Clean Energy Business Council
Middle East & North Africa
مجلس صناعات الطاقة النظيفة
الشرق الأوسط وشمال افريقيا

Decarbonizing MENA: Levers for Action

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Outline

COP29: Key Outcomes

Rising renewables capacity; is it sufficient?

Climate threats & financing: widespread disparities

GCC are in a unique situation of becoming Global Hubs for “Old” & “New Energy”

CEBC Events & Activities

Key COP29 Outcomes

"Band-Aid on a bullet wound": FT editorial

Triple finance to developing nations

Adopted a **USD 300 bn a year** global finance target: a "paltry sum"

Scaling up finance

Broader goal of **raising USD 1.3trn** in climate finance annually **by 2035**

Assessment of progress in cutting GHG postponed until next year's conference

Trade demands clash with climate agenda

Worries about trade barriers blocking climate progress

Climate-Health Integration

Launch of the **Baku COP Presidencies Continuity Coalition** for Climate & Health to prioritize health in climate action

Source: WHO

Carbon Credits Greenlighted, Market Transparency

Finalized rules for **Article 6**, including frameworks for carbon credit trading & intl cooperation on mitigation measures

Source: UNFCCC

Progress on Loss & Damage Fund

Further financial commitments were made to **operationalize the Loss & Damage Fund**

Source: UNFCCC

Increased Funding for Adaptation

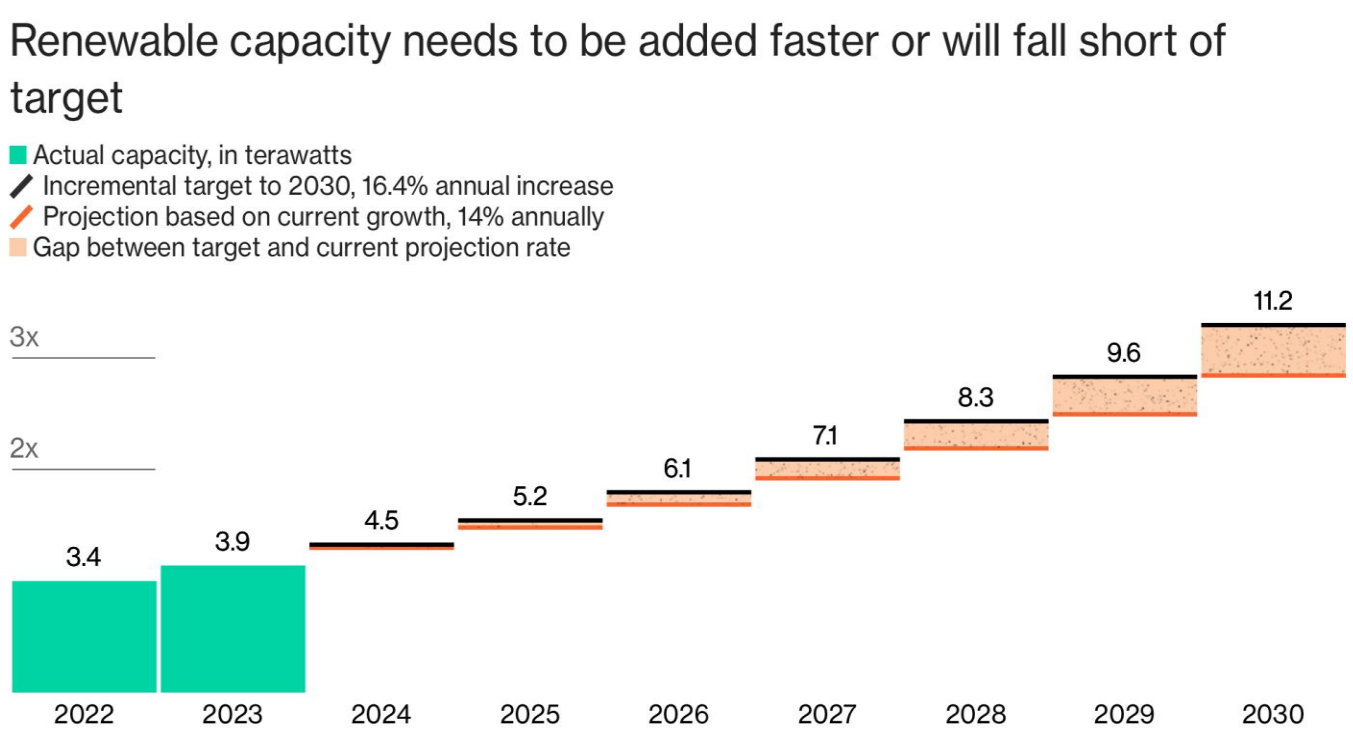
Reaffirmed **commitments to double adaptation financing by 2025**

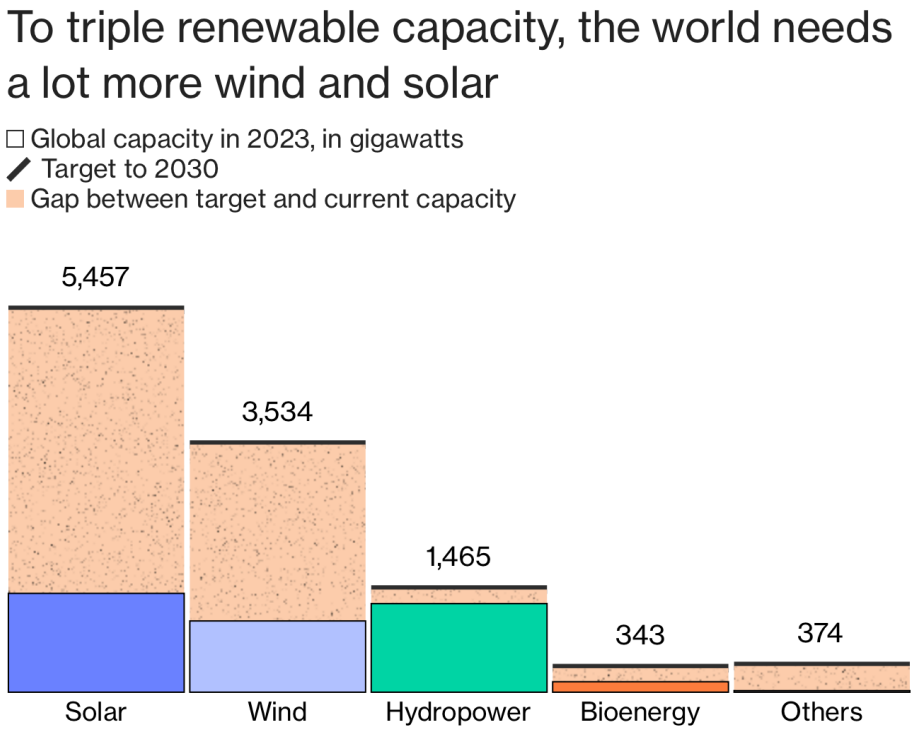
Source: UNFCCC

Share of renewables in global energy consumption is rapidly rising; capacity is set to ramp up. But large gaps remain.

