

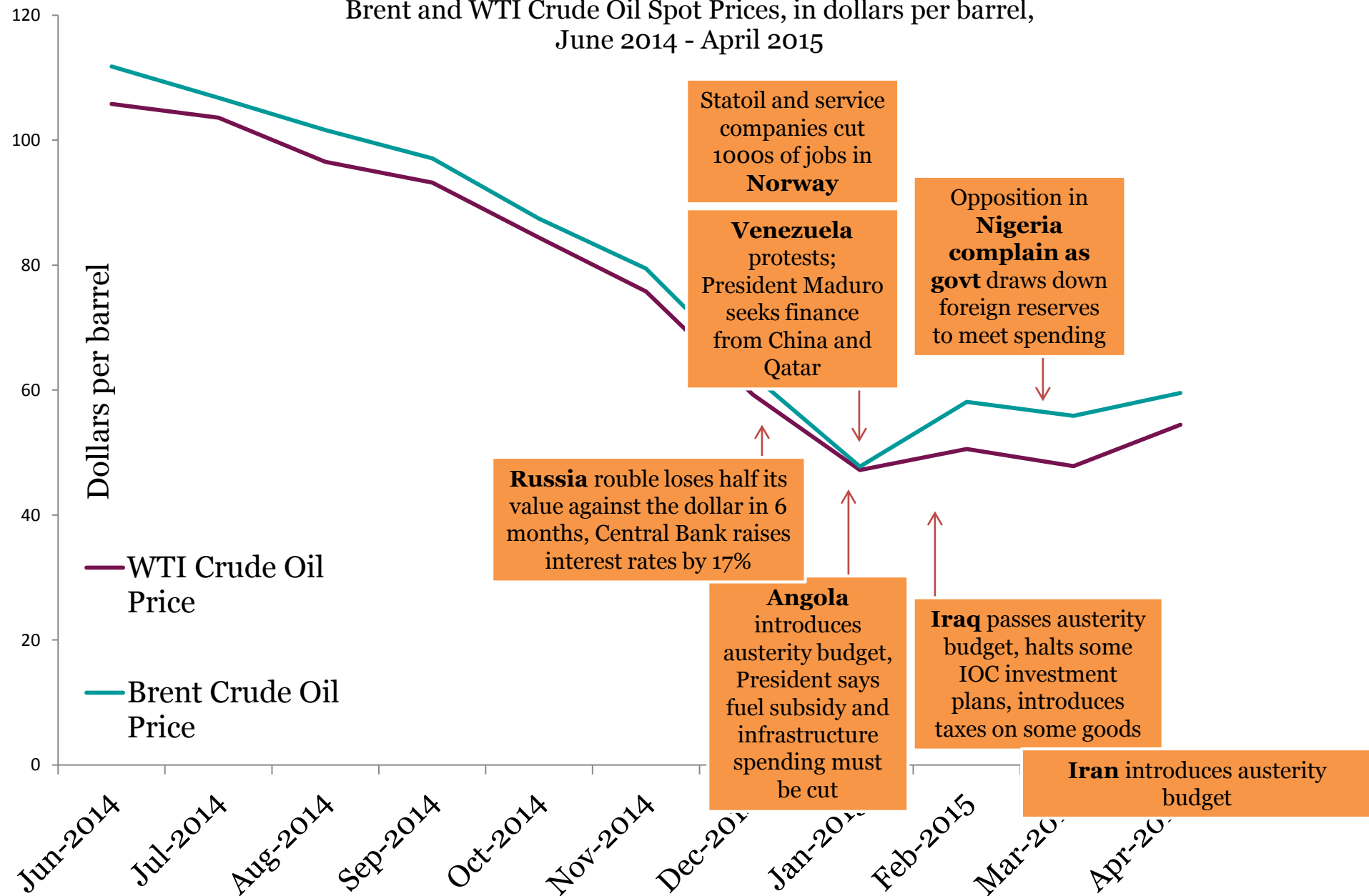
The Gulf Exporter's Paradox: Should cheaper oil abroad mean more expensive energy at home?

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Department

2015 International Energy Workshop, IRENA, Abu Dhabi, 3-5 June 2015

Falling prices = exporting country budget crises

Brent and WTI Crude Oil Spot Prices, in dollars per barrel,
June 2014 - April 2015



Even the golden child...

