'Post-2015' presents green growth opportunities for Gulf oil exporters

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Starting with a discussion on the origins of the green growth concept, this article looks at how green growth and green economy policies relate to the post-2015 development agenda and global efforts to prevent dangerous climate change. It explains how the Gulf Cooperation Council (GCC) states relate to the green growth agenda and how they have been participating in advancing the UN sustainable development agenda, particularly in the area of sustainable energy. The article concludes by discussing how green growth and green economy policies can help Gulf oil-exporting countries reap the benefits of the new development agenda and the global shift to zero-carbon.

Limits to growth or green growth?

The Gulf oil exporters are sitting on a limited source of wealth. Either their fossil fuel riches will run dry in the next decades or – the more likely scenario – a global peak in demand for oil will lead to a depreciation in their value. Converting these resources to more sustainable wealth has underpinned the Gulf states' economic diversification efforts for decades. Today, turning 'brown' wealth into 'green' wealth figures among the key goals of the global development and energy agendas. This paradigm shift in development thinking has been brought about by a number of global systemic crises since the end of the 2000s, including the food price and global financial system crises, biodiversity loss, and climate change. These crises all relate to limits, and surpassing them.

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The question of limits is a central one in debates on sustainable development. Scientific knowledge regarding our planet's limits has increased significantly over the past decade. The concept of an ecological footprint, which the conservation organization WWF has helped popularize, compares humanity's demand on ecological services with the Earth's carrying capacity. It shows that we are currently consuming 50 per cent more resources than the planet can generate. Another example of our evolving ability to understand the Earth's limits is the concept of carbon budget, which estimates how much carbon dioxide (CO_2) and other greenhouse gas (GHG) emissions we can still safely emit. At the current pace, this budget could be exhausted in 30 years.

The concept of sustainable development itself has never been sufficiently functional for policymaking purposes, even when it has helped draw attention to the need for social, environmental, and intergenerational sustainability and equity. The concept lacks a clear, agreed-upon definition, partly due to its 'constructive ambiguity' (common in UN agreement text on issues where no consensus exists). The widespread three-pillar approach (economic, social, and environmental) has been criticized for being flawed. Proponents of 'strong sustainability' have pointed out that the three pillars are not interchangeable or autonomous: the loss of natural capital cannot be indefinitely replaced by an increase in man-made capital.

The concepts of 'green growth' and, to some extent, of 'green economy', have sought to strike a balance between the two extremes of the three-pillar approach and the strong sustainability approach. The idea that growth can (and should) happen, as long as it is based on sustainable use of natural resources, is central to green growth. Decoupling economic growth from ecological impact therefore becomes the central task of the green growth agenda.

The UN Environment Programme's (UNEP's) well known definition of 'green economy' describes it as '*one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities'*. Even though the ideas of green economy and growth remain contested in some contexts (international trade in particular), they embody a can-do attitude generally not seen in more limits-oriented debates on sustainable development.

This discourse has resonated well in a number of emerging economies that are seeking to improve their peoples' standards of living and their economies' global competitiveness. In the Gulf, the United Arab Emirates (UAE) has adopted green growth as a key pillar of its development strategy. Other GCC states, too, have begun implementing policies (in such areas as fossil fuel subsidy reform and energy efficiency) that will allow for greening of their economies.

Year of sustainable development

The year 2015 marks a milestone for three major sustainable development governance processes under the UN umbrella. Firstly, at the Third International Conference on Financing for Development, held in July in Addis Ababa, 193 UN Member States agreed on a new global framework for financing sustainable development.

This is entitled the 'Addis Ababa Action Agenda' and it outlines concrete policies and actions for different sources of financing and cooperation in technology, science, trade, and capacity building, among others.

In a second major milestone, in September the UN adopted the post-2015 development agenda that includes 17 global Sustainable Development Goals (SDGs) for 2030. The SDGs will replace the Millennium Development Goals (MDGs) expiring this year and include 169 targets associated with the 17 goals, to be monitored through indicators established in October 2015. The post-2015 summit in September also saw the launch of a technology facilitation mechanism, which will be operationalized over the next months.

It is hoped that agreement in these two broad areas will help build momentum for the third key event, the UN Climate Change Conference in Paris, in December. The Paris conference is expected to result in a universal legal agreement and accompanying decisions that together will create strong enough incentives for countries to reduce their GHG emissions so as to avoid a dangerous climate change (defined as an average global temperature increase of more than 2 °C above the pre-industrial era).

'SOME OF THE GCC STATES HAVE PLAYED AN ACTIVE ROLE IN BRINGING THE POST-2015 DEVELOPMENT AGENDA TO LIFE …'

Some of the GCC states have played an active role in bringing the post-2015 development agenda to life, and many are active in the negotiations under the UN Framework Convention on Climate Change (UNFCCC). A proposal by Colombia and Guatemala in 2011, later supported by the UAE and Peru, among others, led to the launch of the process to develop the SDGs. Saudi Arabia and the UAE held seats in the Open Working Group that negotiated the 17 SDGs in 2013–14. Saudi Arabia, the UAE, and Kuwait have also been active in the UNFCCC. Among other things, they have sought to ensure that developed countries deliver on their obligations. In some cases, GCC negotiators have played key roles as facilitators in smaller group sessions, or as mediators seeking to find a middle ground in controversial topics.