About half a terawatt of renewable energy was added globally in 2023: IRENA i.e. there's **still 7.3 TW left to go by 2030** => will require building clean power sources equivalent to 80%+ of world's total current electricity-generating capacity

To make that happen, **around $1 trillion a year will have to pour into the sector through the end of the decade**, vs USD 623bn in 2023: BloombergNEF

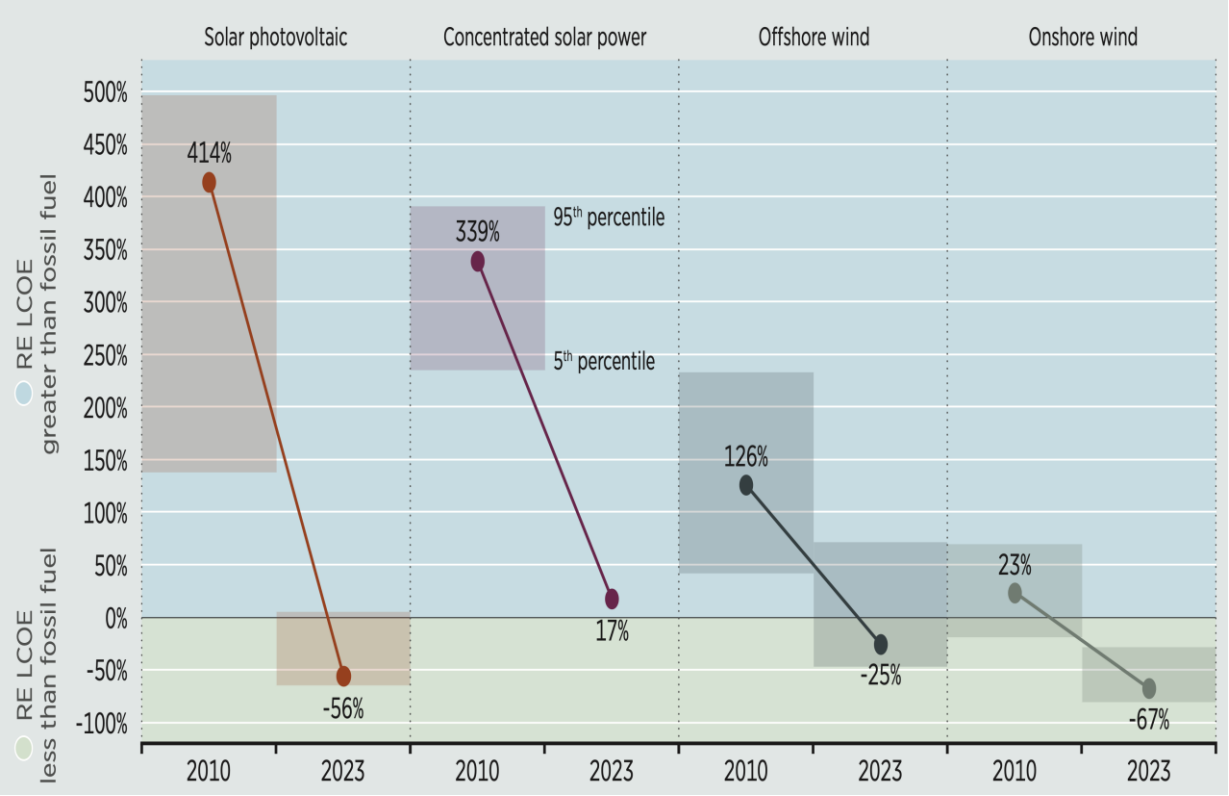




Source: Bloomberg, Nov 2024 https://www.bloomberg.com/graphics/2024-cop29-climate-change-targets/

Technological innovation has enabled renewable power to become increasingly cost-competitive with fossil fuels

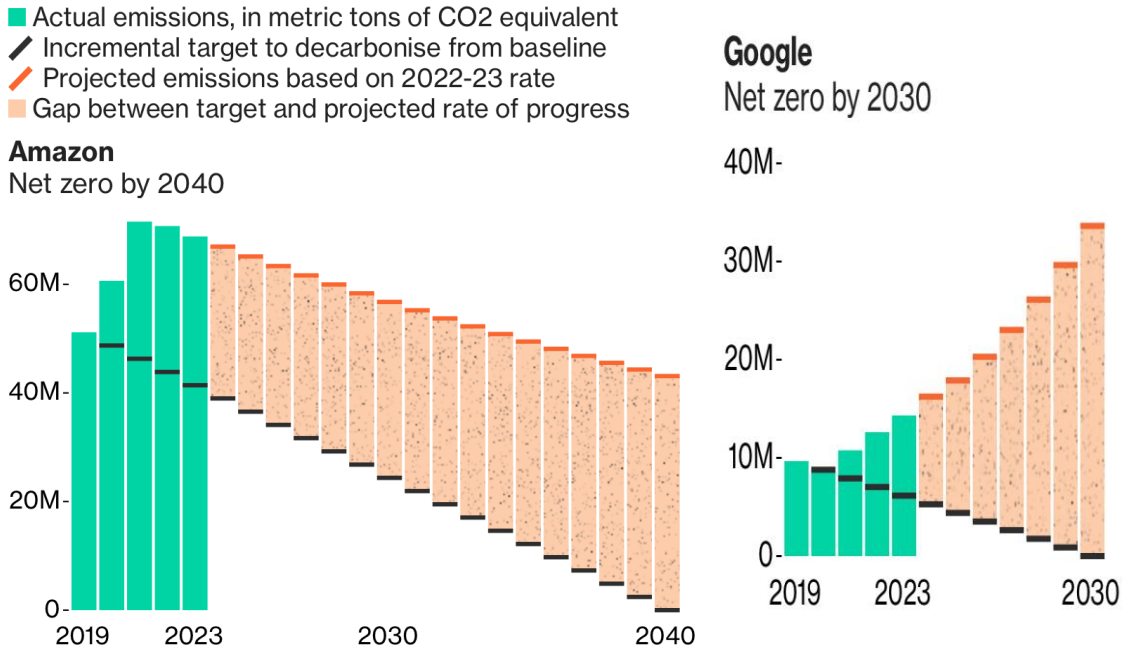
Change in global weighted average LCOE for solar and wind compared to fossil fuels, 2010-2023



Source: Renewable Power Generation Costs, Sep 2024, IRENA.