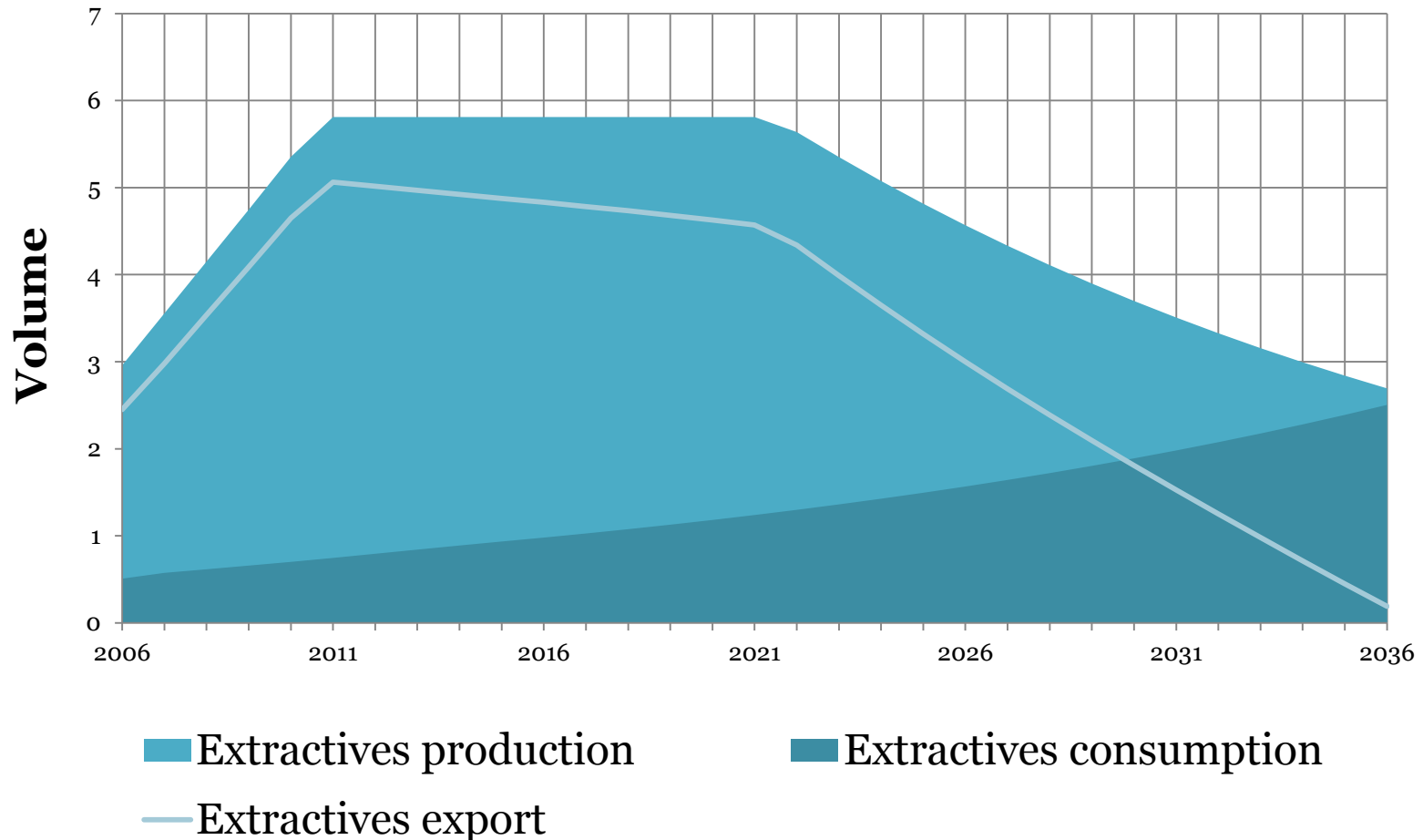
“The decline has been stronger and gone faster than we had expected...[what] we’re seeing is a reminder that we’re in a cyclical industry, and that we need to have a cost level in this industry that can sustain these types of cycle and let us be competitive over time” CEO Statoil Norway

