy of having half an hour to grill you, so good luck in the next half an hour. I wanted to start by looking back at 2022. We meet here in Abu Dhabi in December. It has been quite a turbulent year. Of course, on the minds of many people is the war in Ukraine, as we just heard from the Foreign Minister of Ukraine, but also economic turbulence. We have seen tech companies go up and down. We have seen concerns about an energy crisis and about a food security crisis, so it has been a turbulent year. However, it has also been the year that many countries have come out from the COVID 19 pandemic, or at least the key measurements thereof. Your Excellency, I want to start by asking you about looking back at 2022. How do you see this year?

Khaldoon Khalifa Al Mubarak

First of all, Mina, it is a pleasure speaking to you today, and please call me Khaldoon. Second, let me take the opportunity to welcome everyone to Abu Dhabi. It is a pleasure to have this distinguished group of people from all over the world to be here for this distinguished conference, and of course thank you so much for your kind invitation. It is a pleasure to be here today.

Now, answering your question: it has been quite a remarkable period. If you go back to January 2020, if I look at January 2020 to where we are today, these two years, almost three years now, have been exceptional in the sense that it has been a period, a short period on a relative basis, with no less than three, arguably two for sure, but maybe three black swan events happening in a concentrated period of time, shaking the entire globe. There is not a place in the world, there is not a country in the world, there is not a people in the world that has not been impacted dramatically by the events of the last two and a half to three years.

I think that is something we have to start with because, in everything we talk about going forward, we have to bear in mind we have just been dealt COVID in itself, the pandemic, and the impact that has had on everyone, followed by what I would categorize in my view as a second black swan event, which is a series of economic measures by governments around the world that are unprecedented in nature. That I will define as a black swan event, maybe a white swan, but it is a swan depending on how you look at it. That then was followed with the



Russia and Ukraine war, and then the aftermath, which I would say is the fourth, because the war itself is a black swan event. The measures, the sanctions, and then the resulting geopolitical seismic shift that has happened following that is arguably another event in itself.

All of this is happening at the same time and for countries, like ourselves here in the UAE, for institutions, like the investment institution I represent, we have had to navigate through these waters over these last two to three years, from one perspective weathering the storm, or storms, and from another perspective preparing yourself for the future, and this new future. Because all these events that I have described have implications for the future that are irreversible in my opinion.

Mina Al-Oraibi

When you talk about that preparation, so to speak, what lessons have you learned and do you think we have learned institutionally in different parts of the world from these black swan events, but particularly from COVID 19?

Khaldoon Khalifa Al Mubarak

If we are going to talk about COVID 19 to be specific in terms of lessons learned, I would say there are good and bad lessons. If you remember that first period, I would say phase one of COVID-19, which is the January, February 2020 to probably June, July of 2020, that six- to seven month period, that for me was the bad lesson, because here the entire principle of globalization, the entire principle of collaboration and working together was thrown into the trash by many countries, many companies and many people. People and countries went into self preservation mode, really focusing purely on solving their internal problem at the cost of others. You saw that in many things. You saw that in how PPEs and as simple things as masks were being herded. You saw that in terms of the lack of collaboration in the early stages with cut offs. A lot of events in that space are really examples of what not to do.

In retrospect you look back now, especially now going into the good lessons, the good lessons are that this challenge started to get resolved in a constructive way once the world started collaborating, once the world started collaborating on vaccines, once the world started collaborating on measures, on manufacturing, on medical supplies. That is how the world eventually got itself out of the pandemic and into the stage we are in today. It is through actual collaboration, which again begs the question on globalization. Because what we are dealing with right now, particularly with the other events in the world today, is a move away from globalization, that obviously has a lot of implications going forward.

Mina Al-Oraibi

Regarding that point about globalization, there are concerns that the global order as we knew it is behind us now and we are emerging into a new global order, be it Bretton Woods, be it the collaboration or at least agreements at the UN Security Council, be it even trade. I mean there are question marks today on whether the WTO can continue, especially with the US China tensions that continue. First of all, my first question is: is globalization dead? Is it still there?

Khaldoon Khalifa Al Mubarak

I do not know if it is dead, but it is certainly highly challenged and facing probably one of its biggest challenges ever. The form of globalization that we have seen over the last 10 to 20 years is probably behind us. Now, are we moving into something completely different? I do not know the answer to that, but I do think a new form of globalization is emerging that is different than the form we have seen over the last 10 to 20 years. This new form is shaping itself along the lines of the China US divide, along the lines of Russian sanctions, along the lines of the rise of India, the reconstruction and movement of supply chains, moving from a complete open market of supply chains to now a model of domesticated supply chains as a focus, combined with trusted supply chain circles. I think that is what is emerging and, talking in economic terms, the form of globalization is probably more along the lines of this economic value chain trusted partnership. And you are seeing these circles of partnership build up now.

