

Gulf Region Reconciliation: Boosting Climate Action and Energy Cooperation.

REVITALISING **MULTILATERAL** PERSPECTIVE AND POLICY SERIES

POLICY BRIEF

By Dr. Sebastian Sons – Middle East Expert

INTRODUCTION

The agreement to resume diplomatic ties between Iran and Saudi Arabia in March 2023 marks a remarkable moment for the Gulf region. As most regional players have become aware that the traditional zero-sum game driven by ideological, political, and security competition does not bear fruit to preserve national interests, the agreement thus provides a window of opportunity for more regional cooperation.

One field of potential action is climate action and energy cooperation. In addition to many other challenges, climate change has the most devastating implications for the region's societies, economies, and political stability. Against this backdrop, future joint action across the region to address environmental issues such as sandstorms, air and water pollution, or flooding is needed to preserve economic stability and social resilience. Driven by a strong commitment to promoting their respective business models and economic diversification, the countries of the Gulf

Cooperation Council (GCC) – Saudi Arabia, the United Arab Emirates (UAE), Qatar, Kuwait, Oman, and Bahrain – show a particular interest in efforts to push regional de-escalation to preserve stability and attract foreign direct investment. In this regard, considering rising pressure for economic diversification, conciliatory ties with Iran are predominantly considered a necessary step to reassess the regional powerplay.

However, existing pitfalls need to be addressed. It remains uncertain if the deal could be transferred from a rather tactical and temporary reconciliation into a long-term and trustworthy strategic process of rapprochement driven by pragmatic joint actions, as mistrust and threat perceptions persist on either side. However, climate action and energy cooperation could emerge as drivers of regional reconciliation, as they offer a new momentum for less sensitive confidence building and are in the economic interest of Gulf players. Here, the European Union (EU) could enhance its engagement. So far, the EU finds itself on the sidelines of this process of regional reconciliation but should intensify its political and pragmatic efforts to promote regional climate action and energy cooperation.

CONFLICT MANAGEMENT AND TACTICAL RECONCILIATION: THE POLITICAL MOTIVATIONS BEHIND THE IRAN-SAUDI DEAL

Saudi Arabia and Iran see their rapprochement as more of a tactical measure to achieve national goals after a period of growing tensions. In recent years, Iran has expanded its influence in Iraq, Syria, Yemen, and Lebanon, and thus to Saudi Arabia's immediate neighbourhood, threatening the kingdom's national security interests. Both sides view themselves as leaders in a volatile region, seeking economic, ideological, and security power. In Saudi Arabia, concerns about being surrounded by Iranian proxies such as the Houthis in Yemen, Hezbollah in Lebanon, or the regime of Bashar al-Assad in Syria, have grown steadily in recent years, leading to a period

of increasing “Iranoia.”¹ The security situation worsened after attacks on two Saudi oil refineries in September 2019 triggered a short-lived 50% loss of production.² The missiles are believed to have been launched by Iran. At the same time, the threat of missile attacks from Iran-backed Yemeni Houthi rebels on Saudi targets increased massively. For Saudi Arabia, this event – the kingdom’s “9/11”³ – was both a wake-up call and a shock, as it showcased its security vulnerability. Since then, the regional commitment to de-escalation has intensified, and Saudi Arabia has been pursuing a policy of balancing and conflict management. The settlement of the conflict with Qatar in January 2021, reconciliation with Turkey, and direct talks with Iran are just the most prominent examples of this Saudi charm offensive driven by detached pragmatism and regulated co-existence. Still, profound mistrust persists, but in a multipolar world, many in the Gulf see regional stability as the best chance to secure their own power and security. As regional players such as Saudi Arabia do not consider themselves the U.S. “junior partner”⁴ anymore, they are developing a new model of pragmatic opportunism and interest-driven nationalism in which regional reconciliation features prominently.

DRIVER FOR ECONOMIC DIVERSIFICATION: RELEVANT MOTIVATION BEHIND THE IRAN-SAUDI AGREEMENT

This recalibration of foreign policymaking is significantly driven by considerations to diversify economies traditionally based on fossil resources. All regional players are undergoing socio-economic and social transformations and need to adapt their traditional business models to new realities in times of the Russian war on Ukraine,

¹ <https://orient-online.com/shop/articles/lost-in-iranoia-saudi-arabias-struggle-for-regional-hegemony-in-times-of-crisis/>

² <https://www.nytimes.com/2019/09/14/world/middleeast/saudi-arabia-refineries-drone-attack.html>

³ <https://www.businessinsider.com/saudi-arabia-considers-drone-attack-their-911-reports-2019-9?r=US&IR=T>

⁴ <https://www.newarab.com/analysis/why-saudi-arabia-joining-china-led-sco>

the global energy transition, and socio-economic uncertainties on a domestic level. In order to successfully transform their traditionally oil-reliant economies, they need to politically and diplomatically invest in regional stability. The Iran-Saudi deal should thus be considered an element of economic diversification that helps to preserve national business interests and enhance the region's position as a hub for alternative energy, investment, trade, or logistics.