What role oil and gas play in the economy over time matters

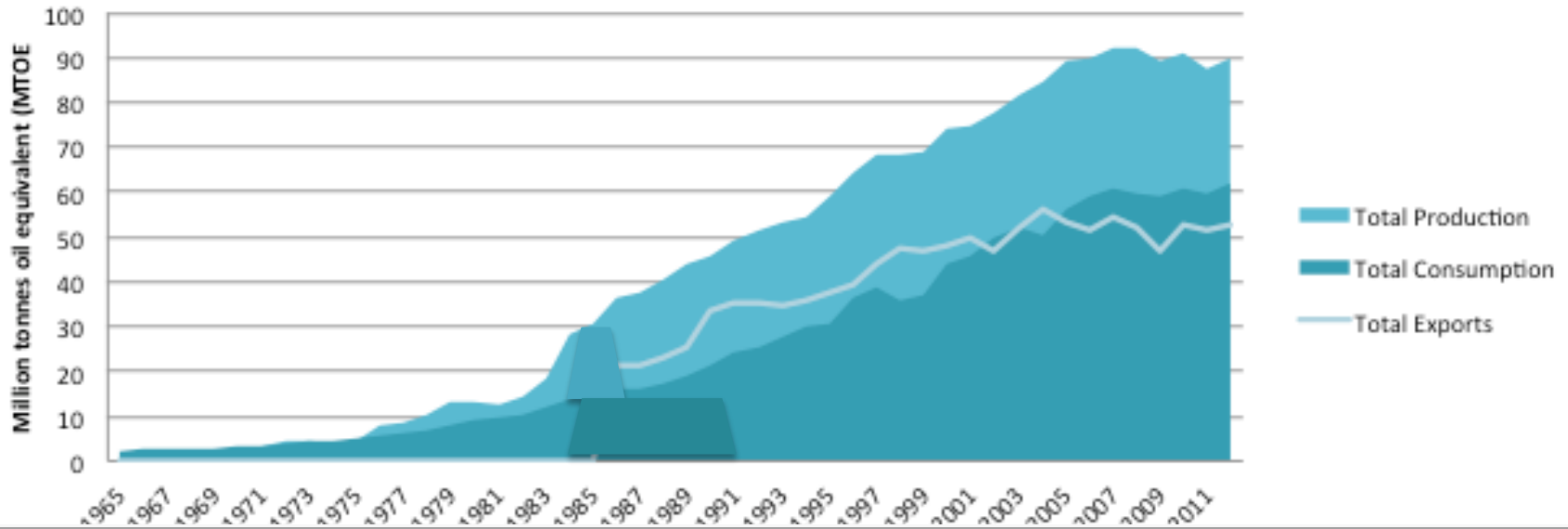
