Building MENA stability in a climate changed world: Defining a Transatlantic Agenda

Nick Mabey, E3G

November 2017
Contents

• Workshop Objectives
• Strategic Context
• Barriers to Intervention
• Annex: Ideas for a Forward Agenda
Objectives for workshop

1. Share understanding of the state of play on:
   a. Climate and resource vulnerability in the region
   b. MENA as a strategic priority for US and EU

2. Discuss impact of existing financial support to the region including projects that prioritize resilience and efficiency

3. Identify potentially new approaches for addressing resilience and resource efficiency and areas for trans-Atlantic cooperation
Workshop Structure

1. **Introductory Presentation** from E3G on the MENA Strategic Context

2. **Discussion 1:** What are the barriers to increasing the impact of EU investment in MENA on resilience to climate and resource pressures?

3. **Discussion 2:** What are the highest impact interventions? Where can trans-Atlantic cooperation be leveraged most usefully?
Contents

• Workshop Objectives

• Strategic Context

• Barriers to Intervention

• Annex: Ideas for a Forward Agenda
MENA is a priority for the US and EU

- EU Global Strategy
- MENA largest recipient of non-humanitarian bilateral aid

- EU and US as two of the largest trading partners
- External Investment Plan for Africa

- Terrorism
- Energy Security
- Interstate conflict
- Intrastate conflict

- Addressing the ‘democratic deficit’
- Impact of migration on EU internal stability

No chance of wider geopolitical stability without addressing MENA challenges
MENA faces growing risks of instability

Food Security

Energy & Resources

Water scarcity

Climate Impacts

INSTABILITY
MENA is heavily dependent on climate vulnerable global food system

- Historic 1 in 100 year event is 1 in 30 year event by 2040
- If CO2 fertilisation weak a 1 in 100 year event becomes 1 in 10 years after 2050

Projected decrease in precipitation by 2100 of 20%

Climate Change projected to decrease in precipitation by 20% in 2100

EU Oil Sources in MENA are the most highly water stressed

Source: Met Office Hadley Centre
Oil Exports become a Vulnerability as climate action depresses Oil Prices

Sources: WEO and IMF staff estimates.

Low oil prices hit Saudi growth
Year on year change

Source: Thomson Reuters Datastream
© FT
MENA Region is Highly Vulnerable to global food and energy price shocks

Food dependence index

Source: UNCTAD 2015
E3G 2013 MENA Stability Analysis

• Resource and climate change risks will be a growing threat to MENA stability; as will the indirect impacts of energy and climate policy.

• Stability will be impacted through two routes:
  – Providing increasing shocks to living standards through volatile and rising global food and energy prices.
  – Depressing output in critical areas such as tourism, agriculture and energy

• The region is ill-fitted to compete in the fast growing low-carbon goods markets of their major export market the EU.

• Feasible increases in GDP growth are unlikely to deliver high probability of stability even under the most benign political scenarios.
EU Political Imperatives are High

• EU has created new regional stability instruments & prioritised clean infrastructure investments (e.g. UfM platform)

• Addressing resilience to climate and resource drivers of instability is a priority in EU Global Strategy & Neighbourhood Policy

• Mass migration from the region remains a strong driver of divisive populist politics across the EU

• French President Macron has highlighted impactful EU engagement in region as the key test of (post-Brexit) EU27 foreign policy

MENA stability is a politically existential task for the EU
Contents

• Workshop Objectives
• Strategic Context
• Barriers to Intervention
• Annex: Ideas for a Forward Agenda
Non-scientific survey of EU policy makers & experts on MENA interventions

- Economic prospects in region are still poor & too dependent on EU growth and openness to regional exports
- Investment in region is far lower than needed to deliver required clean energy & critical infrastructure
- Investment in climate resilience & water is inadequate, still very sector based and focused on “hard solutions”
- No coherent plan exists for energy integration with EU or between neighbouring countries
- Regional resilience to major global food system shocks has only marginally improved
What are the barriers to increased investment in economic and social resilience?

“Tragedy of risk horizons”

- Lack of evidence of what works
- Tyranny of the status quo
- Lack of political will
- Institutional fragmentation
- Lack of stability impact overview
Contents

• Strategic Context
• Objectives
• The challenge

• A forward agenda
Strategic priorities for investing in MENA stability

1. **Improve resilience to shocks**: refocus investment to address immediate resilience challenges over food, water and energy.

2. **Economic diversification into resource efficient industries**: support new industries which are sustainable under future resource stresses and climate policy contexts.

3. **Build resilient infrastructure**: in the national resource and social context – including shifting from hard to soft solutions.

4. **Rationalise external support on resource pressures**: focus current disparate avenues of external support and engagement on a few high impact stability and development objectives.
Possible immediate priorities (1)

1. Improve resilience to shocks

- Address energy price vulnerability and energy subsidy reform through integrated package of price reform, social support and energy efficiency. Draw on international climate finance to smooth transition and provide up front financing for investment.

- Assess the sustainability of food and agriculture policy in the region under the full range of scenarios of food prices and volatility. Reassess focus of export agriculture vs. national food security based policies and impacts of current trade policy on resilience of local food supplies.

- Develop holistic packages of water management reforms based on efficiency, community management and targeted investment in areas of high potential water and social stress.
Possible immediate priorities (2)

2. Economic diversification into resource efficient industries

- Stress test country and regional development plans against a range of resource, trade, energy policy and climate change scenarios.

- Carry out scoping studies for low carbon zones as potential driver of economic diversification. Egypt already has experience with special economic and trade zones. Potential to build on existing China LCZs as example and link to EU trade preferences.

- Link existing flows of RES and other investment to development of local supply chains in new industries - including through LCZs.

- Explore potential of capturing competitive advantage in clean energy exports – either in good markets or directly through interconnectors. However, potential for new jobs in RES and energy efficiency in the short term shouldn’t be exaggerated.
Possible immediate priorities (3)

3. Build resilient infrastructure

- Develop infrastructure planning assumptions and assessment methodologies for range of resource scarcity, low carbon trajectory and temperature increase scenarios.

- Requirement for external public investors (MDBs etc) to assess resilience of their investments under different scenarios and put forward demand reduction alternatives for new supply side investments in energy and water.

- Assessment of how “soft infrastructure” - community control, natural barriers etc – could provide alternative more resilient investment options.
Possible immediate priorities (4)

4. Rationalise external support on resource pressures

- EU/US needs to carry out strategic assessment of how its related trade, migration, energy and aid policies impact stability in the region and assess where progress can be made to increase external support.

- Assess aid delivery structures to ensure they can support long term community resilience building – especially around water management – not just hard infrastructure projects.

- Strategic approach is needed by governments to define the objectives and potential impacts in 2020/2030/2040 of MedGrid, DESERTEC, Western Ring and similar projects. Including better assessment of their potential ability to benefit regional stability. If seen as a priority then framework conditions and local regulations for DESERTEC and similar projects must become a European priority.

- EU countries and the US should pro-actively reach out to regional and BRICs investors building a discussion which frames competition for commercial opportunities inside a better understanding of the stability needs of the region – especially in terms of FDI and infrastructure design.