Saudi Arabia and other Gulf states aim to emancipate themselves from oil revenues in the long term and promote other sectors, such as alternative energies (especially hydrogen), tourism or entertainment, as a significant element of their energy diversification. However, despite promising developments in recent years, challenges remain high: for instance, youth unemployment is still high, with 16.8%⁵ in Saudi Arabia.

Despite the fact that the share of foreign direct investment stood at 2.3% of GDP in 2021⁶, it still lags behind the ambitious goals of "Vision 2030" to reach 5.1% by the end of the decade.⁷ Iran, in turn, is in the midst of a severe economic crisis. Consequently, the country's political leadership is in dire need of breaking out of international and regional isolation and is therefore seeking rapprochement with Saudi Arabia due to economic pressures.

Other countries in the region also consider regional stability as a win-win situation for their economic resilience in the post-COVID 19 period: the implications of the "twin shock"⁸ – the decline in oil price during the pandemic and the impacts of the pandemic on global supply chains and mobility – have resulted in rising budget deficits and social constraints in countries such as Kuwait or Oman. As both are

⁵ https://www.stats.gov.sa/sites/default/files/LMS%20Q4_2022_PR_EN.pdf

⁶ <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=SA>

⁷ https://www.vision2030.gov.sa/media/rc0b5oy1/saudi_vision203.pdf

⁸ <https://thedocs.worldbank.org/en/doc/cfe892579f0c3ec9f329e40f3a93c21d-0280012021/original/15-mpo-sm21-saudi-arabia-sau-kcm2.pdf> –

following a pragmatic policy on Iran on a social, economic, and cultural level, they are traditionally concerned about rising escalation, which could undermine national security. In addition, Qatar also considers pragmatic relations with Iran as necessary to preserve economic stability, as both countries share the world's largest Pars gas field – a driver for bilateral cooperation.⁹

UNDERMINING THE BUSINESS MODEL AND SOCIAL RESILIENCE: THE IMPLICATIONS OF CLIMATE CHANGE ON THE REGION

As the Gulf countries occupy one of the regions most affected by climate change in the world, climate-related impacts such as rising temperatures, sea-level rise and water scarcity pose a serious challenge for economic diversification, and heavily affect social resilience and security infrastructure in all Gulf countries. Due to their geographical location, arid climate, and dependence on fossil fuels¹⁰, they are vulnerable to the impacts of climate change. By 2075, it is expected that the region could become uninhabitable¹¹ due to a 4 °C increase in temperature. Countries such as Bahrain, Qatar, the UAE, Iraq and Yemen are particularly vulnerable to heat waves and rising temperatures.¹² Consequently, the number of deaths due to heat waves across the region is expected to increase from 5,000 per year in the 2000s to 15,000 per year by the 2050s.¹³

Furthermore, GCC countries are among the countries with the highest CO2 emission rate in the world, have hardly any fresh water sources¹⁴, and therefore must obtain fresh water via seawater desalination. As of today, seawater desalination plants are

⁹ <https://www.mei.edu/publications/sharing-pot-gold-iran-qatar-and-pars-gas-field>

¹⁰ https://link.springer.com/chapter/10.1007/978-981-19-4431-4_2

¹¹ Tobias Zumbrägel: Beyond greenwashing: Sustaining power through sustainability in the Arab Gulf monarchies, in *Orient I*/2020, pp. 28–35: 29.

¹² <https://www.al-monitor.com/originals/2023/05/entire-uae-qatar-bahrain-populations-vulnerable-extreme-heat-study-says>

¹³ <https://www.sciencedirect.com/science/article/pii/S0013935122018643>

¹⁴ <https://www.mdpi.com/2073-4441/15/4/742>

extremely energy-intensive and are largely supplied with fossil fuels.¹⁵ Qatar, for instance, has one of the biggest water waste rates in the world, with a consumption rate of 557 litres of water per person per day.¹⁶ Climate change further exacerbates this challenge, as the region will continuously suffer from extreme weather phenomena such as floods, droughts, and sandstorms, and water availability is expected to decline by up to 50% by 2050.¹⁷ For instance, Iraq was hit by eight sandstorms by mid-April 2022 alone.¹⁸ In addition to rising temperatures and water scarcity, high sea levels caused by global warming in particular affect littoral states and islands in the region such as Bahrain – the kingdom is already struggling with coastal erosion and flooding.¹⁹ Up to 12% of the population in the Gulf monarchies will face possible displacement from their homes due to high-level sea grades.²⁰

