

The Third ERF GCC Conference - GCC Economies in an Era of Energy Transition

Hosted by [King Abdullah Petroleum Studies and Research Center \(KAPSARC\)](#)

30 – 31 October, 2023 Riyadh, Saudi Arabia

Context

The global energy transition and the move toward a decarbonized world may ultimately reduce oil demand and rent. Depending on the speed and patterns of this transition, it will impact GCC economies in multiple dimensions, including the oil sector but also labor markets, private sector and the overall macroeconomy. Although oil demand growth is projected to decelerate, it may not necessarily lower the demand for low-cost GCC oil or destroy its industry. Nonetheless, GCC would need to address some major trade-offs and develop sophisticated, evolving strategies for managing the energy transition and its implications for the oil sector; labor markets and private sector; and macroeconomic management policies and institutions.

The global energy transition is characterized by the rapid development and penetration of renewable energy. It involves the electrification and digitization of mobility, energy efficiency improvements, technological advances, and changes in social preferences. These changes will gradually slow the growth in oil demand and in some scenarios declines precipitously to be much less than its current level of 100 million barrels per day (MBD). The speed of this deceleration differs across regions and sectors and across oil and gas.

For decades, countries of the Gulf Cooperation Council (GCC) have been planning for a post-oil future, when hydrocarbon reserves are depleted and the world transitions to more sustainable forms of energy. Indeed, the global push to decarbonize and the slow, but steady transition to clean and renewable energy will eventually reduce demand for oil. Yet, despite decades of planning, GCC states continue to rely heavily on hydrocarbon revenues to support their economies and state finances. Furthermore, this reliance has contributed to other policy challenges, such as labour market segmentation and skewed incentive systems, that GCC countries must address as part of their economic diversification efforts.

The six economies of the GCC have introduced a number of similar policies to prepare for a post-hydrocarbon future. These include developing the non-hydrocarbon sectors of their economies, establishing commodity funds to support revenue stabilization and reduce macroeconomic volatility, introducing sovereign wealth funds to transform natural resources into financial assets to be invested and saved for future generations, designing policies and initiatives to support workforce nationalization efforts, and investing in the education and human capital development of their national populations.

GCC states differ in the particulars of these policies and how they are being implemented. To an extent, these reflect different time horizons with regards to hydrocarbon reserves and population pressures. Bahrain, whose reserves are expected to run out within a decade, is arguably furthest along in its diversification efforts. Saudi Arabia, which has the largest population pressures in the GCC, has launched a major economic and social transformation of the kingdom. Other policy differences reflect policy preferences and country idiosyncrasies. Saudi Arabia and the UAE have invested a greater share of their accumulated assets at home, reflecting their larger economies and greater local opportunities.

There are also differences among GCC states about becoming active participants and leaders in the energy transition process itself. On the one hand, GCC countries maintain a comparative advantage in oil and gas production, with their low costs of production and low carbon intensity of their outputs. This provides them with staying power within the industry and a unique opportunity to diversify within

the oil and gas value chains. On the other hand, several GCC countries, like the UAE and Saudi Arabia, are investing heavily in renewable energy. Of course, these two strategies are not mutually exclusive.

In the end, the inevitable energy transition will have macroeconomic, fiscal, and human capital implications across the region. While the revenues might provide a safety cushion during the short- and medium- term, GCC policymakers need to implement intense reforms to align their finances, private sector activities, and human capital development and expectations with actionable plans for creating a sustainable future backed by knowledge-based economies that do not rely on hydrocarbons.

Critical Trade-offs for the Energy Transition:

The GCC economies had to deal with some strategic tradeoffs presented by the energy transitions and the decarbonization agenda. On one hand, if they perceive the pace of energy transition to be fast they might opt for accelerating their oil extraction to avoid being left with stranded assets. This strategy will eventually lead to low oil prices that will eventually fall below the breakeven oil price for GCC fiscal balances. Instead, should they reckon that the energy transition will likely take longer, they might target high oil rents through a strategy of coordinated management of supply. The underside risk entailed under this strategy will likely be the acceleration of the energy transition.