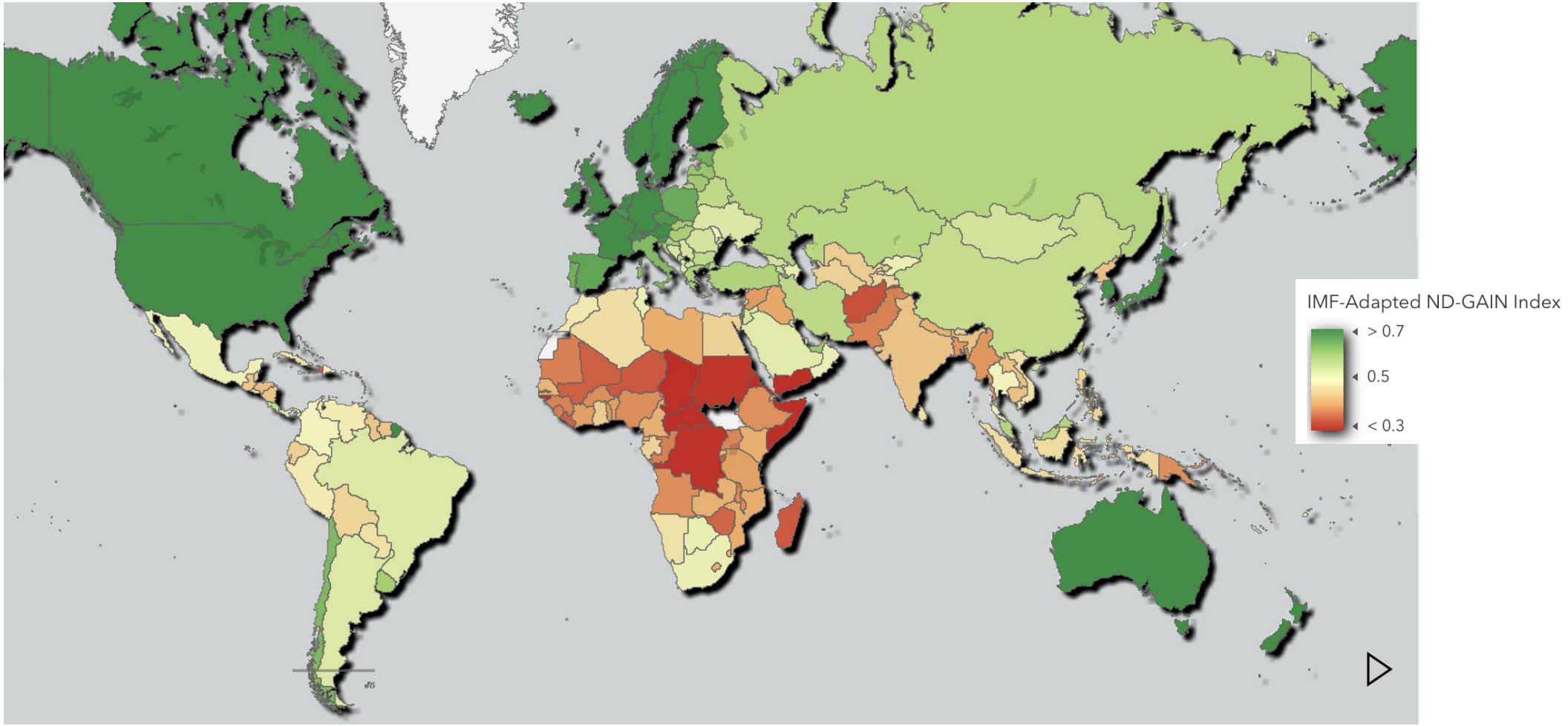
...But Tech firms Net Zero pledges being upended by rise of AI

Data centres are increasingly consuming more electricity + Generative AI challenging emissions targets as power demand grows



Source: Bloomberg, Nov 2024 https://www.bloomberg.com/graphics/2024-cop29-climate-change-targets/