As such, climate action and energy transition have emerged as cornerstones in the Gulf diversification approaches²¹. By promoting renewable energy and the implementation of water management strategies, the GCC countries aim to address climate change and have introduced a plethora of initiatives and ambitious plans by announcing renewable energy and net-zero targets.²² For instance, Saudi Arabia has set ambitious renewable energy targets, including the installation of 58.7 GW of solar energy²³, and aims to generate 50% of its energy from renewables by 2030. The UAE seeks to achieve 44% by 2050, Oman 30%, Kuwait 15%, and Qatar 20% by

¹⁵ <https://arabcenterdc.org/resource/the-costs-and-benefits-of-water-desalination-in-the-gulf/>

¹⁶ <https://de.statista.com/statistik/daten/studie/12353/umfrage/wasserverbrauch-pro-einwohner-und-tag-seit-1990/>

¹⁷ <https://www.worldbank.org/en/topic/water/publication/beyond-scarcity-water-security-in-the-middle-east-and-north-africa>

¹⁸ <https://www.bbc.com/news/av/world-middle-east-61469512>

¹⁹ <https://www.sciencedirect.com/science/article/pii/S0301479705800702>.

²⁰ <https://www.baks.bund.de/en/working-papers/2020/adding-fuel-to-the-fire-the-underestimated-effects-of-climate-change-on-security>

²¹ <https://www.bakerinstitute.org/research/exploring-energy-transition-and-net-zero-strategies-gulf-oil-producers>

²² <https://www.thenationalnews.com/business/comment/gcc-s-renewable-energy-transition-unlocks-the-potential-for-a-new-green-economy-1.1203517>

²³ <https://www.eiu.com/n/saudi-arabia-launches-worlds-largest-solar-power-plant/>

2030.²⁴ Furthermore, they are heavily investing in renewable energy projects²⁵, and promote alternative energy sectors such as hydrogen²⁶ or carbon capture storage as in the case of Saudi Arabia, the UAE and Oman. For instance, Saudi Arabia wants to position itself as a regional hub for hydrogen production and has signed hydrogen partnerships with countries such as Germany²⁷, and in February 2022, Germany opened an office to promote hydrogen diplomacy with the kingdom.²⁸ By hosting the 28th International Climate Change Conference 2023 (Conference of the Parties, COP) in Abu Dhabi, the UAE wants to position itself as a global champion against climate change.

Those efforts aim not only to meet the global climate goals or align with the sustainable development goals (SDG), but also intend to promote economic diversification in the energy field. By creating jobs in the renewable energy or energy efficiency sector, nationalisation efforts are pushed in order to reduce the number of unemployed nationals and the reliance on expatriates and labour migrants. Driven by big companies such as Masdar in the UAE or ACWA Power and Saudi Aramco in Saudi Arabia that are backed by the respective countries' sovereign wealth funds²⁹, the Gulf governments consider sustainability as a driver for economic diversification and as a "green niche".³⁰ Service providers for regional energy champions such as Saudi Aramco are developing training courses and vocational training curricula for

²⁴ <https://mei.edu/publications/renewable-power-policies-arab-gulf-states>

²⁵ <https://files.constantcontact.com/23ca2798201778d61953-444c-49c5-8575-503c5dc5bf78.pdf>

²⁶ https://www.swp-berlin.org/publications/products/comments/2022C44_HydrogenAmbitiones_GulfStates_WEB.pdf

²⁷ <https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/2021/03/20210311-altmaier-signs-memorandum-of-understanding-on-german-saudi-hydrogen-cooperation.html>

²⁸ <https://www.auswaertiges-amt.de/en/aussenpolitik/themen/hydrogen-diplomacy-office/2513802>

²⁹ <https://mei.edu/publications/renewable-power-policies-arab-gulf-states>

³⁰ Tobias Zumbrägel: Beyond greenwashing: Sustaining power through sustainability in the Arab Gulf monarchies, in *Orient I*/2020, pp. 28–35: 32

young engineers in fields such as renewable energy or hydrogen. Although the future perspectives remain uncertain, the interest in environmental education is growing among young populations. As a result, demand for indirect jobs in the respective supply chains could grow in upcoming years.