However, energy transition itself may provide opportunities for a possibly more sophisticated, hybrid hydrocarbon-cum- renewable energy management strategy that would evolve over time toward achieving the full decarbonization agenda:

- Moreover, though strategies to decarbonize oil and gas production entail additional costs, which may reduce oil rents. However, they can transform the oil and gas industry from focusing only on generating rent to generating value and realizing profit margins, especially if they adopt various strategies to secure crude oil export outlets and hedge against oil demand reductions:
 - Enhancing the competitiveness and resilience of the energy sector, promoting energy efficiency, and reforming domestic energy prices
 - Increasing domestic use of gas and renewables and promote diversification within the hydrocarbon value chain
 - Promoting and utilizing carbon capture, utilization, and storage (CCUS) technologies
 - Increase non-combustion uses of hydrocarbons and converting hydrocarbons into hydrogen
- Additionally, along the lines of the theory of economic complexity, developing products that are close to the product space that it already exports, GCC could enhance their diversification potential and extend the value chain and create new industries within its traditional energy sector:
 - The global demand for petrochemicals, is growing more rapidly than GDP. The industry is diversified and sophisticated and produces many consumer and manufacturing materials
 - Some of these materials are crucial components for energy transition, especially solar panels, wind turbine blades, thermal insulation, batteries, and other electric vehicle parts
 - Thus, the GCC oil industry can be integrated both into the national diversification agenda and the global energy transition process
- Finally, integrating oil into the economic diversification process should strengthen budgets, reduce oil price breakeven levels as well as increase net exports as a result of enhanced nonrenewable energy use in domestic GCC economies

Read more: [The Saudi Economy in an Era of Energy Transition](#), by [Dr. Majid A. Al-Moneef](#), ERF Senior Fellow, Chairman, Saudi Association for Energy Economics.

Conference Objectives

In 2019, the Economic Research Forum (ERF) launched the GCC Economic Research Initiative (GCCERI). This strategic partnership was built around a network of GCC-based universities and GCC-focused researchers within the ERF research community that share ideas and collaborate on policy-oriented research. The GCCERI works on advancing economic research capacities in the GCC region by bridging knowledge gaps and addressing the region's major economic and human development challenges.

The GCCERI was launched during a two-day conference, at the College of Economics and Political Science of Sultan Qaboos University in Oman, which highlighted the economic achievements of the GCC countries during the last four decades. The GCCERI network met again virtually in March 2021 for a two-day event that discussed the economic repercussions of the COVID-19 pandemic on GCC countries and explored policy responses and lessons toward more efficient and resilient GCC economies.

The third GCCERI conference will be hosted by the King Abdullah Petroleum Studies and Research Center (KAPSARC) in Riyadh during the fall of 2023. It aims to build on the previous two events and to solidify GCCERI as a regular platform for research and policy dialogue. The conference will mainly focus on diversification challenges and opportunities within the hydrocarbon sector in the light of the looming risks of stranded assets, but also the potential for integrating the hydrocarbon sector into the emerging decarbonisation and energy transition regime.

Moreover, the conference will also address other associated research and policy agenda, including the macroeconomic impacts of diversification and energy transition; as well as the implications of energy transition on the private sector and labor markets of the region.

The conference would aim to convene around 70 researchers from the region and outside, covering a rich agenda of plenary and parallel sessions and social events.

The organizers welcome submissions of proposals or completed draft papers on any topic of relevance to GCC economic diversification and efforts to deal with energy transition, most notably the following:

1. Diversification within the Hydrocarbon Sector: challenges and opportunities

- The challenge of stranded assets
- GCC hydrocarbon sector's response to the energy transition
- Green energy prospects in the GCC
- Expanding the hydrocarbon value chain and new industries within the energy sector

2. Implications for the Macroeconomy: toward rule-based institutions

- Sovereign wealth funds and emerging investment strategies: overall local vs. international investments; food security and regional localization of trade and investment
- Fiscal management and revenue mobilization: exploring the need for transition from discretionary to rule-based fiscal policies and institutions
- Stabilization and competitiveness: assessing the relevance of the de facto exchange rate regimes and the case for more flexibility