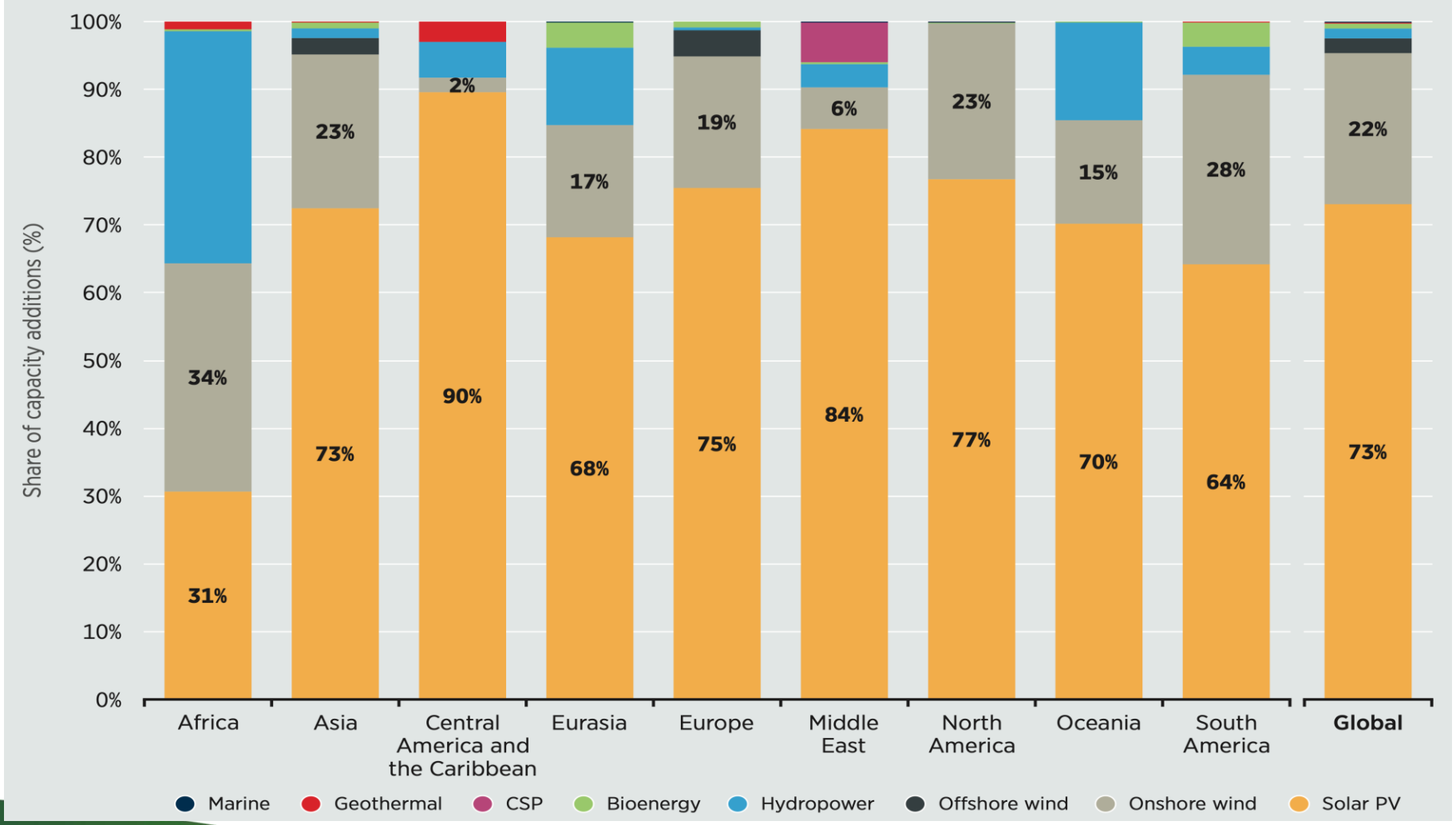
IMF-Adapted ND-GAIN Index measures a country's current vulnerability to climate disruptions and assesses a country's readiness to leverage private and public sector investment for adaptive actions



Source: IMF Climate Change Indicators Dashboard; https://climatedata.imf.org

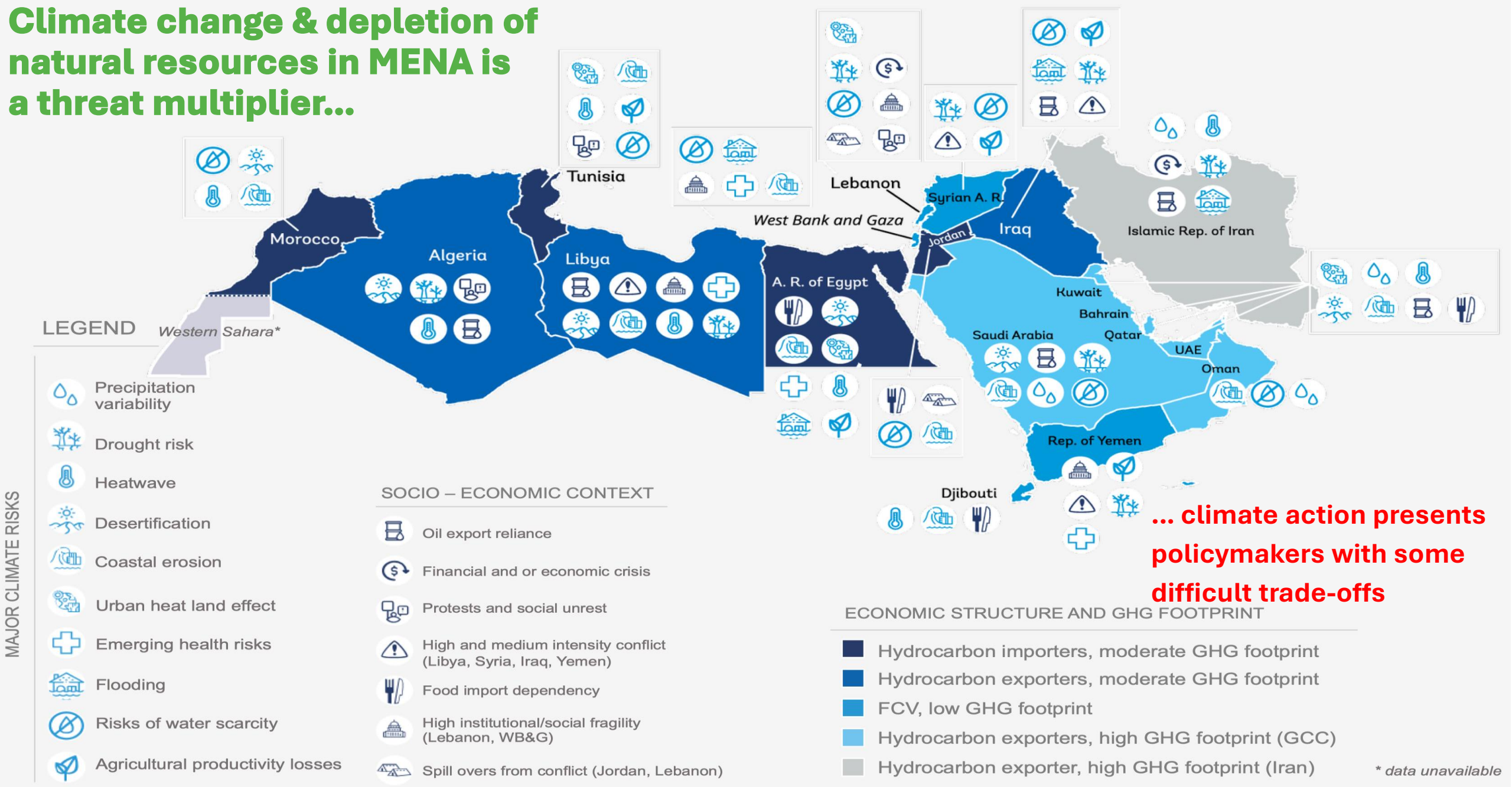
Renewable power capacity additions set a record in 2023 with 473 GW of new installed capacity (+54% yoy, largest annual growth since 2000

Share of renewable energy capacity additions by technology in 2023 on a regional level



Source: Renewable Power Generation Costs, Sep 2024, IRENA.

