



MIDDLE EAST INSIGHTS

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Demand Security III – Growing Environmental Concerns and the GCC’s Inconvenient Truth BY GUSTAV BOËTHIUS

This is the third in a series of four MEI Insights exploring the concept of demand security in the GCC. The final Insight will investigate how instabilities in the oil market present a threat to the continued demand for the GCC’s hydrocarbon exports. Readers can find the first two Insights [here](#), and [here](#).

Growing environmental concerns about the consumption of fossil fuels constitute a potent threat to the Gulf Cooperation Council’s (GCC) demand security. As the effects of climate change have become more visible and publicised in recent years, public opinion on carbon intensive technologies has changed and political momentum is gathering in support for low-carbon alternatives. The political acceptability of an energy source is an important factor in a nation’s energy security decision-making and has a considerable impact on that nation’s demand for a particular kind of energy, including oil and gas. This article will explore how the current trends in global environmentalism are likely to affect the demand for hydrocarbon imports from the GCC member states.

Global warming and global security

The adverse effects of global warming are now observed on an increasingly frequent basis. Natural disasters created by irregular weather phenomena are having a significant impact on the lives of millions across the planet. The 2008 snow storms in China, the Australian spring floods and the recent drought in East Africa are but a few examples. There is today little dispute within the scientific community about the fact that climate change is caused by anthropogenic greenhouse gas (GHG) emissions¹ and that global weather patterns are changing. However, the concerted efforts of politicians, businesses and their interest groups, have significantly hampered, impeded, and delayed substantial measures to mitigate climate change. Much research is now available exploring the politics behind climate change. Among these, *The Science and Politics of Global Climate Change: A Guide to the Debate*, by Dessler et al, deserves particular mention. The book describes the actions of (mostly American) oil companies and their interest groups and the impact they have had on US, and by extension global, environmental policy. With the exception of the US, however, there is a surprisingly high level of international consensus that global warming is occurring and that emissions of GHG’s are the cause. Climate change is also increasingly viewed as a global security risk. As climate change is securitised, there is a growing consensus that carbon emissions must be reduced. However, reaching a global agreement on emission reductions has proven to be a very difficult task.

The failure of the COP talks

The Kyoto Protocol, signed under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC) in 1997, was the first international agreement on the reduction of GHG emissions. However, as the Kyoto Protocol was limited both in its scope and the number of participating parties committing to emission reductions, the aim of the subsequent Conference of the Parties (COP) talks has been to reach a more substantial global deal on carbon emissions. Although a global temperature increase limit of 2°C has been decided, the passing of a global climate deal that directly curbs the emission of GHG’s, and by

¹ GHG emissions that are the product of human activity.

extension the consumption of hydrocarbon fuels, is unlikely. This trend was marked by the legendary failure of the 2009 Copenhagen talks which saw, due to mutual distrust, a particularly high level of animosity between the US and China. Very modest progress came of the talks in Cancun the following year, the main outcomes being the aforementioned temperature rise limitation and the establishment of funds for climate change adaptation in the worst affected countries (criticised by many of these countries as a mere re-labelling of aid monies). Despite the milder political climate leading up to the conference in Durban later this year, the likelihood of reaching a global deal on emission caps appears distant. The lack of American leadership on this issue has been the main contributing factor in the failure of the talks, as the key player for a successful collective action outcome has been missing. Using the same fast-track consultation with Congress that is applied to international trade negotiations in the COP talks, combined with the growing schism between the Republican and the Democratic parties, the prospect of constructive US participation in the talks is very unlikely. Other actors also regard a global agreement on GHG emission caps with a high level of suspicion, particularly China and a number of other developing countries. The GCC member states have themselves acknowledged the need for emission reductions, but the levels of their efforts in the COP talks have varied. The United Arab Emirates, for instance, have taken a proactive stance whereas the position of Saudi Arabia has been more reserved.²

This particular failure of global environmentalism bodes well for the GCC member states' demand security in the short term. However, a pertinent question to be asked is whether or not this enterprise was doomed from the beginning. A one-size-fits-all policy is badly suited to a grouping as diverse as the international community, and an agreement that conforms to the interests of all parties involved is unlikely to be effective. There is, however, another significant trend that indicates that environmentalism in international politics is still thriving and constitutes a serious threat to the demand security in the GCC.