3. Private Sector Development

- Private sector reforms and policies supporting diversification efforts
- Impact of growing domestic energy consumption on export capacities

- Circular economy applications in the GCC and its prospects
- Role of FDI in economic diversification

4. Trade and the Non-hydrocarbon Economy

- Diversifications progress within existing development plans and national visions
- Trade and non-hydrocarbon economic growth
- Declining productivity and implications for competitiveness
- Improving integration into global value chains

5. Finance

- Financial institutions and their role in diversification efforts
- The expanding use of crypto-currencies and blockchains in finance
- New directions in Islamic banking and finance
- Tax systems with the GCC

6. Energy Transition and the Labor Market

- Progress towards knowledge economies and impact on skills needs
- Impact of diversification on hiring and nationalization plans
- New social contract with citizens and private sector post-hydrocarbons
- Improving coordination between labor-exporting and GCC countries
- Inequality and diversity within the labor force

Guidelines for submission and supporting documents

Authors should submit an original proposal of a maximum length of ten double spaced pages [excluding appendices, tables, figures and references]. Authors of the selected proposals will be self-funded, however, the steering committee of ERF and the GCC consortium of universities and policy research institutions might grant some limited funding for few cases. Proposals should be structured so as to contain sections in the following format. ERF reserves the right to exclude proposals that are not consistent with these guidelines:

1. *Statement of the research problem:* A clear and concise description of the nature and importance of the proposed research, its scope and boundaries, its general context, and its objectives, with explicit reference to feasibility and policy relevance.
2. *Value Added:* A selective and analytical review of the relevant literature, with a view to both demonstrating knowledge of prior theoretical and empirical work, as well as identifying the knowledge gap that the proposed research seeks to address.
3. *Conceptual Framework and Research Methodology:* A clear statement of the conceptual framework should be provided, elaborating on the set of specific, identifiable and concrete questions for which the proposed research intends to answer. This is to be followed by an elaboration of the research methods to be employed and why they are best suited to answer the research questions. This section should also indicate the nature of the information required and the data collection techniques, whether primary or secondary or a combination of the two. Finally, it should explain how the information will be analyzed and interpreted using quantitative and/or qualitative methods.

Important note: The proposal/paper can be submitted in English or Arabic. The proposal/paper should NOT include the authors' names, as it will undergo a blind review process.

Submissions should include:

- Author(s)' last and first names, affiliation and position, address, telephone and fax numbers, and email address
- Author(s)' CV(s) and the most recently published paper, if any
- JEL classification.

Eligibility

- Researchers should have expertise in the topic being researched.
- At least one of the main researchers should be a GCC national or working at a GCC-based university or economic policy research institution.
- Researchers from disciplines other than economics may apply.

Selection Criteria

- The value added of the project in terms of contribution to existing knowledge.
- The methodological rigor, be it econometric methods or a qualitative research design for a within or cross-case comparison.
- Policy relevance of the proposed project.

Selection Process

- All proposals and outputs will be peer reviewed. Authors of accepted proposals will be requested to respond to comments of the reviewers.
- ERF reserves the right to exclude proposals that are not consistent with the above guidelines.
- No single author may submit more than two proposals, whether independently or jointly with others.
- The selection of proposals is based on their evaluation by refereeing committees with marginal adjustment to take into account regional and gender balances.
- All proposals and papers will go through a plagiarism-checking process to ensure their originality and authenticity.

Outstanding papers will be considered for *Best Paper Award* acknowledgement during the conference.

The organizers may consider the potential of publishing an *Edited Volume* based on: i) selectively identifying papers of particular relevance to the overarching focus of the publication; ii) further refereeing process to account for additional publication requirements, iii) Managing Editors final review and clearance.

Important Dates:

- Deadline for submission of the research proposals/papers: **July 15, 2023.**
- Announcement of accepted research proposals: **July 31, 2023.**
- Submission of final papers: **September 30, 2023.**
- Conference to present the papers: **October 30 – 31, 2023.**

Submit your proposal/paper online: (https://erf.org.eg/gcc_submissionsform/). For queries, please contact Faiza Jafar at fjafar@erf.org.eg