Climate change & depletion of natural resources in MENA is a threat multiplier…



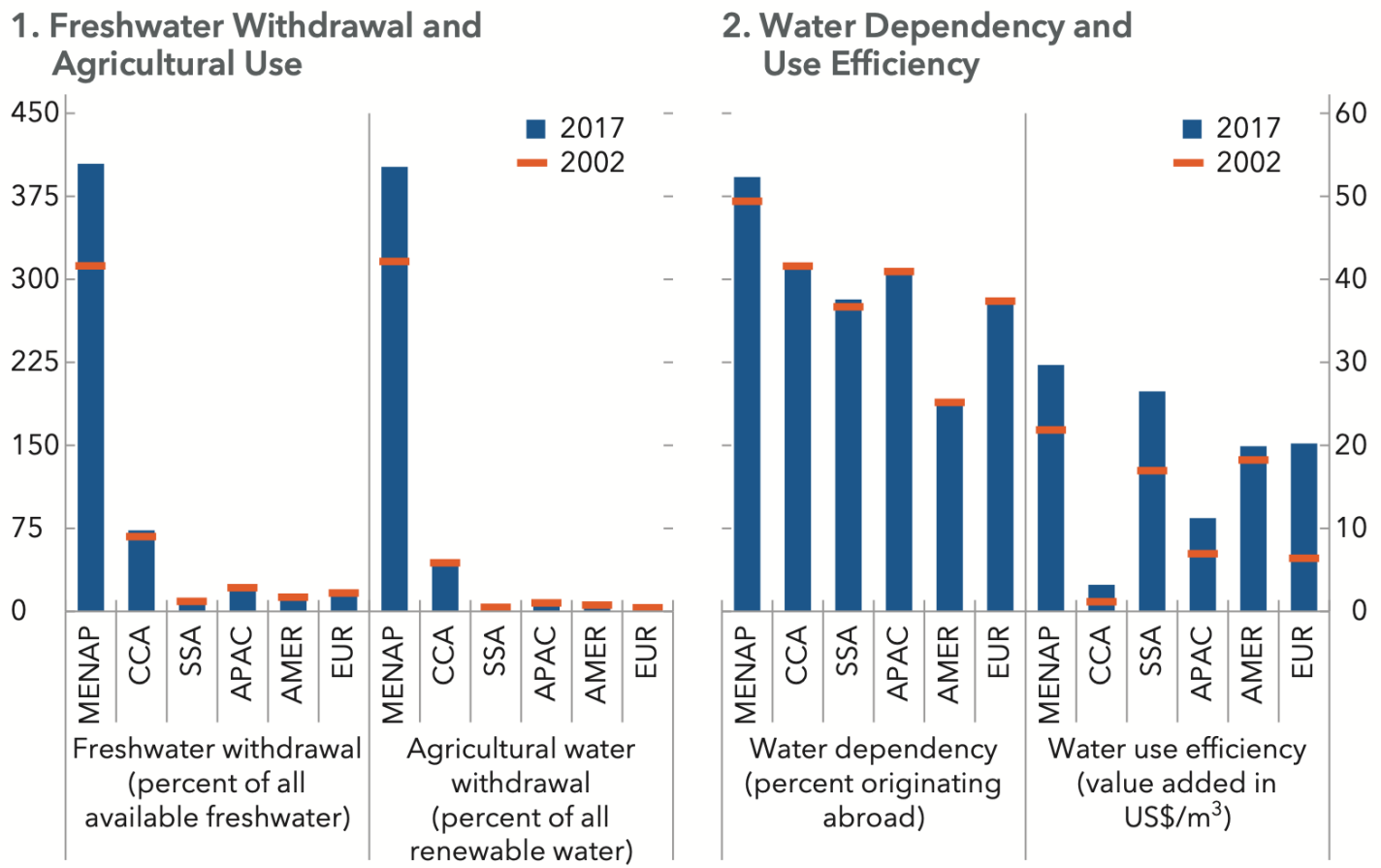
… climate action presents policymakers with some difficult trade-offs

Source: MENA Climate Roadmap, World Bank

Water Wars Next?

- 18 Middle East & Central Asia countries **top the list of the most water-stressed countries** globally
- Attests to their low ability to meet demand for water due to scarcity, quality & accessibility constraints
- MENA freshwater **usage exceeded 400% of their available freshwater resources** on average (driven by GCC)
- On average, more than 50% of total renewable water resources **originates outside of country border**
- In MENA, **only GCC countries have invested in high water efficiency**

Water Stress Factors, 2002 and 2017



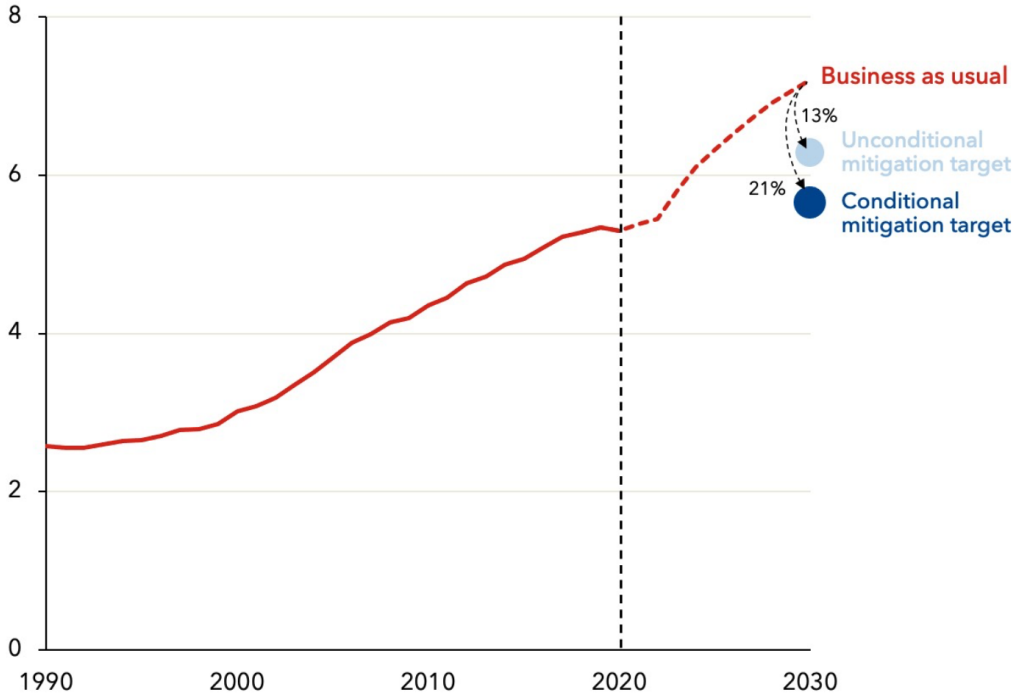
Source: Feeling the Heat: Adapting to Climate Change in the Middle East and Central Asia, IMF Departmental Papers, Mar 2022.