**Depletion-led
development**

**Transition
phase**

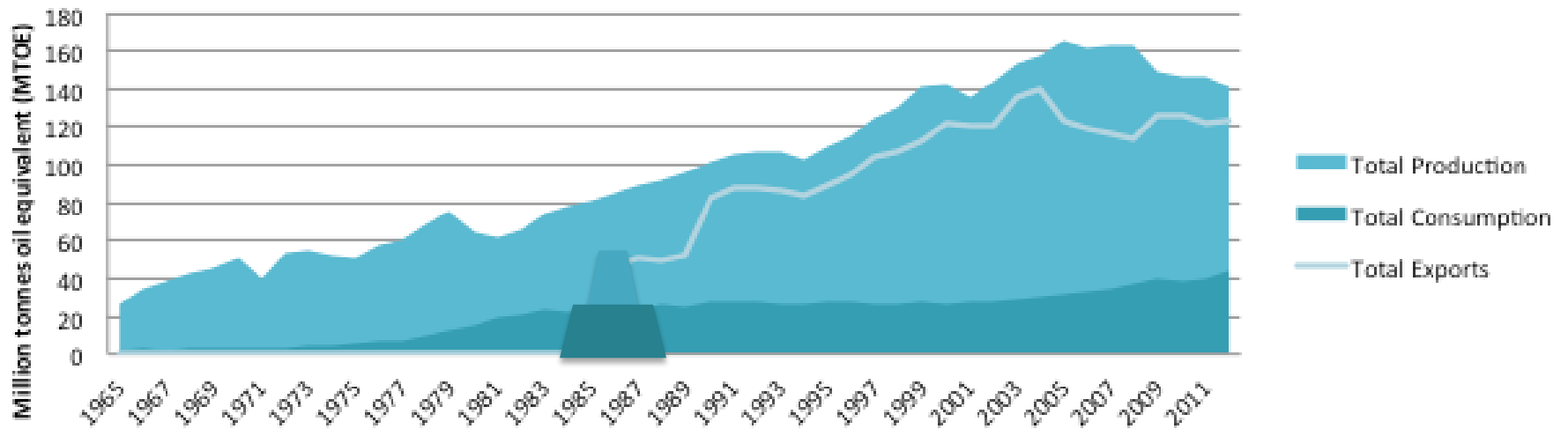
Decline



