



Solar panel in the city of Dubai.

Dubai: An Inspiration for Green Economy Transition in the Gulf

by Katarina Uherova Hasbani

In the new reality of low oil prices, the Gulf region is again looking for inspiration to transition to a more sustainable economic model. New paths to growth in traditionally fossil-fuels based economies seek to address the continuing challenges of increasing energy demand and, consequently, structure of energy mix in the Gulf countries. The Emirate of Dubai offers an interesting case study on strategizing for a future beyond fossil fuels in the Gulf. Dubai's approach to building a green economy is pragmatic and rooted in the practical challenges of its rapidly developing economy. While Dubai, as a city-state, is distinctly different from its Gulf Cooperation Council (GCC) neighbors, it also shares many of their challenges, which makes it an example to watch.

Dubai's green push

Dubai desires to achieve green competitiveness on the back of three strategic challenges facing the emirate in the medium to long term, two of which are shared with the rest of the GCC countries.¹ The first one is

availability of resources to fuel Dubai's continuing growth. During the period of 2000–2013, Dubai's GDP grew by nine percent on average compared to a GCC average of 5.6 percent.² Yet, Dubai's economy depends on its capability to produce electricity to cool its hot climate and make it livable throughout the year. The emirate is almost 100 percent dependent on production of water through desalination for drinking, irrigation and other uses by its residents and companies.³ Satisfying the underlying energy demand emanating from growth in electricity and water demand is key to preserving Dubai's global competitiveness given that its energy intensity, similar to its Gulf neighbors', is among the highest in the world.⁴

The second challenge is economic diversification to sustain Dubai's attractiveness. Dubai's economic growth initially relied on its fossil fuel reserves, similarly to its neighbors in the Gulf region.⁵ However, the emirate benefited from forward looking leadership that soon came to realize the short-lived nature of an oil revenues-based economy. From the early 1960s, Dubai eyed a transition to a diversified mix of economic activities focused on its role as a trading and logistics hub centered around the construction of its international port and airport infrastructure.⁶ Dubai's airport is one of the busiest in the world today. Yet, the successful expansion of its infrastructure—airport capacity has been augmented to 90 million passengers per year at the beginning of 2016—places additional strain on its energy supply strategy.⁷

The third challenge is self-imposed rather than emanating from external circumstances, and this is where Dubai differs from other GCC members. While other cities in the Gulf remain focused on regional competition, Dubai aspires to become a truly global leader as a tourism, trading, and transport hub. The global competition is pushing Dubai to go green. Other “global cities” such as New York or Singapore seek to display an image of green, environment-friendly urban centers with a focus on quality of life for their residents. Ranking of cities takes place on the basis of factors such as environment and quality of life along with sustainability criteria under the Economist's “Global Liveability Ranking”⁸ or the new emergent ISO standard for Smart City.⁹ Against this background, Dubai is challenged to strategize green competitiveness in order to keep up with the international competition to attract talent and other global resources.

What makes Dubai different

Dubai is already at the forefront of creating an energy efficient and sustainable society which offers an edge when compared with other GCC countries. First, the Emirate's energy and environmental pressures are driving forces in Dubai's strategy. While other Gulf countries are on the defensive, looking for ad-hoc solutions in periods of low oil prices, Dubai uses its resource challenge as a driver to improve the green competitiveness of its economy.

The challenge of meeting Dubai's future energy supply has already provided a concrete push for increased use of solar energy and better energy efficiency. The emirate is working on a tender for an 800MW solar project on the top of 200 MW under development, making it the largest solar generation capacity in the development, in the Gulf.¹⁰

Moreover, the projected share of solar in Dubai's energy mix was increased to seven percent by 2020 and to 15 percent by 2030, up from one and five percent, respectively.¹¹ Dubai is actively pursuing its goal to reduce energy demand by 30% in the horizon 2030 through more energy efficient standards and energy pricing to incentivize energy savings.¹² Dubai needs to manage its waste given its limited land availability—the

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emirate occupies only around five percent share of the entire land area of the UAE.¹³ This challenge is driving projects such as the pilot for waste to energy in Dubai's Al-Qusais landfill and plans for a more sizable waste-to-energy project that will address the Emirate's waste treatment and energy production issues at one go.

As a result, Dubai already has a well-defined strategy to build its "greener" energy sector accompanied by nascent policy and regulatory frameworks. Dubai has produced the "Integrated Energy Strategy 2030," which is accompanied by a regulatory framework for solar energy development.¹⁴ The emirate has also set up institutions and processes to ensure its implementation structured around the Supreme Council of Energy, equivalent of Dubai's energy ministry. Dubai has also put in place a Green Economy Partnership, which is tasked to combine public and private funding in support of new initiatives.¹⁵ Its impact is yet to be seen, though the launch of innovative initiatives such as the Green Deal Dubai crowdsourcing platform for green products and services proves promising.¹⁶

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The second factor playing in Dubai's favor is the ease of carrying out business. In 2015, the United Arab Emirates (UAE) ranked 22nd in the World Bank's "Doing Business" list,¹⁷ which measures the regulations affecting business activity. Going beyond the general environment of the UAE, Dubai's model of free zones offers advantageous conditions for busi-

ness creation and administration. Reduced complexity for doing business, unparalleled in other GCC countries, favors small and medium sized enterprises, which play central roles in the value chain of green services and products. Bearing in mind its role as a global hub, the emirate offers infrastructure enabling connectivity with Africa, Asia, and Europe. Dubai already stated its ambition to become a hub for green economy in the Gulf with businesses serving surrounding countries from their base in Dubai.¹⁸ The government of Dubai actively creates conditions for new business opportunities to arise within the green economy. A good example is the creation of a regulatory framework for energy service companies, the first one in the Gulf region.¹⁹

What especially distinguishes Dubai from its neighbors is its flexibility, the third factor positively affecting Dubai's positioning as a green economy. Dubai has comparative advantage in terms of positive reception of transformations in the Emirate's economic and social landscape as its citizens are more open to change. Dubai is no stranger to transformations. The emirate has undergone a major conversion from a small pearl fishing port in the 1950s into one of the world's top cities today. Dubai's leadership actively seeks transformations that take Dubai further into new business opportunities. Indeed, Dubai has already succeeded in the most important transition from an oil-based economy into a more diversified economic model. Dubai's government projects that oil will represent only six percent of its revenues in 2016.²⁰ More recently, Dubai has been venturing into the culture and design sectors with planned development of an opera and museum of modern arts. These experiences make Dubai well positioned to continue its economic transformation into a green economy.

Among all the cities within GCC countries, Dubai is the one best positioned to deliver a green economy that could serve as an inspiration for the rest of the region.

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