All MENA nations pledged to contain GHG emissions; but need to urgently integrate climate policies into national economic strategies

Emission targets

Regional climate mitigation pledges seek to stem a rapidly rising trend in greenhouse gas emissions.

(Middle East and Central Asia GHG emissions, gigatons of CO_2 equivalent)



Source: EDGAR; UNFCCC; IMF staff calculations and projections.
Note: Unconditional mitigation target refers to commitments that rely on country's own resources. Conditional mitigation target refers to commitments that need external support. Targets are part of the NDCs by countries in Middle East and Central Asia.

IMF

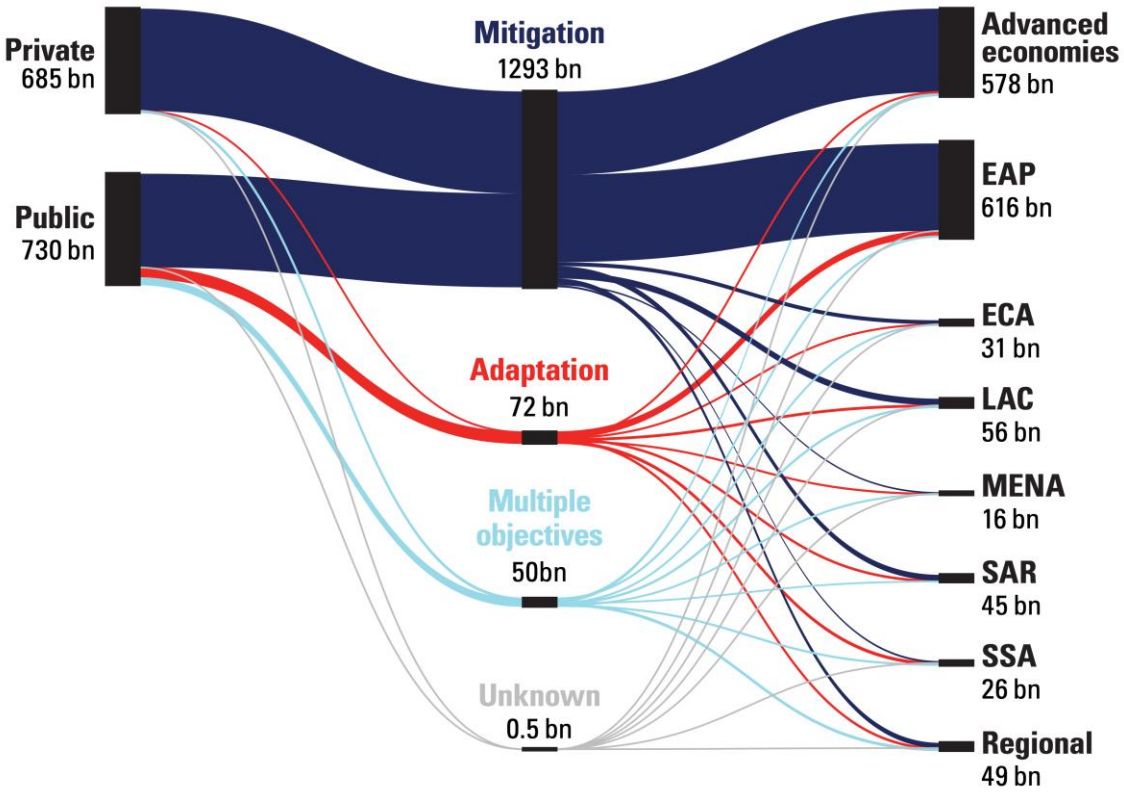
Public investment in renewables + Cuts to fuel subsidies + carbon tax could achieve regional emission targets

- Additional **public investments in renewable energy** of $770bn in MENAP during 2023-30 could achieve region's emission reduction targets with fuel subsidies reduced only by two-thirds & without any carbon tax
- Region's 2030 targets could be met through a **gradual removal of fuel subsidies** + a **phased introduction of a carbon tax** of USD 8 per ton of CO_2 emissions in the MENAP region

Climate-resilient development is key to address the growing costs of climate change

- Need **climate adaptation & mitigation policies** to tackle climate change effectively.
- Currently, **90% of all climate flows** are being **directed toward mitigation**
- Although adaptation has entered the financial sector's lexicon, **nearly 98% of adaptation finance comes from public actors**
- Where adaptation is a public good, public sector will continue to play an important role: so, **measures to create fiscal space & pursuing structural reforms are vital**
- **Financing needs for adaptation are enormous**: **developing nations alone will need $212bn per year by 2030** & $239bn per year between 2031 & 2050 in adaptation finance. **Only received USD 63bn in 2021-22**, a significant gap (and vs USD 1.2trn received for mitigation finance)