Nevertheless, climate diplomacy also serves as a driver for power consolidation of the leaderships. By presenting themselves as “green champions”, GCC countries want to preserve domestic legitimacy and popularity, push a green narrative as a fundamental element of their respective identity politics, and increase global visibility and credibility through clean energy diplomacy.³¹ Despite such strong political motivations, green politics and climate action are much more than just “greenwashing”. These sectors are indispensably linked with the Gulf region’s goal to enter a new period of economic diversification, and thus need to be considered as a matter of political and socio-economic survival. The more climate action and energy transition become business sectors that generate a return on investment, the more the Gulf monarchies will engage in those areas.

PUSHING GREEN RECOVERY: ENGAGEMENT IN REGIONAL AND MULTILATERAL INITIATIVES

In addition to economic transformation and electricity cooperation, the implications of climate change also resulted in efforts to push “green recovery”³² by engaging in multilateral and regional environmental initiatives. For instance, Saudi Arabia has launched the Green Middle East Initiative³³, which is defined by Saudi officials as a driver for regional development. Green developmentalism has thus been integrated into the Gulf monarchies’ aid policies to preserve economic statecraft, achieve

³¹ <https://www.tandfonline.com/doi/full/10.1080/09614524.2019.1597017>.

³² https://carpo-bonn.org/wp-content/uploads/2021/01/carpo_brief_20_EN-printerfriendly.pdf

³³ <https://www.greeninitiatives.gov.sa/about-sgi/>

foreign policy goals³⁴, and promote themselves as green humanitarian champions.³⁵ Traditionally, most of the Gulf monarchies are engaged as global providers of humanitarian and development assistance³⁶, but just recently, green aid provision has become more relevant in the Gulf states' developmental trajectory.

Projects related to sustainable development, environmental protection and climate change are increasingly financed by Gulf developmental organisations such as Education Above All (EAA) in Qatar: the philanthropic charity has emerged as one of the most prominent Qatari initiatives to promote educational efforts and support out-of-school children across the globe.

In spring 2023, the EAA, through its initiative "Reach out to Asia" (ROTA), decided to re-formulate its portfolio by focusing more on environmental education, aiming at empowering young males and females with skills and knowledge to take climate action.³⁷ Such engagement reflects a general regional trend to invest more in projects focusing on sustainability and climate action: NGOs and universities in Oman or Kuwait are offering awareness-raising campaigns, training courses and capacity development on topics such as waste and water management, green entrepreneurship, energy efficiency or water and air pollution for private households and students. Climate action is thus promoted as an element of civic education among parts of the eco-conscious youth.³⁸

³⁴ Karen Young, Sovereign risk: Gulf sovereign wealth funds as engines of growth and political resource, in *British Journal of Middle Eastern Studies*, Number 47, Issue 1, 2020, pp. 1–21.

³⁵ https://dgap.org/system/files/article_pdfs/2015-09g.pdf

³⁶ <https://www.bakerinstitute.org/media/files/files/8cb451f5/cme-pub-carnegie-salisbury-091718.pdf>; <http://eprints.lse.ac.uk/archive/00000615>

³⁷ <https://www.educationaboveall.org/our-programmes/reach-out-to-asia>

³⁸ Tobias Zumbärgel, *Political Power and Environmental Sustainability in Gulf Monarchies* (London: Palgrave Macmillan, 2022)

On a governmental level, Saudi Arabia, Kuwait, Qatar, and the UAE have signed the 2016 Paris Agreement³⁹ and are increasingly engaged in the development of renewable energy and in some committees and forums of the United Nations Framework Convention on Climate Change (UNFCCC). At the same time, multilateral regional organisations such as the Islamic Development Bank (IsDB) are pushing triangular cooperation on climate action by introducing its Climate Change Action Plan (2020-2025) in 2020.⁴⁰ As a consequence, more engagement in green development reflects their strategic interest in promoting “green credentials” as part of their socioeconomic diversification approach, branding initiatives, and instruments of soft power projection.⁴¹

A WINDOW OF OPPORTUNITY OR A MISSED CHANCE? THE EU AND ITS ENGAGEMENT ON CLIMATE ACTION ON THE REGION

For the EU, the current shift in geostrategic alliances in times of global multipolarity is a serious challenge, as it has lost political relevance and trust in many policy fields. Nevertheless, the regional reconciliation also provides the EU with a chance to enter a comprehensive cooperation model with the region in climate action and energy transition. Here, the EU, through its different instruments, is still considered as an efficient, professional, and constructive partner for the Gulf region. In its Joint Communication on a “Strategic Partnership with the Gulf” launched in May 2022, the EU explicitly defines “a partnership green transition and sustainable energy” as a cornerstone of its relations with the GCC, and mentions fields of joint action such

³⁹ <https://unfccc.int/process/parties-non-party-stakeholders/parties-convention-and-observer-states>.