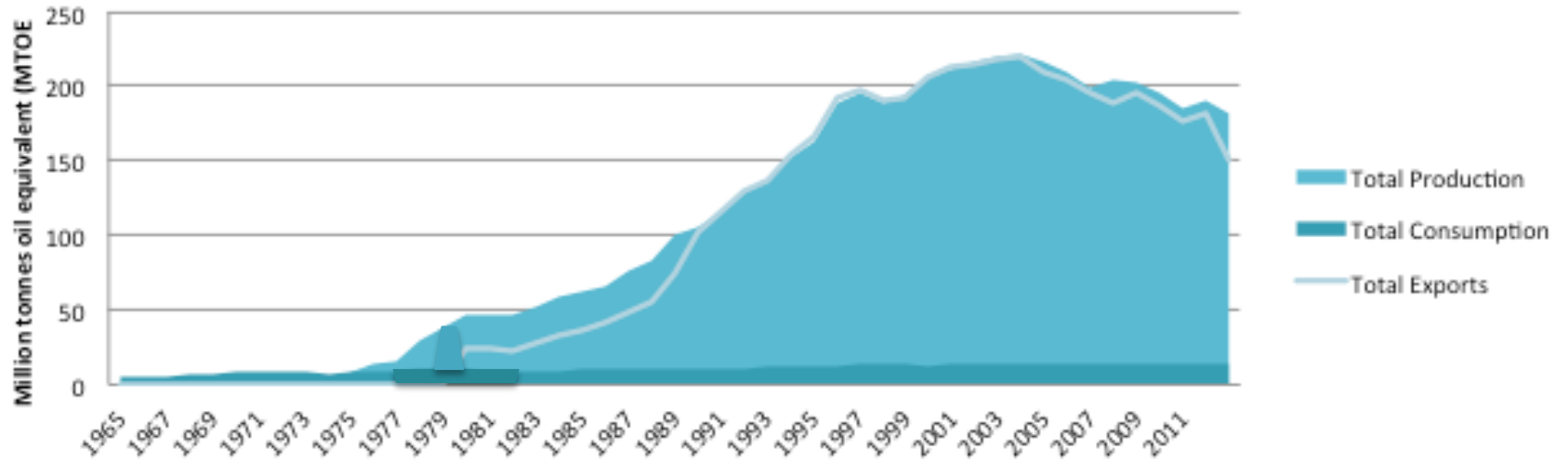
Malaysia



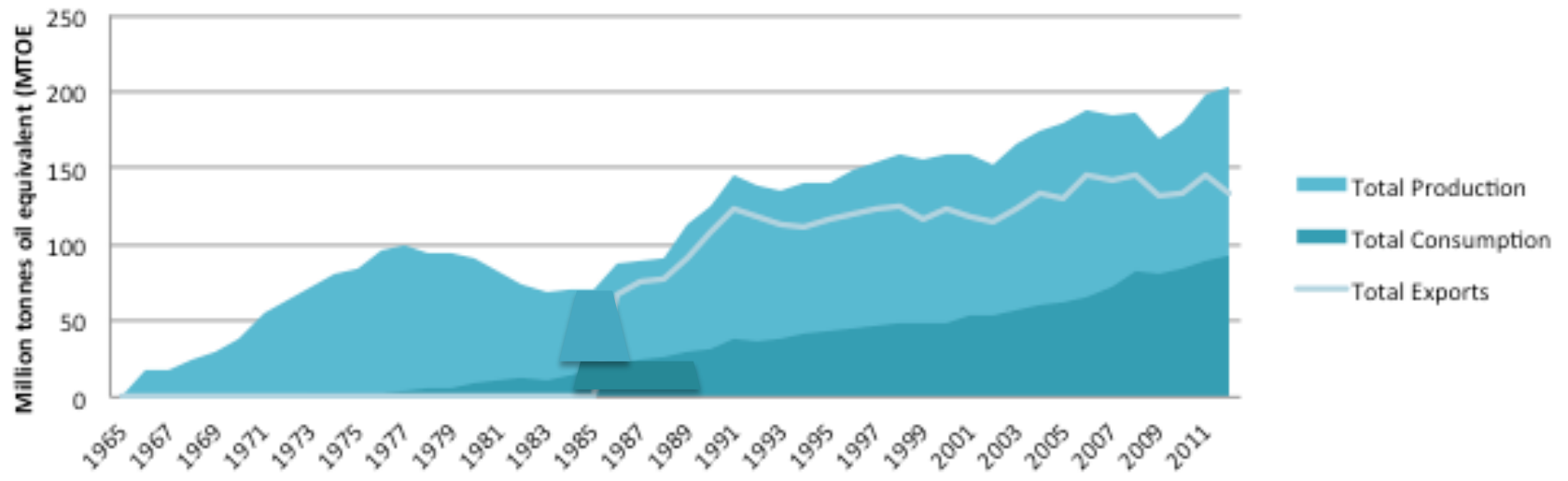
Algeria