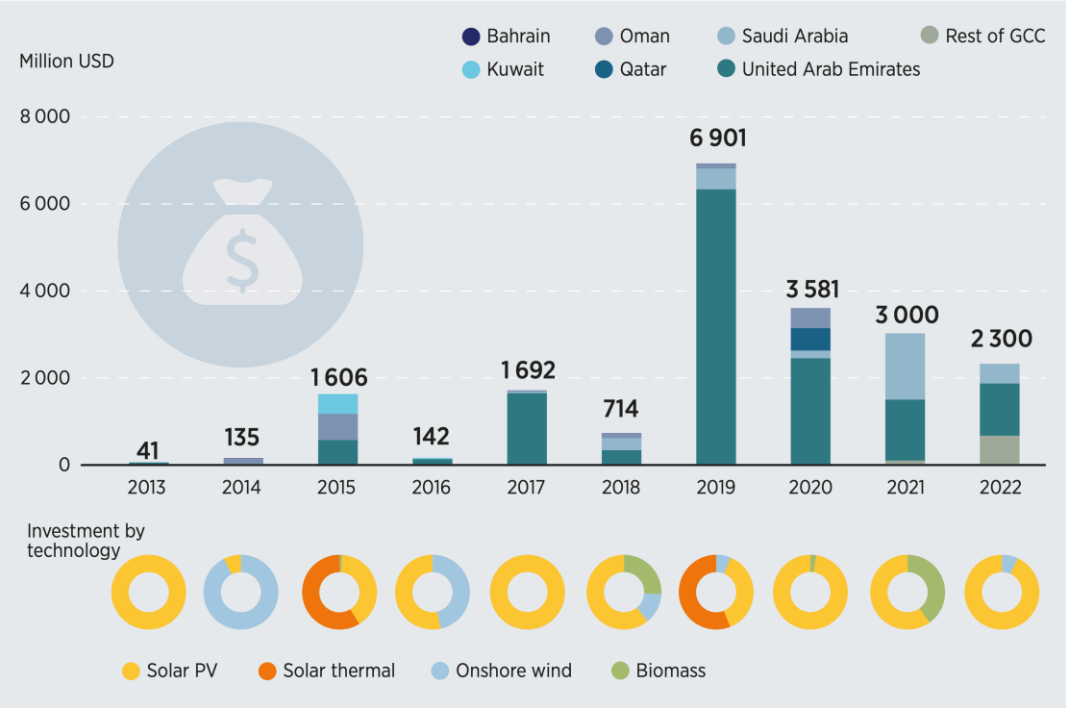
Geographical origin of Climate Finance Flows shows disparities across regions, 2022



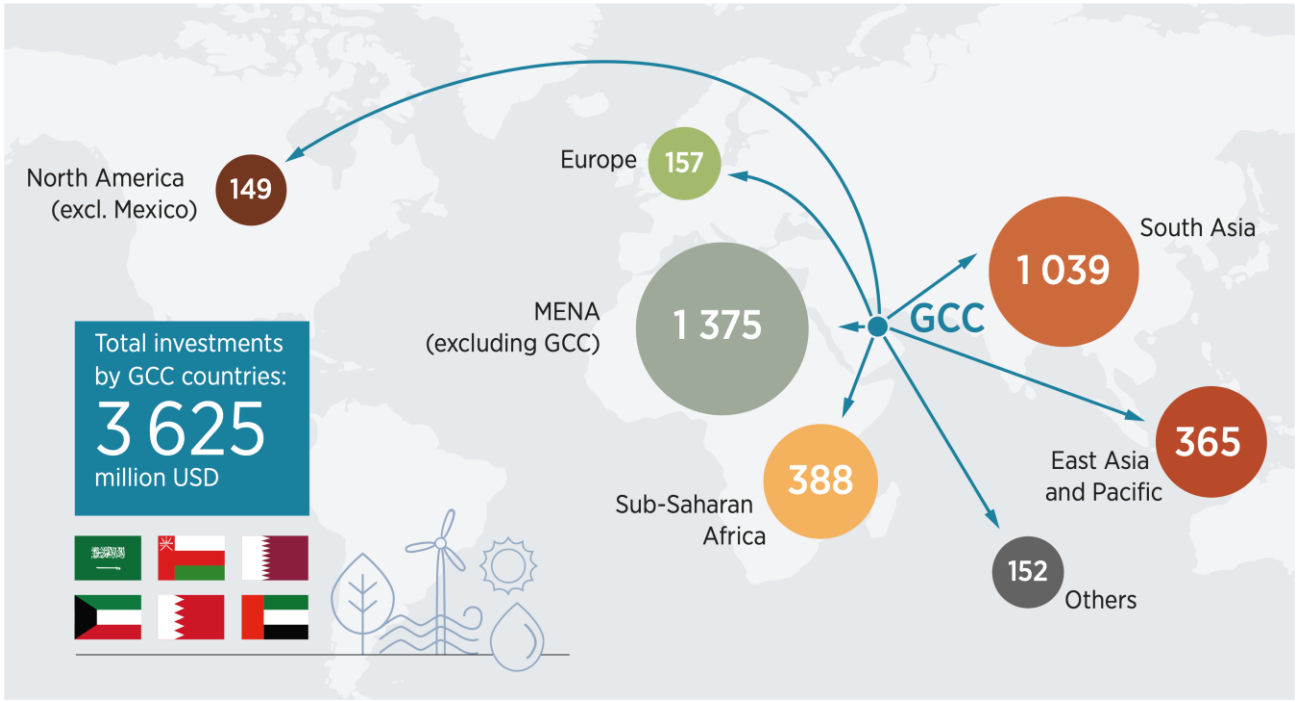
Source: Finance and Prosperity 2024, World Bank (2024); "Synthesis report on the greening of the financial system", Network for Greening the Financial System (NGFS), Nov 2024.

Renewables investments within and by the GCC rapidly growing in the next decade

Renewable energy investments in the GCC by country and technology (2013-2022)