All countries, both developed and developing, will be required to work towards achieving the SDGs at national, regional, and global levels. Similarly in Paris, all countries will be expected to inscribe their nationally determined contributions (NDCs) in the new climate agreement. NDCs may include mitigation (emissions reduction) and adaptation targets or actions, and contributions in the areas of finance, among others. Many GCC states are expected to come forward with their NDCs before the December conference. Given that the collective ambition of countries' mitigation NDCs is not expected to be sufficient to keep global warming below 2 °C, consensus is emerging that a review mechanism with a five-year cycle should be established in which all countries would be encouraged to re-evaluate and increase the ambition of their contributions on a regular basis.

Means of implementation

In order for all countries to deliver on both the post-2015 development agenda and their climate commitments, some means of implementation – finance, technology, and capacity building – will be essential. Green growth and green economy policies can arguably help in their mobilization. For example, the McKinsey Global Institute has estimated that resource savings would generate US$2.9 trillion per year through 2030, while the UN Conference on Trade and Development (UNCTAD) forecasts that financing the 17 SDGs will cost US$2.5 trillion per year through 2030. Financing for development will therefore not be an issue if the right policy and market incentives are put in place and financial flows are directed in an optimal manner.

Serious and robust commitments of scaled-up climate finance from developed countries – something yet to come – will be a key factor in ensuring success in Paris. Finance will be crucial for enabling developing countries, in particular the least developed countries (LDCs) and small island states (SIDS), to adapt to the negative impacts of climate change. It will also be key to achieving the emissions reductions required to stay within our carbon budget and limit global warming to a level below 2 °C.

A dialogue series hosted recently by the Organisation for Economic Co-operation and Development (OECD) concluded that: '*financing for sustainable development can promote long-term transformation to a low-carbon, resilient and sustainable future'* taking the forms of aid, investment, and tax. However, the dialogues stressed that policy coherence is crucial for this to happen as '*progress cannot be made by supporting solar energy on the one hand and subsidizing fossil fuels on the other*'.

Sadly in 2014, according to the Renewable Energy Policy Network for the 21st Century (REN21), global investments in renewable energy (excluding large-scale hydro) totalled US$270 billion while, according to the International Energy Association (IEA), in the previous, year fossil fuel consumption subsidies alone totalled US$548 billion.

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Sustainable energy for all

Energy plays a key role in development, including sustainable development. It is simultaneously the problem and the solution. On the problem side, two-thirds of the human-made GHG emissions are generated by fossil fuel combustion (data for 2010 from the Intergovernmental Panel on Climate Change), and according to figures from the Worldwide Fund for Nature (WWF) in 2014, CO_2 is the largest component of our ecological footprint.

On the solution side, energy is at the heart of the post-2015 development agenda. SDG number 7 calls for ensuring affordable, reliable, sustainable, and modern energy for all. Its three sub-targets relate to: ensuring universal access to energy services, substantially increasing the share of renewable energy in the global energy mix, and doubling the global rate of energy efficiency improvement.

SDG 7 also includes two means of implementation-related targets, which relate to enhancing international cooperation for access to clean energy research and technology, promoting investment in energy infrastructure and clean energy technology, and expanding infrastructure and upgrading technologies for modern and sustainable energy services in developing countries – LDCs and SIDS in particular.

The UN has declared the years 2014–24 as the Decade of Sustainable Energy for All. Related efforts are spearheaded by UN Secretary General Ban Ki-moon's Sustainable Energy for all (SE4ALL) initiative, which also played a key role in the development of SDG 7. High-level representatives from the GCC states – including Saudi Arabia's Deputy Minister of Petroleum and Mineral Resources and Chairman at the Saudi Energy Efficiency Center Prince Abdulaziz Bin Salman Bin Abdulaziz Al Saud, and the UAE's Minister of State and Special Envoy for Energy and Climate Change Dr Sultan Ahmed Al Jaber – are members of the SE4ALL initiative's advisory board.

The GCC states already have a commendable track record on work towards many of the SDG 7-related targets. According to World Bank data for 2012, their national electricity access rates are close to 100 per cent. They are also engaging internationally on developing methods of implementation, through participating in initiatives like SE4ALL and by focusing development assistance efforts on renewable energy projects in other developing countries. A broader analysis of the GCC states' participation in the 'international relations of the green economy' to acquire and provide means of implementation for sustainable energy is available in this author's recent OIES working paper 'The International Relations of the Green Economy in the Gulf'.

Sustainable energy for the GCC states?

On the targets of increasing the share of renewable energy and accelerating energy efficiency improvements, at the domestic level, the GCC states have a more difficult task ahead. The GCC economies are both carbon and energy intensive, owing to a mix of structural and policy-related factors. High energy demand growth is sustained by the oil, natural gas, and other energy-intensive industries, extensive need for desalination, the hot climate, low-density urban structure and energy-inefficient industries and buildings, and low domestic energy prices.

