We should be Unreasonable about Clean Energy &
the Low-Carbon Economy

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Alsalamu aleikoum, Good Morning,
Welcome to the CEBC's 3rd Annual MENA Clean Energy Forum

Two important energy developments mark 2014: the 30% fall in oil prices since June 2014 and the China-US agreement –together accounting for over one third of global greenhouse gas emissions- which would cut US net greenhouse gas emissions 26-28% below 2005 levels by 2025, while China – which is the global leader in renewable energy investment- announced targets to peak CO_2 emissions around 2030 and to increase the non-fossil fuel share of all energy to around 20 percent by 2030. In conjunction, the IPCC last month released an urgent warning demanding action including a global switch to renewables by 2050 and the elimination of fossil fuels by 2100.

On a sustained basis, lower fossil fuel prices in the $70-$80 range threaten substitute, competing energy sources such as tight oil and renewables. On the other hand, the China-US agreement could herald a global agreement and impetus to the UN Framework Convention on Climate Change and forthcoming Lima conference. In turn, consensus could lead to an upward, sustained shift in global investments in clean technology (CT) and renewable energy (RE), transforming the economics of energy.

An Energy Landscape in Turmoil

The current energy landscape is dynamic and fast changing, facing both short term market forces and structural change driven by new technology and new discoveries.
This is well-illustrated by developments in the GCC countries that are now strategically engaged on the RE path.. Dubai has recently shattered global solar price records when CEBC member ACWA Power bid an unsubsidised

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US 5.98 cents fixed tariff, over a 25-year period under a Build-Own-Operate (BOO) model for a 1,000 MW solar plant. Saudi Arabia was listed 35th in the EY RE attractiveness index, while Qatar has unveiled a solar factory in Doha with 300MW capacity, with the potential to be expanded to 2.5GW. However, progress has been slow elsewhere. Jordan's Ministry of Energy and Mineral Resources canceled the third round of its procurement program that would have seen 400MW of wind and solar capacity up for tender. Kuwait awaits expressions of interest from developers to build the 280MW Al-Abdaliyah combined-cycle CSP project.

On the finance side, this year proved promising for green financing. "Green Bond" issuances surged with about US$22b raised in the first seven months of 2014, while Bloomberg New Energy Finance projects the total volume of green bonds issued to reach US$40b in 2014 (triple the US$14b issued in 2013). This year also saw the largest offshore wind financing to date come to fruition: the US$3.8b financial close of the 600MW Gemini wind project off the coast of the Netherlands. This and other projects proved that banks are willing to take construction risks for well-structured projects and that new investors are becoming increasingly interested in the renewable energy (RE) sector. Militating against this is growing regulatory pressure, including Basel III, which penalises bank-finance of renewable energy projects and investments.

Drivers of Change

While the revival of renewable energy investment and finance in the aftermath of the onset of the Great Financial Crisis is encouraging, much needs to be done. This is well demonstrated in the Global Commission on the Economy and Climate in its flagship report, *The New Climate Economy*, which has highlighted three drivers of change:

- **Raising energy resource efficiency**. Fossil fuel subsidies run at $600bn –of which nearly half in MENA- while clean energy subsidies are at $100bn globally, and have been declining.
- **Investment in infrastructure**: Low-carbon forms of infrastructure are essential to reduce current emissions trajectories. We need to ssubstantially reduce capital costs for low-carbon infrastructure investments.

- **Stimulating innovation** in new technologies, business models and social practices that can drive both economic growth and emissions reduction.

What should we do? The main point is that there is no trade-off between investments required for a low-carbon economy and economic growth. Indeed, investments required for the *new climate economy* could stimulate economic growth, innovation, technological change, productivity growth and entrepreneurship. The key is to accelerate low-carbon transformation by integrating climate into core economic decision making processes. This is needed at all levels of government and business, through systematic changes to policy and project assessment tools, performance indicators, risk models and reporting requirements. [2] This requires a major shift by policy makers and business leaders in their strategy outlook, in their Weltanschauung.

MENA Policy Reforms & Initiatives: a transformation is required

With the drivers of the new climate economy as a guide, our region needs to focus on three policy reforms & initiatives to drive change:

- Provide incentives and implement programmes for energy efficiency (EE)
- Gradual removal and targeting of carbon subsidies, while providing incentives for renewable energy & clean technology
- Develop renewable and clean energy financing. Green financing is increasingly attracting new investors as part of sustainable finance. As part of its next phase of growth the UAE and the GCC can become a global hub for renewable and clean energy finance, with Green Sukuk promoted as an important financing tool that can tap plentiful Islamic finance liquidity.

The GCC and other MENA oil exporters should seize the opportunity of lower oil prices to phase out subsidies, reduce their budgetary burdens and remove the distortions they force on consumption and production decisions. Cheap energy encourages wasteful use. Energy usage per unit of production (GDP) in the GCC and the wider MENA region is twice as high as in the OECD countries. We are an energy inefficient and profligate region. ,

[2] See the New Climate Economy Report, http://newclimateeconomy.report/

Radically increasing energy efficiency, phasing out generalised fuel subsidies and re-orienting the savings to increased spending on education, health, productivity increasing low-carbon infrastructure, social capital and climate-resilient knowledge and capacity building would be nothing less than transformational to our societies and economies.

The time to act is now and it must be done proactively. The WB, IMF and other partners have reached out with offers to help MENA countries in the design and implementation of hydrocarbon subsidy reform, as well as offers to provide transition financing to enable a gradual phasing out of subsidies, that would have a greater chances of success and face less opposition from entrenched interests.

What has the CEBC been doing?

The CEBC has done much to push forward these agendas. In the last year alone, our membership has increased by 50% which generates greater awareness of the issues and enables outreach; our research work on the critical water-energy nexus was released, while our Green Sukuk initiative is gaining traction. We signed an agreement with the UNDP to partner on a number of initiatives including:

1. CEO Sustainability Discussion which will be launched here today. This discussion hopes to reach out to non-energy companies to encourage them to engage in energy efficiency and renewables without policy support
2. An Energy Awareness educational campaign which is at the design stage with Powerwise in Abu Dhabi
3. A pilot project on clean energy

The number of events and workshops with policy-makers and government have more than doubled from previous years providing open and frank debate on key issues in the clean energy industry. We are now also working with Schneider on an energy efficiency internship to launch in 2015 modelled on the massively successful EDF program in the US. Our members are now privy to new free information for members including daily information on tenders from around the region and our clean energy map. None of this has gone unnoticed as governments and media in the region are increasingly reaching out to us as a reliable source of information and consultation.

Our activities point the way to getting our region climate-ready and our energy policies climate-friendly. And yet despite progress, I know that as I stand here reminding you of all that needs to be done, these goals may seem daunting, overwhelming, unreasonable even. But as George Bernard Shaw once said: “The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore all progress depends on the unreasonable man.” You have so far proven that you can be unreasonable enough to help build the climate-resilient low carbon societies that we now so desperately need. I thank you for your support of the CEBC in doing this and I look forward to you having the courage and tenacity to be unreasonable some more.