How sustainable that is, how that is going to work out, how it is going to shape things: it is happening as we go. However, I believe personally, as the UAE has always been a country that is built on trade, built on open trade – east, west, north, south – we are supporters of globalization, we are supporters of open trade, and we have reaped the benefit of it over the last 50 years of the creation of this country. That allows us to operate the way we operate today. If you look at the UAE today, our trade partnerships with Asia are very strong, from China to Japan to Korea to India to Southeast Asia, and then you go to Africa. We are the largest trade partners of Africa. You move into the Middle East, and we have a strong trade relationship with pretty much every Middle East country, and then you go into Europe, the United Kingdom, the United States, and I think the same. You, therefore, see a very similar trade oriented direction that the UAE has pursued.

I believe, regardless of how this question gets answered and how this plays out in the 10 to 20 years ahead, for us in the UAE and for our investment institutions, we will do well in that world because we can and we will continue to speak – east, west, north, south – with what I would say is a very constructive approach.

Mina Al-Oraibi

That approach and those relationships, however, for the UAE are borne out of that global system that now, as you say, is challenged. As you do your strategic planning, as you are looking forward and thinking about – as Mubadala, for example, has incredible ties and investments in different parts of the world – do you now pause longer and think you cannot take for granted those global relationships and systems, which we perhaps took for granted 10, 15 years ago, and how do you then plan accordingly?

Khaldoon Khalifa Al Mubarak

Once again, from a pure investment lens, and as I look from my chair at Mubadala as an investor, as a global investor, we follow growth. We follow growth patterns. We follow long term sustainable return. That is kind of what drives us, and that applies, by the way, both in terms of geography and sectors. This is how we look at the future. We are agnostic in terms of where and how we invest. Our track record has been based on investing in the right sectors at the right time and in the right geographies. In doing so, we were able to achieve and have

been achieving consistently sustainable, attractive returns for our shareholders. Going forward, we will continue to do so.

When I look at growth on a going forward basis, you look at Europe as an example, I think it is a challenge for sure. When you put the description, I have just described in terms of growth, in terms of returns, in terms of where I see economic headwinds, when you look at Europe that is a challenged picture. On the flipside, you look at India as an example. India is probably going to be the largest country by population by 2024, in the next one to two years, with a huge population: 1.3 billion to 1.4 billion people. It has the largest growing middle class in the world by size. It has one of the largest growing economies, with 6%, 7%, 8% GDP growth in an economy of that size. It is closer to 8% if I am not mistaken. Once again, you have a GDP growth trajectory, you have a rising population, and you have a rising middle class. There you can again see a picture, coming back to my growth argument, where you see growth. You see growth and you see sustainable growth given the macro-outlook for a country like India.

Then you ask yourself, 'What sectors?' Here again I am talking from a macro sense. There are sectors we all know today are sectors, given the world's direction, in which there will be substantial growth. Let us take a broad theme: energy transition. That entire theme of energy transition is a theme we are of course focused on investing in, because we know the future is going to be about energy transition and about investing within that value chain of energy transition. That applies to everything, from investing in production, manufacturing, materials, all the way to the kilowatt produced from solar, wind or hydrogen and so forth. I think that is a broad theme that is an area of focus to us.

Technology is very important. Technology is at the forefront of everything, be it the energy transition, be it the healthcare side of it, the biotech side of it and the consumer side of it. While it is going to be challenged in terms of valuations, particularly in North America and Europe, but also in China – as we speak it is being challenged – it does not change the long term relative importance and critically of that sector. As a long term investor it is an area, I assure you, we are focusing on a lot.

Mina Al-Oraibi

I wanted to ask you about industries to focus on. You have mentioned energy transition, and there are of course many questions about the UAE being one of the leading countries when it comes to hydrocarbons, but also thinking about that transition, from Masdar, which is going through its own transition, to the hosting of COP 28 in 2023. Therefore, when you think about industries, but also policies, when it comes to the energy transition, and we are here at the World Policy Conference, if you are giving advice to policymakers, how do they calibrate that energy transition, that is inevitable now, and how does that fit into the planning for COP 28?

Khaldoon Khalifa Al Mubarak

I will answer you by starting with context. From a UAE perspective, energy has always been the backbone of our economy. Once again, we are blessed in terms of the natural resources we have in the UAE – oil and natural gas – and throughout the 50 years that has been an important component of our economy and of our GDP. However, throughout that period, the policy question and the policy vision that the UAE has always consistently had is a policy of

diversification from one aspect and a policy of maintaining leadership within the energy space. In doing so, when we talk about energy transition, while this is the subject of the day in any platform you currently talk about, we have been talking about energy transition for almost 16 years.