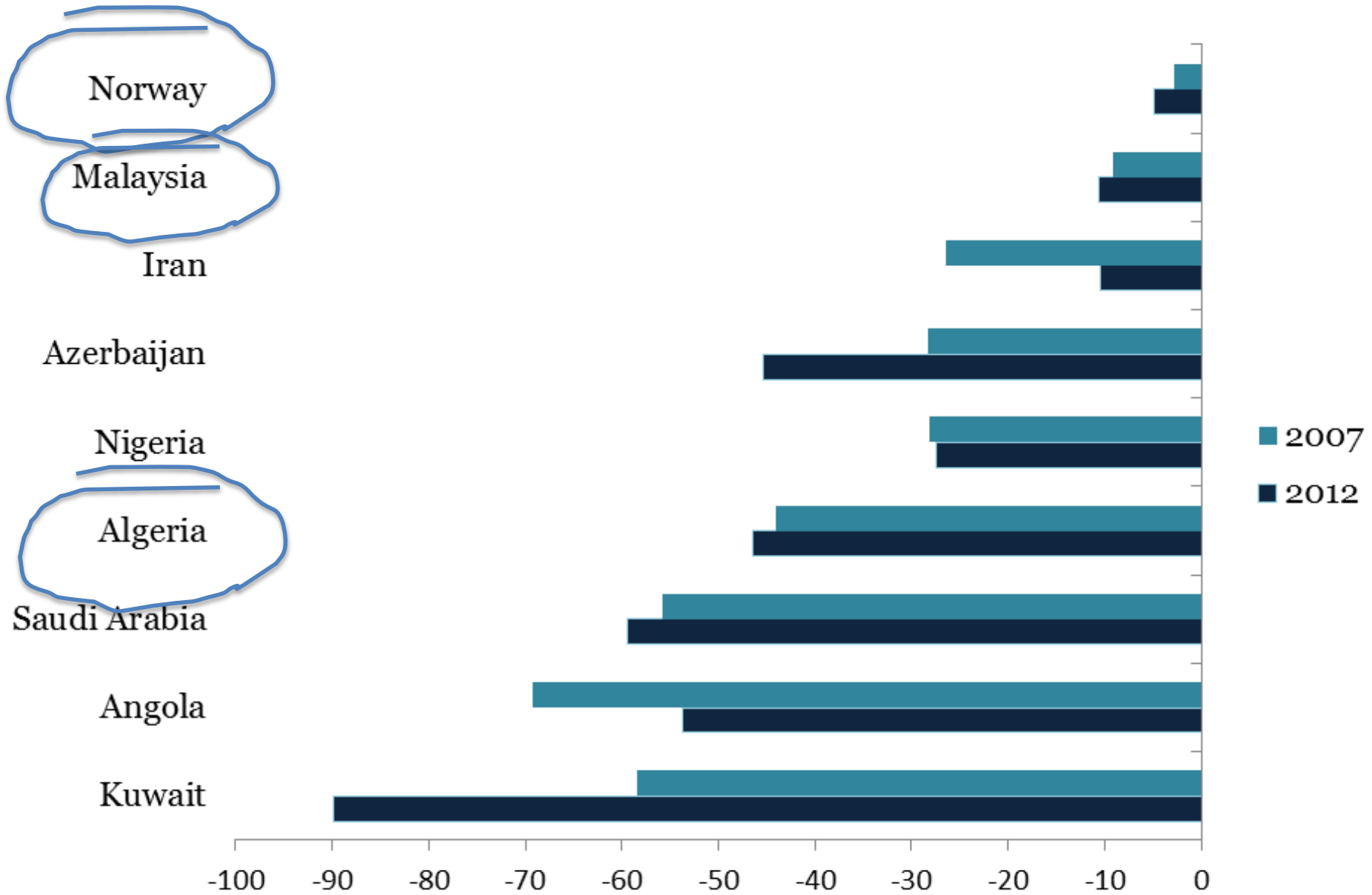
Norway



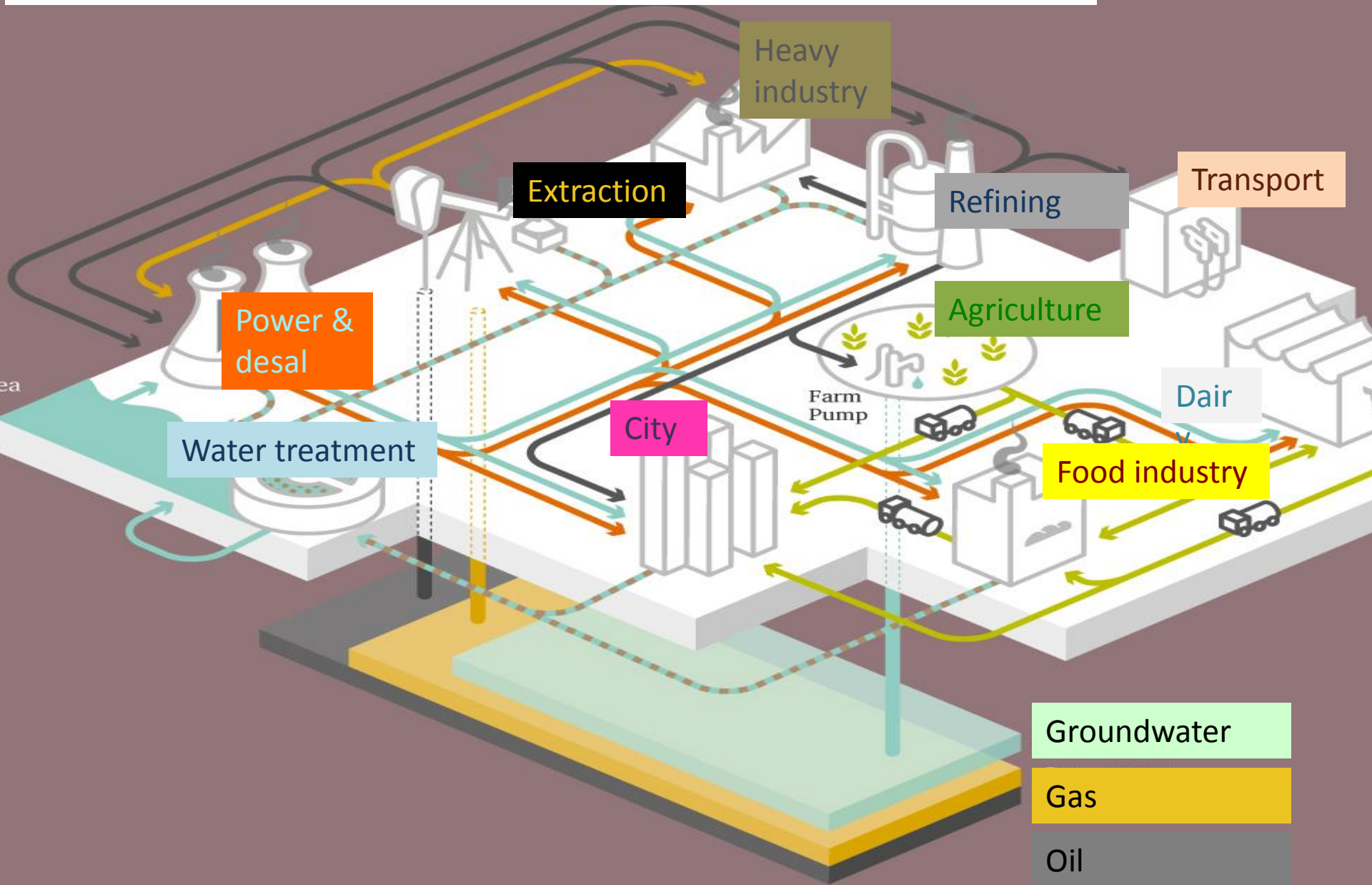
UAE