Renewable energy investments by GCC around the world



Source: Renewable Energy Markets GCC 2023, IRENA

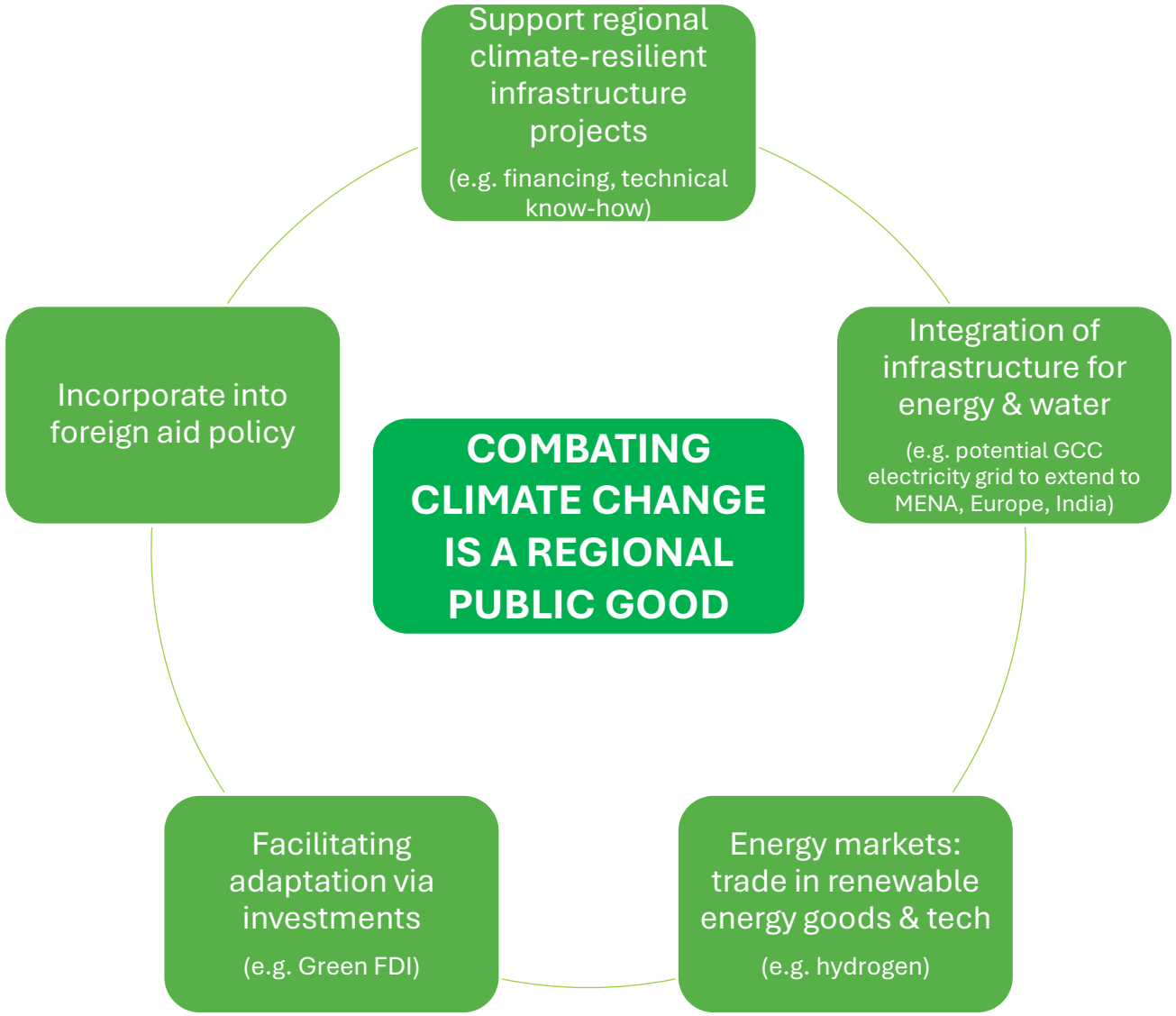
Widespread disparities in MENA ability to decarbonise: GCC to be the driving force for regional action

Climate change + biodiversity loss: **exacerbate social inequalities**, economic instability & environmental degradation

New Global Energy Map requires massive financing (debt instruments, external financing, public green financing, carbon markets, ClimateTech investments)

High borrowing costs + mounting debt burdens in MENA => trying to mobilise funds to combat climate change challenges an **immense fiscal strain**

In combating climate change as a regional public good, GCC can play a leading role in bringing about change



GCC are in a unique situation of becoming Global Hubs for “Old” & “New Energy”

Dependence on Middle East energy to grow. Diversified energy supply from investments in new energy

How to support?

- **Export know-how** of nature-based solutions in arid and semi-arid environments: e.g. renewable-energy supported desalination, district cooling, desert agriculture
- **Market-based policy instruments**: carbon credits & trading
- **Green FDI**
- **SOEs and SWFs investments** into clean & renewable energy projects abroad

Complemented by institutions

- A **MENA Climate Bank** for Climate Adaptation & Mitigation
- Develop a **Regional Financing Facility**
- UAE/ KSA can become **hubs for Climate Finance** (Green, Blue finance)
- **Privatisation, PPP**, Capital Market Development
- Building **a climate tech ecosystem**: more Middle East to Middle East climate tech investment required

GCC can take centre stage in the global energy transition

Climate change is forcing nations to **hasten low-carbon energy transition plans** => policy & consumer behavioural shifts away from fossil fuels. **Geopolitical forces also reconfiguring the global energy map**

MENA face **same set of climate risks => need for collective action & cooperation for climate adaptation**

What needs to be done? Levers for MENA decarbonisation

- **GCC to take the lead in MENA energy transition**
- **Regional integration**: create an integrated GCC electricity grid & market. Need to **accelerate investment in climate resilient infrastructure**
- **Increasing share of renewables + diversified Energy supply**: solar, hydrogen, nuclear complementing O&G
- GCC's **experience with developing and using climate tech**: export technologies such as desalination, district cooling & desert agriculture
- GCC has a long history in energy finance: **can become a finance hub for climate & renewable energy**
- **New institutions: a MENA-based Climate Bank and a Regional Financing facility**

CEBC's 2024 Events & Activities

January

Announcement of the Council's Board of Directors for 2024-2026

Working Group Meetings
Energy Efficiency Working Group

June

Working Group Meetings
Energy Efficiency Working Group

March

Working Group Meetings
Clean Hydrogen & Energy Efficiency Working Groups

October

WETEX 2024
Renewables & Sustainability Seminars and the Water Seminars, organized and executed by the Council

ANZ-CEBC Joint White Paper Launch Event
Energy Efficiency and Building Retrofitting

April

Capacity Building Workshop organized by the Council
for EN-WWF's UACA members, on Energy Efficiency in the UAE

November

CEBC White Paper Launch
Energy Efficiency in Existing Buildings in the UAE: Towards Effective Policies & Regulations

FCI-CEBC Webinar
Removing 100% of the UAE's Past and Future Scope-3 Emissions While Building a New Energy Industry

The 12th CEBC Annual Summit

May

Member Networking Event
Carbon Markets: Driving Sustainable Change in MENA

IMF-CEBC-Standard Chartered Webinar
Managing Risks and Securing Sustainable Finance for a Green Future (MENA POV)

December

Working Group Meetings
Clean Hydrogen & Climate Finance Working Groups

Clean Energy Business Council

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Thank you

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