When you look at where we are today, as one of the largest oil producers in the world, one of the largest gas producers in the world, yet already almost 25% of our power needs in the UAE are met through renewables. That did not happen over the last two years. That has happened over the last 16 years of consistent investment in a time where I remember 16 years ago, when we started investing in solar, people were saying, 'Why is the UAE investing in solar? You have oil and you have gas. Why are you investing in solar?' Or even 13 years ago, when the UAE decided we are going to build safe nuclear power plants: 'Why are you investing in nuclear power plants? You have plenty of gas and plenty of oil'. That shows you that there was a level of maturity and a clear long term view in terms of where the energy is going from policymakers in the UAE and the leadership in the UAE that has led to decisions 14, 16 years ago that we are seeing the benefits of today. Today, we have four and a half gigawatts of safe nuclear power supplying power throughout the grid in the UAE. We have two of the three largest solar power plants in the world, generating the lowest cost per kilowatt of solar energy in the world. I am not talking to you in theory or in terms of future plans. I am talking to you about actual infrastructure operating on the ground today and producing this power.

That story of investing in energy, investing in new energy and the energy transition, is a long story for us in the UAE and it is showing its fruits. Where we are today is where we would want to be in the sense of having that balanced portfolio of energy production between renewable and conventional in a way that not many countries around the world have, but, more importantly, no other major oil and gas producer has. As we now enter the year where the UAE will be hosting the COP, I think we have a good story. We have a great story in my opinion in the sense that it is the story of an energy producer that has made the transition or is making the transition with actual historic evidence of that and a clear strategy. When we say we are going to do something over the next 10 to 20 years, the track record of the UAE shows that it actually delivers on that. That will be a very important theme as part of COP.

Mina Al-Oraibi

I want to follow on from that and the point of investment because as a sovereign wealth investor there are certain responsibilities to ensure development and growth, but also now these new developments. When I say 'new' I mean 10, 15 years of thinking about climate transition or climate action and energy transition. At a time where we are now entering economic turbulence in 2023 – I mean all the outlooks, be it the IMF, be it the World Bank, are talking about us globally entering a time of turbulence – can you still feel as assured that that long term vision and strategic planning will be okay at a time when we have this economic turbulence? There is a fear that financing globally on this energy transition and so forth will pull back because of fears.

Khaldoon Khalifa Al Mubarak

Here there is an important saying: patience is a virtue. What is required is – and I am going to contradict myself, so forgive me, but I will elaborate as I go with my answer – patience but



also speedy execution, and these two have to happen at the same time. What do I mean by that? A couple of years ago, there was a lot of pressure. I am just using that example on energy transition because I think it is probably the best way to explain my argument here. Over the last five to 10 years – maybe more five to eight years – as this energy and climate challenge has really come to the forefront, a lot of pressure was put on policymakers, on governments and on companies, oil and gas producers around the world. That resulted in stress to the system. That stress resulted in significant underinvestment in the oil and gas sector and the energy sector as a whole globally. That then resulted in an undersupply.

Inevitably, therefore, there was going to be a wall you are going to hit because it assumed, wrongfully in my opinion, that you are going to stop investing in this space, you are going to invest heavily in the renewables and new energy space and the energy transition space, and it is all going to happen at the same time and it will be smooth and there will not be extreme volatilities. The reality is that is not the case. Where you need execution speed is on new technologies, on the future of energy transition when it comes to wind, solar, hydrogen and ammonia. There are so many. That requires speed of execution, but it also requires patience. To be able to measure that with continuing to invest in a responsible way in existing energy demands and supplies needed to meet these demands in the conventional space. Not doing so is going to create massive disruptions and massive volatility and economic distress. This is, therefore, where I feel it is important to achieve that balance between patience and perseverance and also light speed execution in a period of time that is more structured. That will help the world economies to better balance some of the challenges that lie ahead.

Mina Al-Oraibi

Part of the challenges are also the changes in the technology landscape, partly because there is the speed of technological change that regulations and sometimes government are not fast enough to keep up with, but also there is the concern, if we go back to the globalization question, that there might be a split. Some people have talked about decoupling between the US and China. There has been pressure on countries in different parts of the world to make a choice geopolitically, but I also want to talk about the technologies. How do countries, like the UAE, mid sized countries, but also investors, think about that? As technology is speeding along there is the geopolitics that might pull back.

Khaldoon Khalifa Al Mubarak

Here, from my perspective I like to always look at it agnostically. Invest in the best technology and invest in the areas where you have the right regulatory environment, the right legal environment and the right macro environment that is conducive for growth. That is what drives our decision. It is not about the geopolitics or X or Y. It should be in that sense. When you look at, for instance, the PV solar market, 80% of the manufacturing is in China. That is the reality. Today, 80% of the supply comes from China, and that applies to many other components within the energy transition stage. If you look at it – anodes and various components – I can name you five or six important components that are critical aspects of the energy transition and each one of them China manufactures 50% to 80% of the global supply. One has to be clearly balanced in how you look at the future and how you get to that future in the way that is most sustainable and most economically viable. I will go back. From our sense we have been investing everywhere around the world for decades and we tend to invest where it is the right

place for that, the right investment for the right return for us, and we will continue to pursue that strategy.

