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BUSSOLA INSTITUTE WEBINAR REPORT

EU-GCC COOPERATION ON THE ENERGY TRANSITION

31 MARCH 2021

On 31 March 2021, the Bussola Institute hosted a webinar addressing the current debate around climate change, the drive towards a zero-carbon economy, and the need for sustainable growth and development, which require major changes in how energy is produced and consumed. Our expert panel of speakers from the European Union (EU) and the Gulf Cooperation Council (GCC) regions analysed the world's current ambition to undergo an energy transition that will have a substantial impact globally and locally.

The world is now engaged in extensive efforts to supply the global economy with the energy needed, while at the same time mitigating the impact of carbon emissions. For the EU and the GCC, the energy transition is a key priority for policy and practice, with efforts directed at increasing the use of renewable energy, decreasing carbon emissions, and harnessing technology for energy efficiency. Realising the energy transition is not an optional exercise and requires action from all stakeholders in society, making cooperation and coordination a necessity. The energy transition will bring greater security for many states and societies while also increasing uncertainty for others.

The current energy transition is occurring in the midst of other transformations such as the Fourth Industrial Revolution (4IR), the pursuit of the Sustainable Development Goals (SDGs), and the challenges posed by the COVID-19 pandemic. This webinar brought together a panel of experts in their fields to examine the implications of the current energy transition for global security as the world strives to move away from carbon-based energy, while maintaining economic growth and development.

THE EXPERTS FOR THE PANEL INCLUDED:

Mr. Angus Taverner
Director of Smith Taverner Consultants, Oxford

Dr. Irina Kustova
Researcher at the Centre for European Policy Studies (CEPS), Brussels

Dr. Aisha Al Sarihi

Research Associate at the King Abdullah Petroleum Studies and Research Centre (KAPSARC), Riyadh

Mr. John Dennehy

The webinar was moderated by Mr. John Dennehy, Secretary-General of the Bussola Institute.

The Transition from Carbon-based Energy to Sustainability

The current energy transition is a global issue, with all states and societies impacted in one way or another. The global commitment to decarbonisation is well established and set out in a wide range of instruments and initiatives. The most visible is the Paris Agreement of 2015 to which all states in the world are committed. The Agreement provides that all states must plan, and regularly report on efforts being taken to mitigate and adapt to global warming. A key date in the global agenda related to decarbonisation and climate change is 2030, with the realisation of the Sustainable Development Goals. It is feared COVID-19 has substantially impacted action directed towards realising the 2030 goals and that governments will be too distracted by the pandemic to give sufficient attention to the ongoing energy transition.

The global energy transition/climate change debate is being driven by several factors. These include advances in technologies leading to sustainable green energy supplies, greater awareness of the wide-ranging impact of global warming and the ongoing need for high levels of energy supply in support of global economic development. Much of the debate is presented as "either/or" scenarios where carbon-based energy disappears, and renewable/green energy is embraced by all. The reality is much more nuanced, as the current energy transition is not a zero-sum game and policies that view the situation as an "either/or" choice are not only unworkable but are likely to have highly negative consequences.

The energy transition is essential for realising sustainability, as the impact of climate change continues to have detrimental impacts on peace and well-being around the world. To realise the transition, there is a need for large amounts of public and private investment to further technology, to scale up workable systems and to ensure that the necessary political will and commitment are present. There will also be a need for substantial regulation at the global and national level, which will pose challenges for governments everywhere. Civil society has a significant role to play in all of this, as consumer demand will drive private business choices and public voice can sway the direction of government policies. Civil society also has a key role to play in supporting the energy transition, as the transition is needed to realise the Sustainable Development Goals which are necessary for sustainable peace and well-being for all.

The energy transition is necessary for the survival of the planet and action to undertake this transition needs to result in universal benefits and opportunities, while minimising disruptions to day-to-day life. Sustainable economic growth and development require large amounts of energy but the supply and usage of energy must also be sustainable.

There are numerous security concerns at the heart of the energy transition which are influencing policy direction. States that rely on carbon-based fuels for export need to diversify sources of government revenue to maintain domestic living standards. States that are reliant on carbon-based sources of energy face issues of security in relation to supply and potential negative shocks to these supplies. Neither concern, however, means that it is business as usual - change is necessary and complacency is not an option. As the global agenda to address climate makes clear, it is imperative that the world acts collectively at all levels to ensure a sustainable future by minimising the use of carbon-based sources of energy.

The GCC States and the Energy Transition

All GCC states face a range of challenges in addressing climate change and the required energy transition to non-carbon-based fuels. The GCC states are some of the world's largest exporters of carbon-based energies and the wealth created by this situation has allowed for extensive socio-economic development. These states are attempting to grow and develop their economies and infrastructure in significant ways, requiring high amounts of energy, both for economic growth and to sustain day-to-day life. At the same time, the GCC states are also facing the direct impacts of climate change with ever-increasing experiences of diminishing water supplies, desertification, and extreme heat. The GCC states have a key role to play in the energy transition, being both a source of production for carbon in the environment, while also being heavily impacted by climate change caused by carbon emissions. The impact of COVID-19 has not made the situation any easier, as projections show that the economies of the GCC have contracted significantly due to the pandemic, with the hope that positive growth will return by the end of 2021.

