

# Foreword

*by Roula Majdalani*

In the past several years, global economic activity has remained subdued, downside economic risks have persisted, fragile and slowing growth has been seen in many parts of the world, and high debts continue to loom large over global recovery. Oil prices have declined more than 70 percent compared with June 2014 levels, and uncertain predictions have created rising sources of concern, demonstrating a major fundamental alteration in the global energy system that has unavoidably affected the economies of the Gulf Cooperation Council (GCC) countries.

The GCC is located in one of the most energy-rich regions in the world. It is blessed with huge oil and conventional gas reserves constituting nearly a third of world oil and more than a fifth of global natural gas reserves, which are concentrated in Kuwait, Qatar, Saudi Arabia and the UAE. The recent fall in oil prices caused a number of sovereign credit-rating downgrades in the Gulf region. These affected Bahrain and Oman the most, whereas Kuwait, Qatar, Saudi Arabia and UAE fared better.

Energy and the GCC countries are inextricably intertwined, a fact made clear in this current period of volatile oil prices. The future of global energy demand and supply is highly dependent on the region's energy resources, and any alteration of the Gulf's customary position in the energy scene threatens the international stability of the energy supply as well as the region's significance as the leading fossil fuels supplier. Oil and natural gas reserves also constitute the fundamental pillar of the GCC states' growth and have powered the socio-economic development that transformed them, within a mere few decades, into some of the world's richest nations.

Energy consumption within the region has risen sixfold since the 1980s, faster than in any other part of the world. GCC countries are primarily dependent on fossil fuels to meet their energy requirements. This is now a critical situation as demand skyrockets and their economies and populations continue to grow. Indeed, the GCC states' incomparable economic growth together with their rapidly rising living standards have left their mark on the region's domestic energy needs. Over the next decade, as the GCC population is expected to increase substantially, the region will see an increasing strain on its supplies of electricity, food, and water. The ways in which the region will face up to these challenges will significantly impact its prosperity and quality of life.

In the near term, however, the rate of economic growth may be threatened by diminishing oil revenues just when the needs of a burgeoning population are the greatest. Seen by some as a blessing in disguise, such low prices can serve as an opportunity for GCC countries to make productive changes in relation to their energy strategies and economic diversification.

With this in mind, concerted action on energy for sustainable development is essential for the GCC countries, which face unprecedented challenges in aligning the development agenda with their national priorities, capabilities, and circumstances. Thus, transitioning to a sustainable energy system is an opportunity for GCC countries to improve energy efficiency (EE) from source to use and minimize environmental impacts. This transition will enhance efficiency not only in consumer-level energy consumption, but also upstream in generation, transmission, and distribution.

The Gulf region is not only home to some of the world's leaders in oil and gas production, but it is also a potential powerhouse of renewable energy (RE). RE can also render development more sustainable and help reduce the carbon intensity of the energy sector. Despite existing RE and EE policies and institutional frameworks within the GCC countries, reform is still required to develop appropriate RE solutions and support EE measures. RE applications and EE measures still need to be promoted and synergized to produce a substantive impact on the ground. Levelling the playing field to attract private sector investment in both areas includes the adoption of supportive policies, strategies, incentives, and financing mechanisms.

Furthermore, in light of the current oil price decline, policy-makers in GCC countries should push for the reform of domestic energy pricing by reducing subsidies, in particular on petroleum products and electricity. This will lead to savings in government spending and avail budgets for investment on RE and EE. There is also an urgent need to adopt development policies for economic diversification. This should include a focus on employment-intensive economic activities in a range of sectors prioritized to promote sustainable economic development over economic growth.

Major uncertainties in the world energy market, geopolitical climate, and recovering global economy mean that it is ever more important for the GCC countries to build a sustainable energy system. This process would involve a substantial transition from what is in place today. Such a transition will call for bold strategies if the GCC region is to realize a more sustainable future.

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