

PHASE OUT OF FOSSIL FUEL AND ARAB ECONOMIES

1. INTRODUCTION

- The world gradually moving away from its use of fossil fuels
- This creates an economic, social and political challenges for Arab oil producing Arab countries
- Thesis Statement

2. GLOBAL CONTEXT: FOSSIL FUEL PHASE OUT AND ENERGY TRANSITION

3. IMPLICATIONS OF PHASE OUT ON ARAB ECONOMIES

A. ECONOMIC

3.1 Lower trade of hydrocarbons resulting in a current account deficit

→ oil & gas constitute 70-90% of export earnings for Gulf states (IME)

3.2 Potential losses in refineries, impacting global presence of oil companies

→ oil export bill projected to fall by 10-15% by 2030 (Bloomberg)

B. SOCIAL

3.3 Layoffs in factories and oil companies

→ oil sector employs millions, directly

DAY: _____

DATE: _____

and indirectly

3.4 Possibility of reverse migration

- migrant labor moving towards other countries for labor opportunities

C. POLITICAL

3.5 Greater pressure on the monarchy to sustain and drive the economy

- Resentment and uprising fuelled
- Potential Arab Spring dilemma to overthrow monarchy

D. GEOPOLITICAL

3.6 Reduced influence and leverage of Arab countries in the world

- Re-negotiations for lower oil prices
- Shift to renewables reduces importance of oil producing nations

3.7 Increased dependence on developed nations for investment in Gulf

- Promoting western values to attract foreign investment

4. STRATEGIES TO HANDLE GLOBAL PHASE OUT

4.1 Diversification of investment in non-oil sectors of economy

- Saudi Vision 2030
- Expansion of Tourism → FIFA World cup, The WALL

4.2 Capacity and skills building of working population

- Transferable skills make it easier to transition between industries

4.3 Introducing Technology hubs

- Start-up financing mechanisms
- Collaborations with Google/Apple

4.4 Enhancement of education standards and programs

- Exchange programs to attract foreign talent

4.5 Sustainable investment within the renewable energy sector

- GCC Green Initiative

5 CONCLUSION

- The world moving rapidly towards renewable and sustainable energy sources.
- Unless diversification strategies are undertaken, the Arab countries ~~would~~ ^{will} face economic, political and social problems.

DAY: _____

DATE: _____

The world cannot function without oil and gas. While the statement may seem factual, recently, it has started to be challenged. The Arab world, extremely rich in fossil fuels was once a very dominant player in world economy. With the gradual move from towards renewable sources of power, the reliance on oil producing nations has started to diminish.

The move also brings a range of implications for such countries. Economically, it can result in reduced revenues and potential losses for oil producing companies. This ^{could} be dangerous considering energy sector is a major driver of Arab economies. The shift could also trigger massive layoffs, resulting in a mass migration of workers towards other countries for employment. This loss of labor could be fatal. Similarly, with greater pressure to drive the economy, the monarchy faces a political threat of overthrow and reeducation by the citizens.

It may give the opportunity to oppressed people to demand accountability from the leaders. The overall decline in reliance of oil fuel reduces the leverage Arab economies have in the world. It would make them dependent on countries like the US and China for foreign investment into their economy. However, certain strategies can be adopted to manage

DAY: _____

DATE: _____

the implications of the phase out of fossil fuels.

This includes diversification of investment into non oil sectors, capacity and skills building of existing workers, exploration of technology and financing of renewable energy projects.

The global phase out carries severe economic, ~~Economic~~ social, political and geopolitical consequences unless certain strategies are adopted by the gulf economies.