“The Gulf superstorm is a climate change omen”, Op-ed in Arabian Gulf Business Insight (AGBI), 6 May 2024

The opinion piece titled “The Gulf superstorm is a climate change omen” appeared in the Arabian Gulf Business Insight (AGBI) on 6th May 2024.

The article is posted below.

The Gulf superstorm is a climate change omen

As GCC nations diversify their economies, it is critical that new policies are green by design

Climate change is increasing the frequency of extreme weather events. That much is clear as superstorms wash over Oman, Saudi Arabia and the UAE, unleashing unprecedented levels of rainfall and high winds.

Dubai received more than 250mm of rain in one day last month, compared to its standard 140mm per year. The resulting floods overwhelmed infrastructure – roads, shopping malls and public spaces – severely disrupting local life and economic activity.

The floods also disrupted flights at Dubai International Airport, which fortunately proved resilient and was functioning two days after the rains. The government’s disaster recovery response, including Dubai Municipality deploying 2,500 workers to address emergencies, allowed the city to return to normality a few days later. Since then, the UAE has set AED 2 billion ($545 million) aside to pay for and rebuild flood-damaged homes, in addition to announcing an AED 80 billion drainage system as part of Dubai Economic Agenda D33.

So, what lessons can be learned from the storm?

The growing costs and risks of climate change require urgent action from both the public and private sectors.

In the Mena region, all countries aside from Libya and Yemen (given political issues) have submitted their nationally determined contributions reports, while only Kuwait and Palestine have submitted national adaptation plans to the UN’s Framework Convention on Climate Change.

Developing national frameworks means that both climate adaptation and climate risk mitigation policies must be implemented, along with supporting investments.

Extreme weather events and higher reinsurance costs lead to increased insurance premiums for consumers. Insured global losses from natural disasters totalled $95 billion in 2023. National adaptation plans lower the cost of insurance by increasing public awareness and providing accurate data on climate-related events and vulnerabilities.

In the Middle East and Central Asia region, the International Monetary Fund believes that climate adaptation and strengthening infrastructure resilience will require an annual investment of around 1.6 percent of GDP (roughly $80 billion in 2021).

Furthermore, the agency estimates the cost of enhancing private asset resilience at around 0.5 percent of GDP. These expenses are over and above the estimated annual $250 billion to $310 billion needed to mitigate climate change.

To add to these concerns, those nations with greater financing needs are also the ones least prepared, either due to fiscal limitations, high debt burdens or weak financial development.

Climate change requires businesses to redesign their risk management plans and tools. Are business continuity and business disaster recovery plans climate resilient? Extreme climate events can lead to a reduction in revenue or potential bankruptcy.

BloombergNEF, a research organisation, found that 65 percent of more than 2,000 companies failed to identify assets and operations that may be vulnerable to physical risks. Even fewer companies conduct financial assessments of climate-related risks.

> *Climate risk should be measured and priced. The physical risks are growing and could result in loan and balance sheet losses for banks*

Businesses are also vulnerable to climate-related legal risks. Currently more than 2,500 climate lawsuits are recorded globally. About 55 percent of the 549 lawsuits outside the US have had a climate-positive ruling, according to the London School of Economics.

Climate risk, which encompasses physical and energy transition risks linked to climate change, should be measured and priced. The physical risks are growing and could result in loan and balance sheet losses for banks. Often, the damage is under-reported.

The Task Force on Climate-Related Financial Disclosures is pushing corporations to increase exposure reporting. Climate risk pricing should be required by central banks and financial regulators and translated into risk-based financing and loans.

The GCC countries are currently deploying industrial policies to support economic diversification. It is critical that these policies are green by design and imbued with climate adaptation and mitigation measures.

Climate risk mitigation includes energy transition investment and fossil fuel asset de-risking, focused on clean energy, electric mobility, carbon capture and storage and clean tech. These innovations can be private sector-driven.

There are many ways to build climate-resilient infrastructure: through public investment, public-private partnerships, or market-based private sector incentives (such as carbon pricing).

Examples include green hydrogen, solar-powered desalination and district cooling. The GCC already has a comparative advantage in these exportable technologies.

The Gulf states are also applying artificial intelligence to climate action. Abu Dhabi’s G42 developed Jais Climate, the world’s first bilingual large language model dedicated to climate and sustainability, “to inform, inspire and drive awareness about climate change and sustainability”.

AI and machine learning enable complex and multi-dimensional data to be handled more adeptly, which lends itself to climate economy modelling and the forecasting of effective action to help combat climate change.

Climate adaptation, energy transition and green economy policies will drive growth in renewable energy and clean technologies and trade. They can play a critical role in transforming the oil-producing economies and output structures.

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