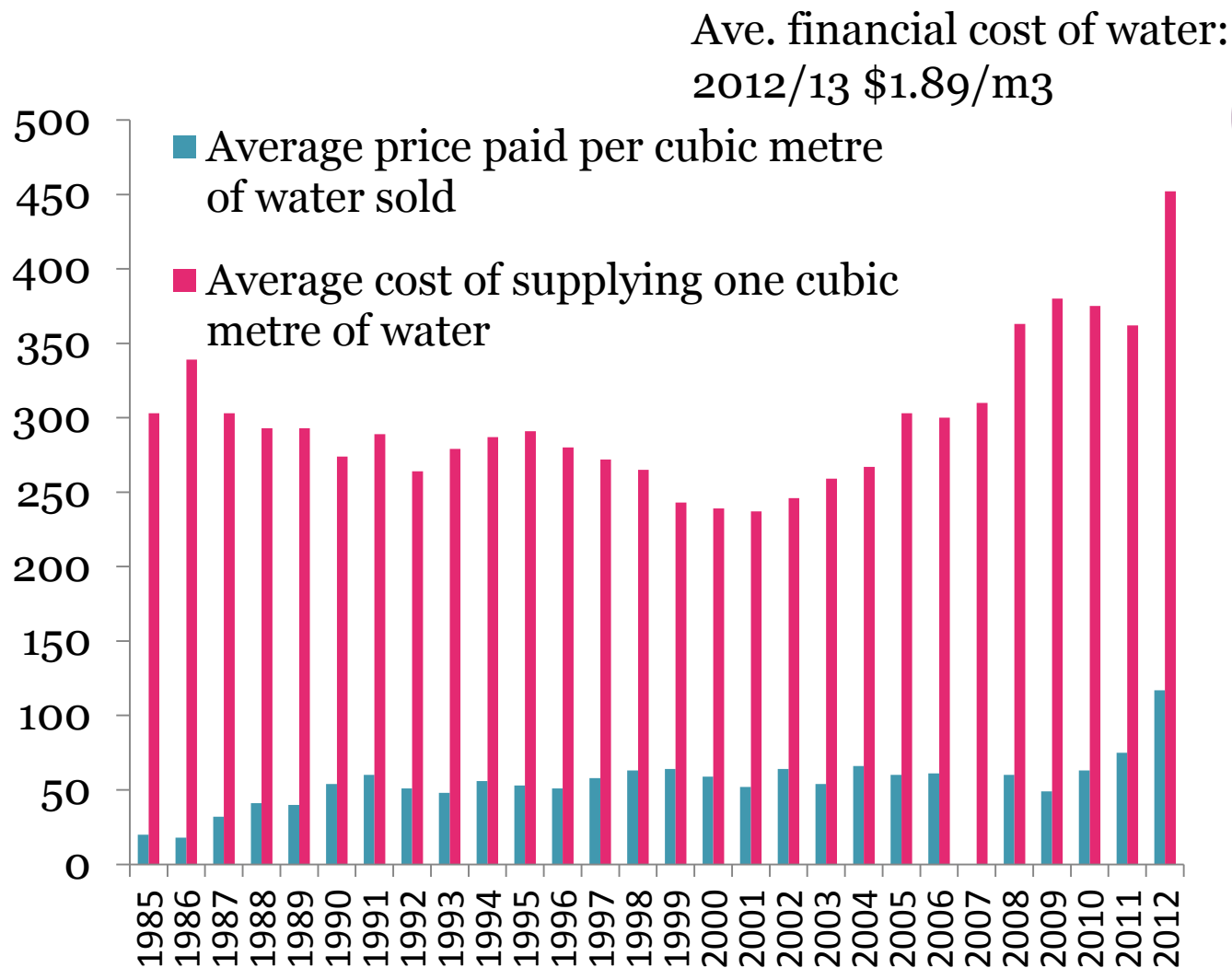
Have exporters used windfall revenues to diversify their economies?