Environmental unilateralism

Global environmental politics has evolved into something that can best be described as loosely coordinated environmental unilateralism. As effective multilateralism on issues pertaining to climate change has not been successful, the unilateral setting of voluntary environmental targets and policies has become the order of the day. These laws and policies seek to both punish the consumption of fossil fuels and reward the use of alternative technologies. The result has been a diverse policy landscape, including renewable energy subsidies and tax exemptions, public finance schemes, frameworks for feed-in tariffs, net electricity metering provisions, energy efficiency criteria for transport and buildings, emission trading and carbon taxes. According to the REN21 Renewables 2011 Global Status Report, the number of countries that have adopted renewable energy promotion policies has grown from 55 in 2005 to 118 in 2011, with developing countries constituting more than half of these.³ Some countries also passed and raised their targets, including Sweden which passed its 50% renewable energy generation targets for 2020 this year. Another ambitious environmental target was laid out in the European Union's (EU) 2020 strategy.⁴ According to the strategy, which became law in 2009, the EU member states have been assigned national targets which together will equate to a 20% emission reduction, a 20% target for renewable energy generation and a 20% energy efficiency increase in the EU as a whole. Aided by the creation of an integrated electricity market, a European offshore wind power development is now taking place with the aim of utilising the wind resources in the North Sea. Even in the US there are signs of a greener energy policy. Although there are no national US emission targets, several states and cities have independently set ambitious goals for renewable energy generation. Indeed China has laid out targets for reducing emission intensity (amount of emissions per unit of GDP earned) by 40 to 45% between 2005 and 2020 – although critics say that this does not actually have to equate to a net emission reduction. In general, the trend displayed in environmentalist politics is that of setting targets for low-carbon energy generation and increasing energy

² For the COP16 statements of the UAE and Saudi Arabia see http://unfccc.int/files/meetings/cop_16/statements/application/pdf/101209_cop16_hls_uae.pdf and http://unfccc.int/files/meetings/cop_16/statements/application/pdf/101209_cop16_hls_saudi_arabia.pdf respectively

³ Renewables 2011 - Global Status Report, p. 11. Available at http://www.ren21.net/Portals/97/documents/GSR/REN21_GSR2011.pdf

⁴ Available at http://ec.europa.eu/clima/policies/package/index_en.htm

efficiency, rather than capping carbon emissions directly. Although these moves do not have a direct impact on the GCC's demand security, they do so indirectly by favouring the competition of the GCC hydrocarbon industries.

Environmentalism is playing an increasingly important role in politics. The effects of shifting sentiments towards low-carbon alternatives in policy-making circles are difficult to measure, but they are without doubt having a considerable effect on the demand for fossil fuels. It is worth noting that when Chancellor Angela Merkel announced the German *Atomausstieg*, she stated that environmentalism was at the top of her conservative Christian Democratic Union's (CDU) agenda and that the increased use of renewable energies would be emphasised. Natural disasters are also weighing heavily on the minds of decision makers. An example is flood-hit Australia, another major energy exporter, which is currently in the process of introducing a highly debated carbon tax.

The origins of this normative shift are complex, but one important factor is the increasingly efficient way in which environmentalists are getting their point across to decision makers. Environmentalists, hand-in-hand with renewable energy manufacturers, have changed the nature of green lobbying. Whereas the early days of environmentalist lobbying by scientists were marked by defeat, recent attempts to influence decision makers have been more successful. The reason for this is the difference between climate scientists and renewable energy manufacturers, and namely the resources they have at their disposal. The environmental lobby in Brussels is today, with the support of the renewable energy industry, a rather well financed group. Another example of environmental lobbying at the grass roots level is the recently launched "WindMade" consumer label, which explicitly informs the buyer that a product has been manufactured using wind energy.⁵ Together, these factors are generating a political climate that will be increasingly adverse to the consumption of fossil fuels.

Implications for the GCC economies

Given the above trends, it is clear that international norms are changing and will eventually tip the political scales to the advantage of renewable energy technologies. Environmentalism is having an impact at every level of the political ladder, and its results have thus far been considerable. It will create an international energy market that will increasingly look towards technologically advanced producers manufacturing renewable energy systems, rather than to traditional exporters of fossil fuels when purchasing energy products. In the long term, the UNFCCC's failure to formulate a global deal on climate change mitigation will be inconsequential. The increase in demand for renewable energy will make these industries grow, improve their products and, perhaps most significantly, make them more politically influential. With a few exceptions, most nations regard the shift towards greener technologies as an opportunity rather than as a threat, and that shift is happening now.

Global environmentalism has significant implications for the economies of the GCC member states. As fossil fuels are being increasingly discriminated against in favour of alternative technologies, the countries whose economies depend on oil and gas exports will see the demand for their products fall. Environmental concerns about global warming are an unstoppable force in the politics that shape the future of the global energy security dynamic. Although the GCC members have conceded that change is needed, the commitment of its members to environmentalist policies varies and the organisation as a whole needs to reposition itself both economically and politically in order to adapt to a world where the tides are turning.

⁵ <http://www.windmade.org/>

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