As a result of the abundance and low pricing of fossil fuels, production levels of clean energy, and its contribution to the economy across the GCC, are still negligible. Current electricity pricing patterns and lack of sufficient policy and investment incentives still discourage faster scaling up of renewables in most parts of the GCC – with Dubai perhaps an exception.

There are two strong motives for the GCC states to vigorously pursue the renewable energy and energy efficiency targets of SDG 7 domestically. Firstly, the GCC states will need to adapt their economies to a global transition to zero emissions by the end of the century. A goal to decarbonize the global economy 'over the course of this century' was officially endorsed by the Group of Seven (G-7) in June 2015. Most GHG reductions will need to come from phasing out (or decarbonizing) coal, oil, and natural gas use, given that these generate two-thirds of human-made GHG emissions. The task of economic diversification for the GCC states is therefore more urgent than ever. In 2014 (according to an estimate by the International Monetary Fund), before the current oil price slump, over 60 per cent of all GCC states' government revenue still came from oil exports, and oil accounted for approximately 50–90 per cent of their total exports.

'THE GCC STATES HAVE NOT MADE ADVANCES IN DECOUPLING ECONOMIC GROWTH FROM ENERGY CONSUMPTION AND CO_2 EMISSIONS.'

Secondly, given the imperative to decouple economic growth from ecological impact worldwide, the GCC states will need to change the basis of their competitive advantage from cheap resources to resource productivity. So far, the GCC states have not made advances in decoupling economic growth from energy consumption

and CO_2 emissions (see the author's OIES working paper 'The International Relations of the Green Economy in the Gulf'). It is argued that the concepts of green growth and green economy can offer tools for reconceptualizing energy as an engine for innovation and a sustainable source of prosperity for the GCC states.

A greener economy in the Gulf?

Green growth and green economy are opportunities-oriented approaches, in that they focus on possibilities, not limitations. The former is a tool to get to the latter. A key distinction is that green growth alone does not suffice for a green economy transition if 'brown growth' occurs at an equal or faster pace. In addition, for a truly green economy, countries also need to 'green the brown' by transforming existing infrastructure and natural resource consumption patterns to more sustainable ones.

As concluded in a recent volume *The Green Economy and the Gulf*, co-edited by Mohamed Abdel Raouf and the author of this article, great opportunities exist for the GCC states to green their investment and infrastructure in various sectors, including energy, water, buildings, and transport. Green jobs, trade, and aid also present huge opportunities. In the book, 18 authors examine key aspects of a green economy in the six GCC states, identifying barriers and opportunities, and drawing lessons and best practices from other countries. Barriers to greening are often linked to a broader socioeconomic context, and therefore require comprehensive and context-sensitive solutions.

The UAE's recent decision to begin deregulating transport fuel end-user prices is a great example of such a potential solution: well-timed (given the low level of global oil prices) and gradual enough to allow for consumers to start adapting to the idea that the time of under-priced energy is over.

Benefits of green economy policies for the GCC governments are numerous. Energy and water pricing reform, efficiency and performance standards, effective environmental regulation and enforcement, and integrated urban planning can generate important economic savings in the long term. Investing in green sectors, such as renewable energy or green buildings, can generate jobs, as can regulatory and policy frameworks geared at encouraging private-sector participation in green industries.

By fostering growth that is green and devising innovative and context-relevant solutions for 'doing more with less', the GCC states will position themselves as competitive players in the twenty-first century global economy. Green growth and international collaboration will both be key tools for achieving this.

**The views expressed in this article are those of the author, and do not necessarily reflect the views of the Emirates Diplomatic Academy or the UAE Government.*

The water–energy–food nexus in MENA

Eckart Woertz

The Middle East and North Africa (MENA) is the world's largest oil exporting region. It is also its largest importer of cereals, poultry, and sugar and one of its most arid regions. Its role in global energy and food markets is pivotal. In contrast, no comparable global market for water exists as 'blue water' (water in lakes and rivers, together with ground water) is a bulk commodity that is not very suitable for long-distance transportation. Yet via its food trade, the MENA imports huge quantities of 'virtual water' (water that was used to produce a commodity and is hence embedded in it). Virtual water trade has added the equivalent of a second river Nile to the water balance of the region and is the *conditio sine qua non* of its food security, as it had already lost the ability to produce all its required food from renewable water resources in the 1970s.

'WATER, ENERGY, AND FOOD ARE LINKED ON MANY LEVELS AND UTILIZATION OF ONE ITEM OFTEN CARRIES OPPORTUNITY COSTS FOR ANOTHER.'

Water, energy, and food are linked on many levels and utilization of one item often carries opportunity costs for another. Water is needed for the production of food, biofuels, and unconventional natural gas and for the cooling of power plants, but it can also produce energy itself via hydropower. Water systems in turn consume copious amounts of energy for pumping, desalination, irrigation, and treatment. Not only is agriculture the world's largest user of water by far, it also became increasingly dependent on hydrocarbon inputs in the twentieth century– spurred by mechanization, the globalization of supply and distribution chains, and the invention of the Haber–Bosch process (enabling nitrogen fixation and the production of mineral fertilizers). If deforestation,