Domestically, the GCC states have committed to supporting sustainable development and the energy transition. These commitments are set out in the different national 'Vision Programmes' charting the next 10-50 years of growth and development. In all cases, the production and export of oil and gas will continue to be an important contributor to national wealth while, at the same time, actions towards adapting to and mitigating the impact of climate change are also addressed. A key issue in these vision programmes is the diversification of the national economies as income from carbon-based fuels reduces as a result of decreasing global demand.

Globally, all of the GCC states are committed to the Paris Agreement, the global framework for addressing global warming. Under the Paris Agreement, individual states are obligated to detail what action is being taken to meet their commitments within this framework. The energy transition is also an integral part of the Agenda 2030 programme for the realisation of the Sustainable Development Goals. Historically, the GCC states have been less than active in the global debate surrounding climate change. More recently this has changed, with various Gulf states, like the UAE, taking a more active role in the global debate. Through global action, such as hosting the International Renewable Energy Agency (IRENA), or supporting renewable energy projects in the Pacific and Caribbean, and through domestic action related to research and development, the UAE is showing how oil producers can use their resources in support of the energy transition.

This level of action and commitment needs to be accelerated across the GCC states. Unlike the EU, there is no expressed overall GCC position on the Paris Agreement, the Sustainable Development Goals, or on action to combat climate change more generally. As a result of carbon-based energy use decreasing around the world, all of the Gulf states will face challenges in maintaining the pace of development in their societies where citizens have become heavily reliant on the central government. The GCC states' efforts at economic diversification demonstrate the realisation of the challenges faced but, as Gulf societies are also highly vulnerable to the impacts of climate change, the need for more coordinated action regionally is abundantly clear, requiring action from governments and society as to how energy is used.

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There are significant drivers supporting the changes required for the energy transition. The abundance of renewable energy sources across the region makes the consistency of supply, once the infrastructure is in place, a low-level concern. The profits from carbon-based energy can be utilised for future innovations in green technology, and moving away from carbon-based energy sources will provide these states with energy security nationally and regionally. Initiatives are being pursued in several areas such as waste to energy technology, carbon trapping technology and alternative and renewable energy technology. These are building on interconnected energy grids and supply frameworks already in place. Globally, the recent Saudi Arabian Presidency of the G20 addressed sustainability as a matter for global cooperation as well as the value in furthering the circular economy. This was followed by the Middle East Green Initiative that is planting 10 billion trees across the MENA region.

Realising the energy transition will not be easy for the GCC states, as the region is committed to increasing economic growth and development. High demands for electricity in all sectors of society and needs related to water purification will place a great deal of pressure on these states in realising the reduction of carbon emissions. The necessity of reducing emissions is increasingly motivating the Gulf states to be more supportive of the global decarbonisation agenda as a necessary move to ensure security and stability for their populations.

The EU and the Energy Transition

The European Union is a key region in the energy transition process. It is a major economic hub, has extensive technological skills and, has become a world leader in commitment to decarbonisation. As Europe is fossil fuel poor, the transition to renewable/green energy is an imperative for sustainability and security and has evolved into a moral imperative for the European Union. The EU has made decarbonisation and the energy transition a key pillar in its global and regional policies. The adoption of the European Green Deal in January 2020 not only highlights the EU's commitment to the energy transition, it has also become a fundamental part of all policies and actions undertaken by the EU.

The EU's commitment to the climate change agenda and energy transition has a firm foundation in its activities as evidenced by the Energy Union Strategy from 2015 that set out a collective approach to secure and sustainable energy. The adoption of the 2016 Clean Energy Package cemented the permanence of the EU's climate commitments. With these measures and the European Green Deal, the EU is in a position to make a global contribution to the energy transition as the actions of the Member States are part and parcel of these strategies and agreements. All states of the EU, and the EU as an institution, are part of the Paris Agreement and all have declared a commitment to Agenda 2030 and realising the Sustainable Development Goals.

For the EU, the motivations for the energy transition are clear given the relative paucity of carbon-based energy supplies in the region. As a result, the states of the EU are reliant, for the most part, on imported supplies for energy. These energy sources are susceptible to a range of threats and diversions, making security of supply a priority. Moving away from carbon-based fuels not only supports the global agenda for decarbonisation, it also supports security and stability for European societies.