⁴⁰ https://www.isdb.org/sites/default/files/media/documents/2022-02/IsDB_Climate_Action_Plan_2020%20-%202025%5B12%5D.pdf

⁴¹ Natalie Koch, Sustainability spectacle: Modernity and the contemporary imperative to be green, In *Environmental Politics*, 2022, DOI: <https://doi.org/10.1080/09644016.2022.2127481>.

as recycling, water, and deforestation.⁴² The “Green Deal”⁴³, which aims to reduce CO2 emissions across Europe by 55% by 2030, forms an interesting instrument to enhance regional cooperation in climate action.⁴⁴

Taking those assets into consideration, the EU should aim to engage more in projects related to environmental education, regional academic exchange formats on climate action, joint initiatives to bring together stakeholders across the region to engage in green topics such as waste and water management, environmental awareness, or capacity development in green entrepreneurship. So far, tangible results after the launch of the EU-GCC strategy are rather limited and did not meet all expectations on the Gulf side yet. For instance, the EU did not engage in comprehensive actions together with the UAE to agree on concrete activities in preparation of COP28. Project implementation and operationalisation in the field of green developmentalism also finds itself in an initial phase: one of the few projects that have been realised by the European Bank for Reconstruction and Development (EBRD) and the Saudi energy champion ACWA Power is to co-finance renewable energy projects such as in Azerbaijan.⁴⁵

In the lack of comprehensive action, expectations for EU engagement should be managed more judiciously. Recently, concerns on the Gulf’s side regarding the EU’s credibility have increased due to several contested issues, such as the nomination of Luigi di Maio as the EU Special Representative for the Gulf, and the implications of the corruption scandal in the European Parliament.⁴⁶ However, the EU should use

⁴²<https://www.eeas.europa.eu/sites/default/files/documents/Joint%20Communication%20to%20the%20European%20Parliament%20and%20the%20Council%20-%20A%20Strategic%20Partnership%20with%20the%20Gulf.pdf>.

⁴³ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en

⁴⁴ <https://ecfr.eu/publication/power-play-europes-climate-diplomacy-in-the-gulf/>

⁴⁵ <https://www.ebrd.com/work-with-us/projects/psd/52735.html>

⁴⁶ <https://www.bic-rhr.com/research/eus-strategic-partnership-gulf-one-year>

the momentum of current regional reconciliation to enhance concrete environmental and climate activities with Gulf countries:

RECOMMENDATIONS

To the European Union:

- EU cooperation with the IsDB could become more strategic with the implementation of the “Reverse Linkage” program, which promotes trilateral cooperation in many countries, and focuses more strongly on climate action and energy transition.¹ Interestingly, as the IsDB also includes Iran as one of its 57 members, the bank provides a potential platform for inclusive and cross-border cooperation in times of regional reconciliation.
- Conceptualising research collaboration programs such as transnational summer schools and exchange formats on environmental sustainability could be supported by the EU. In all Gulf countries, universities, think tanks, and NGOs are addressing climate change-related issues such as water and air pollution or the food-water-security nexus, but regional exchange is still limited. Here, the EU could facilitate bringing together those initiatives in times of regional reconciliation.
- The Saudi Middle East Green Initiative also forms a potential future platform for EU stakeholders to promote transnational and inclusive climate engagement together with regional players.
- Climate action-related projects could also be initiated together with Gulf partners in the field of cultural exchange. For instance, vibrant environmental art scenes in the Gulf region – such as in Iraq¹ and Saudi Arabia¹ – are emerging, which address topics such as climate change, air and water pollution, and the energy-climate-health nexus. However, regional cultural collaboration is still limited. By establishing a network between those artists, cultural entrepreneurs and counterparts from across the region and Europe, the EU could build socio-cultural bridges and raise awareness for topics of mutual interest.

About the BIC

The BIC is an independent, non-profit, think-and-do tank based in the capital of Europe that is committed to developing solutions to address the cyclical drivers of insecurity, economic fragility, and conflict the Middle East and North Africa. Our goal is to bring added value to the highest levels of political discourse by bringing systemic issues to the forefront of the conversation.

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Author

Dr. Sebastian Sons | Middle East Expert

**BRUSSELS
INTERNATIONAL
CENTER**

 @BICBrussels  @bicrhr  BIC

 www.bic-rhr.com  info@bic-rhr.com

 Avenue Louise, 89 1050, Brussels, Belgium  Tel: +32 027258466