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**Policy and Economic signals are key to combat climate change in the GCC**

**A combination of solutions is needed - outcomes from a World Energy Congress Side Event on Sustainable Finance and Carbon Markets**

A unique gathering of business, industry, government and non-profit representatives discussed for the first time the potential for sustainable finance and carbon markets in the GCC region. Held at the World Energy Congress in Abu Dhabi, the event aimed to foster dialogue about how best to leverage action on climate change and the energy transition in the GCC.

Opened by Gerard Mestrallet, Co-Chair of the Carbon Pricing Leadership Coalition and HE Ludovic Pouille, Ambassador of France to the UAE, participants heard how important it is to achieve the goals of the Paris Climate Agreement and avert the worst consequences of climate change.

Other speakers outlined that climate change action and a transition to low carbon energy in the GCC can be facilitated by an enabling ecosystem of policy, regulations, fossil fuel subsidy reform, sustainable financing and carbon pricing initiatives, such as taxation. They emphasised that the call for solutions is increasing as the climate urgency increases but, because of the important social and economic aspects, the effort should be progressive and start with targeting the products and processes that have the highest carbon footprint and sustainable development benefits.

Taking such an integrated approach would support countries from the GCC to diversify their economies from oil and gas, but also beyond energy-intensive industries with strong linkages to hydrocarbons. It would also accelerate achievement of clean energy plans and create more knowledge-based economies. Continued reform of fossil fuel subsidies coupled with carbon pricing initiatives could also help ensure that cleaner technologies become more cost competitive at scale, create new business opportunities and much needed new jobs for youth in the GCC. Panellists and speakers outlined that it is in the GCC region’s self-interest to implement these initiatives which will help to catalyse projects on energy efficiency, renewable energy, reduction of carbon emissions from the oil industry and Carbon Capture Utilisation and Storage (CCUS). The GCC region has huge potential to leverage carbon markets as a seller to accelerate deployment of domestic diversification projects with climate mitigation co-benefits, and as a buyer to support international expansion of domestic firms into foreign markets with projects, in which they already have experience and competitive advantage, including renewable energy for desalination and CCUS.

Ensuring these changes are socially and economically acceptable in the GCC is also a crucial part of the process and the UAE for instance can rely on their existing and reputable regulatory framework to preserve their previous engagements towards foreign investors. Discussions focused around the importance of revenues from carbon pricing initiatives, such as taxation, are redistributed to sectors and people most affected. The GCC countries would also need time and revenue visibility to ensure an orderly transition to deploy new clean technologies and infrastructure, and to explore new business opportunities that can help ensure it is less exposed to global transition away from fossil fuels. There was also optimism on the growth of complementary digital tools such as renewable energy certificates and blockchain that will make procedures easier as well as on local innovative initiatives that are being developed.

With the increasing urgency of global cooperation on climate action, the importance of building bridges between energy importers and exporters across regions, such as the European Union and the GCC, was highlighted as an important way to align self-interests in increasing the level of climate mitigation ambition. Article 6 of the Paris Climate Agreement can be a useful framework to foster such dialogue leading to harmonized policy responses that recognize respective circumstances and capabilities.

Speakers at this Side Event included representatives from Abu Dhabi Global Market, Carbon Pricing Leadership Coalition, Clean Energy Business Council, Dubai Carbon Centre of Excellence, Dubai Electricity and Water Authority, Emirates National Oil Company, European Union, International Renewable Energy Agency, Masdar, Saudi Electricity Company and the World Bank. Further events to explore these issues are planned for the future by the organising committee of the event.

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