The EU has set out a marker in its commitment to ensuring that the region is climate neutral by 2050. This example should motivate other intergovernmental organisations to pursue similar objectives. To achieve this goal, the European Green Deal puts an emphasis on greater efficiency in the use of energy, increased use of renewable energy, and realising an integrated and interconnected EU energy market. In pursuing these objectives, the EU is placing a great deal of emphasis on action plans and monitoring to ensure that all Member States are taking the actions necessary to realise their individual and collective commitments. The EU is also putting in place a supportive infrastructure of instruments such as an emissions trading system, reforming energy taxation, addressing agricultural activity, addressing forest management, and a dedicated investment plan, "Invest EU", to support efforts directed at realising the energy transition.

The EU, by its nature, is taking a cooperative multilateral approach regionally and globally. Within the region, cooperation is necessary as energy usage and supply is closely interlinked between the Member States and the impact of climate change does not stay neatly within national borders. A range of EU instruments have been adopted to support the implementation of the EU's green agenda, measures to stimulate further cooperation between the Member States, creating a supportive regulatory environment, and ensuring continued investment for research and innovation into sustainable energy.

Given the global impact of climate change, the EU has also been active in support of the energy transition around the world. The EU's participation in global organisations addressing climate change is highly visible and increased efforts are being made to include the energy transition as part of the organisation's overseas outreach and diplomacy. Such activities include training programmes, sharing technology, and outreach in support of climate-friendly policies with third

states. Part of this operation includes highlighting the measures taken within the EU in support of the energy transition and sharing the lessons learned with others.

EU-GCC Energy Cooperation

The global energy transition is not an optional exercise, it is a global necessity. A range of developments over the past few years, not least the impact of the COVID-19 pandemic, have demonstrated the need for greater attention and effort to be directed towards realising the energy transition. As the impact of climate change continues to be felt around the world, greater dynamism is required and an increased emphasis needs to be placed on realising the energy transition sooner, rather than later. The Paris Agreement and other international instruments will continue to support the energy transition through targeted measures that seek to motivate governments and communities to act. This is an essential dimension of the energy transition as the transparency of data supports effective policy-making. Global attitudes on the necessity and desirability of the energy transition will continue to vary, but attention needs to be continually drawn to Sustainable Development Goal 7 directed at ensuring access to affordable, reliable, sustainable and modern energy for all.

The EU and the GCC are approaching the energy transition from different starting perspectives, but both have a strong interest in realising sustainable energy supplies for their societies. The individual and collective efforts in both regions have a great deal to offer in leading and furthering global cooperation in this area. The most obvious area for further cooperation between the EU and GCC would be research and development, along with technology transfers. Both regions are accelerating efforts directed towards innovation in renewable energy and more efficient use of energy. Developments in matters related to green hydrogen, battery capability, increasing scale and efficiency in solar energy, furthering efficiency in energy use, amongst others, are all areas where the EU and GCC can further support each other and other parts of the world.

In expanding outreach and technology sharing related to the energy transition, the looming 4th Industrial Revolution opens a wide range of opportunities for the EU and the GCC to cooperate on initiatives to reduce carbon reliance and build sustainable energy solutions. The evolution of the 4th Industrial Revolution will lead to long-term stability through innovation and the development of knowledge-based economies. There are models already in place that can further cooperation in this regard.

The EU-GCC Clean Energy Technology Network provides an established framework to further cooperative efforts between the two regions. Resuming negotiations for an EU-GCC free trade agreement would greatly benefit both regions as there would be a flow of information, cooperation and technological advancements used to combat the climate crisis. The energy transition is opening up a range of new opportunities related to supply chains, technology transfer, and investment that are mutually beneficial for both regions, highlighting another incentive for pursuing an EU-GCC free trade agreement.

Realising the energy transition will depend on ensuring that disruptions to energy supply and security are kept to a minimum while enabling societies to develop in a sustainable manner. Such efforts are enhanced through cooperation, given the global dimensions of the energy transition. In particular, supporting youth in the pursuit of sustainable energy should be a key area of attention. Globally, young people are active in the climate change debate and are both demanding action and taking action themselves to ensure the sustainability of their futures. Further government support related to education, outreach, and investing in start-ups committed to decarbonisation would further empower youth in support of global efforts.

The energy transition is not an instantaneous process, with producers and consumers often having different perspectives on where action is needed. It is essential that the impacts felt during 2020/21 continue to motivate global efforts for decarbonisation. Carbon-based energy supplies will continue to have a role as the transition to sustainable energy progresses, but arguments that continue to espouse the centrality of carbon-based energy to global security are already losing momentum.

The benefits and opportunities being realised in the energy transition need to be reinforced continually. Energy security is about affordable energy and security of supply, which opens up opportunities for realising new value chains and investment opportunities as technology continues to develop.

For both the EU and the GCC countries, sustainable security for global society depends on making the energy transition a reality. Enhanced cooperation between both regions in support of the energy transition is essential and needs to be directed towards:

- Increased research and development on innovative ways and means for furthering sustainable energy sources;
- Collective investment instruments and enhanced supply chain collaboration;
- Technology transfer between the EU and GCC regions and as part of foreign policy efforts around the world.

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