Mina Al-Oraibi

The other change that we witnessed during COVID 19 was of course our overreliance on connectivity, technology, everything from working from home, children being educated at home, but also public health in general. Technology and changes in the technology landscape are impacting governance, impacting economies and so forth. How do you view the changes in the technological landscape and what are you excited about?

Khaldoon Khalifa Al Mubarak

I am excited about everything. One of the positives of COVID is it supercharged our transition on the technology side. You look at a simple technology like the virtual Zoom calls, which all existed pre COVID, just nobody used them, or used them very scarcely. However, this is a tremendous technology platform that all of us who have been dealing with this over the last couple of years will tell you, 'Oh, wow, why was I travelling all over the world for meetings that I could have done at home with my computer?' I look at the use of technology and how it makes our lives easier, and makes operating and doing business easier, as a tremendous asset. Maybe it is one of the great things that we have learned to pivot fast, accept these technologies, and actually use them.

Now, I do not think we have to be extreme. We needed to be extreme during COVID because of the various restrictions, but there needs to be a healthy with between the use of technology because nothing at the end of the day replaces what we have here today, which is the ability to speak, converse, see the body language and have the interface. I am personally back to my 2019 travel mode. As much as I would have liked and hoped to believe that through technology and virtual communication, I would not need to travel like I used to before, the reality is the answer to that is no. Nothing replaces this direct connectivity, the need to actually look someone in the eye and really converse. That applies to business, politics, academia, you name it. You have all attended conferences virtually and, frankly, I do not think any of us want to go back to those days of attending a conference virtually.

Having said that, technology is changing everything, even the way we work. I see it with our workforce in Mubadala all over the world right now. We have offices throughout the world. We now have the ability to mix between technology and face to face interactions, and creating this new hybrid model, whatever it is, and it is an evolving model, is a good thing because it provides a better balance in terms of quality of life, which is critical. That balance between work and life is so important because we have seen it now. We have learned that through COVID. Moreover, by the way, productivity has not changed. As a matter of fact, I found that productivity was more enhanced when we were able to provide our employees a better work/life balance.

Technology will play a big part in this going forward and employers will have to evolve. We cannot go back to 2020. That is finished. There is something new and we are all learning it and what fits in Abu Dhabi is different to what fits in Paris and what fits in Paris will not fit in Tokyo or in Beijing, etc. The short answer is technology is crucial. It is going to be great. I love



most aspects of it and it is about us investing in it, using it and then having the courage to test it.

Mina Al-Oraibi

This is my very final question for you. We started by looking back at 2020 to 2022. Now, as you look forward to 2023, what do you see as the greatest opportunity we have in 2023?

Khaldoon Khalifa Al Mubarak

I will answer you in a different way. When we look at the future, we do not look at it in one year. As an investor who takes a long term horizon, and being a sovereign investor, I think that gives us an edge in that we can afford to think, and we are afforded to think, in the five to 10 year horizon. That changes your decision making, when you are looking at a five- to 10 year horizon, versus looking at a one year horizon. If I am looking at a one year horizon, yes, 2023 is going to be tough, no matter how you cut it. There are some places that are going to be easier than others, but there are more headwinds than tailwinds in most places around the world for 2023. It will be a tough year.

From my lens, it does not really change because we will weather 2023. The decisions we make in this quarter of 2022 and in 2023 I look at through the lens of the next five to 10 years. Are we making the right investment decisions in the right spaces, in the right sectors at the right valuations, looking at a five to 10 year horizon? In that sense, 2023 will be a tremendous opportunity, so I am not going to look at it in the negative sense. I look at it in the positive sense because I think it is a time where there is going to be big adjustments on valuations. There are going to be recessionary pressures in many places around the world. Some countries will go into recession. Some economies will go into recessions. Some will go into strong recessions, some into light recessions and others will weather through, so it is going to be a tough year. I anticipate that, but I see it in the lens of opportunity. And in that sense, I think 2023 will be a very important year for us as Mubadala. If we make the right decisions, over five to 10 years these decisions will be very accretive for us.

Mina Al-Oraibi

Thank you very much, Khaldoon. We close this session with thinking about patience but also speed and agility, knowing that 2023 will be bumpy, to say the least, but also, looking at the five to 10 year horizon, with some exciting opportunities, but also following where we see growth and, as you said, the world's landscape is changing according to that growth, both in industry and in countries. Thank you very much for your time and your attention and please thank my delightful speaker.

Khaldoon Khalifa Al Mubarak

Thank you very much.