Using below-ground assets for above-ground growth



Cost of water versus price in Bahrain



Govt.
absorbs
80% of
cost

Cost of gas
to 2015:
\$2.25
mmBtu

Water lost
in
distribution
= 30%

Mounting costs over time

US\$9.2 billion cost



15.9 billion m³ natural gas

78 million tonnes Co₂

+++ Damage to sea ecology

Municipal water consumption, (million m³)

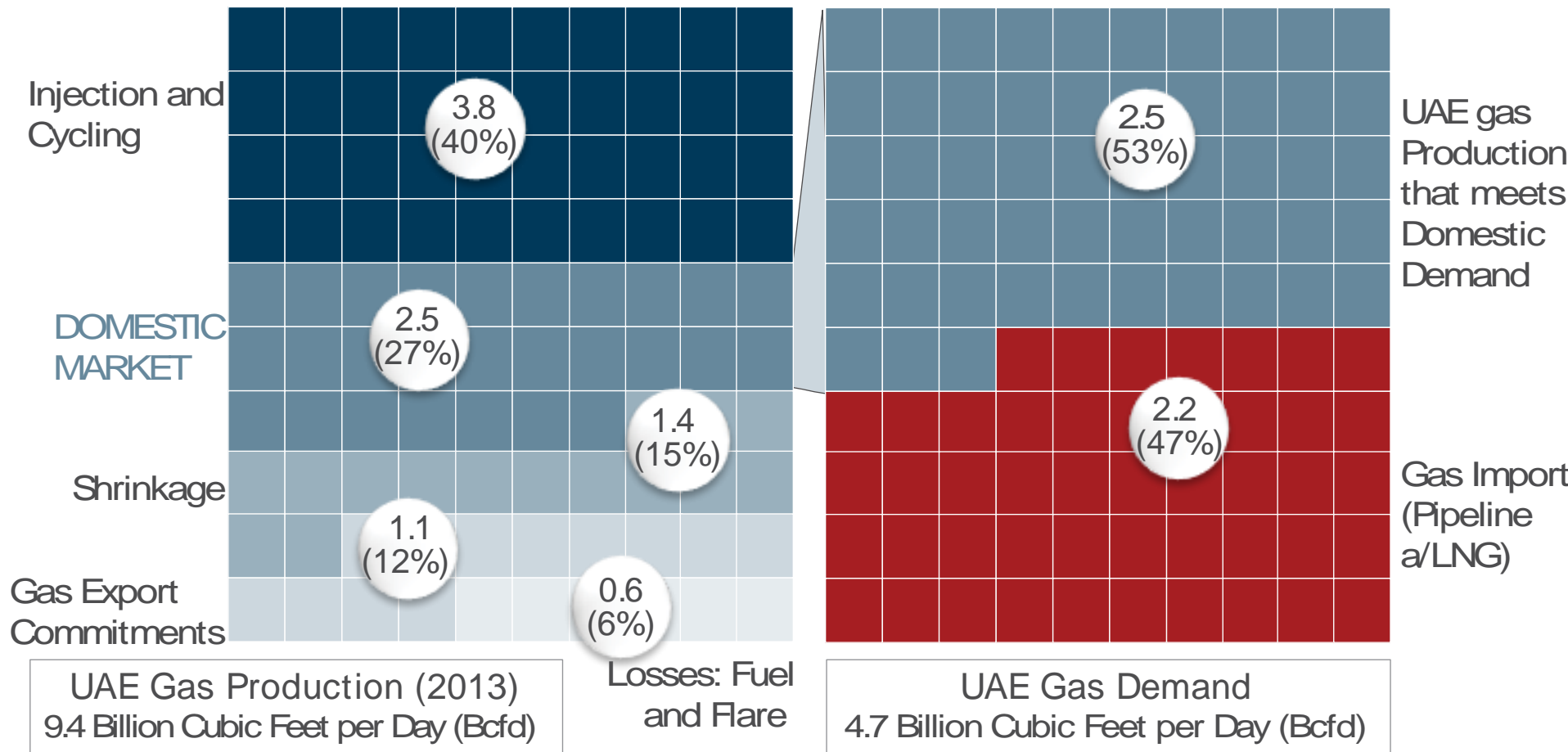
Cumulative financial and treatment and reuse costs



Based on Zubari 2014

Why is the UAE having to import more and more gas?

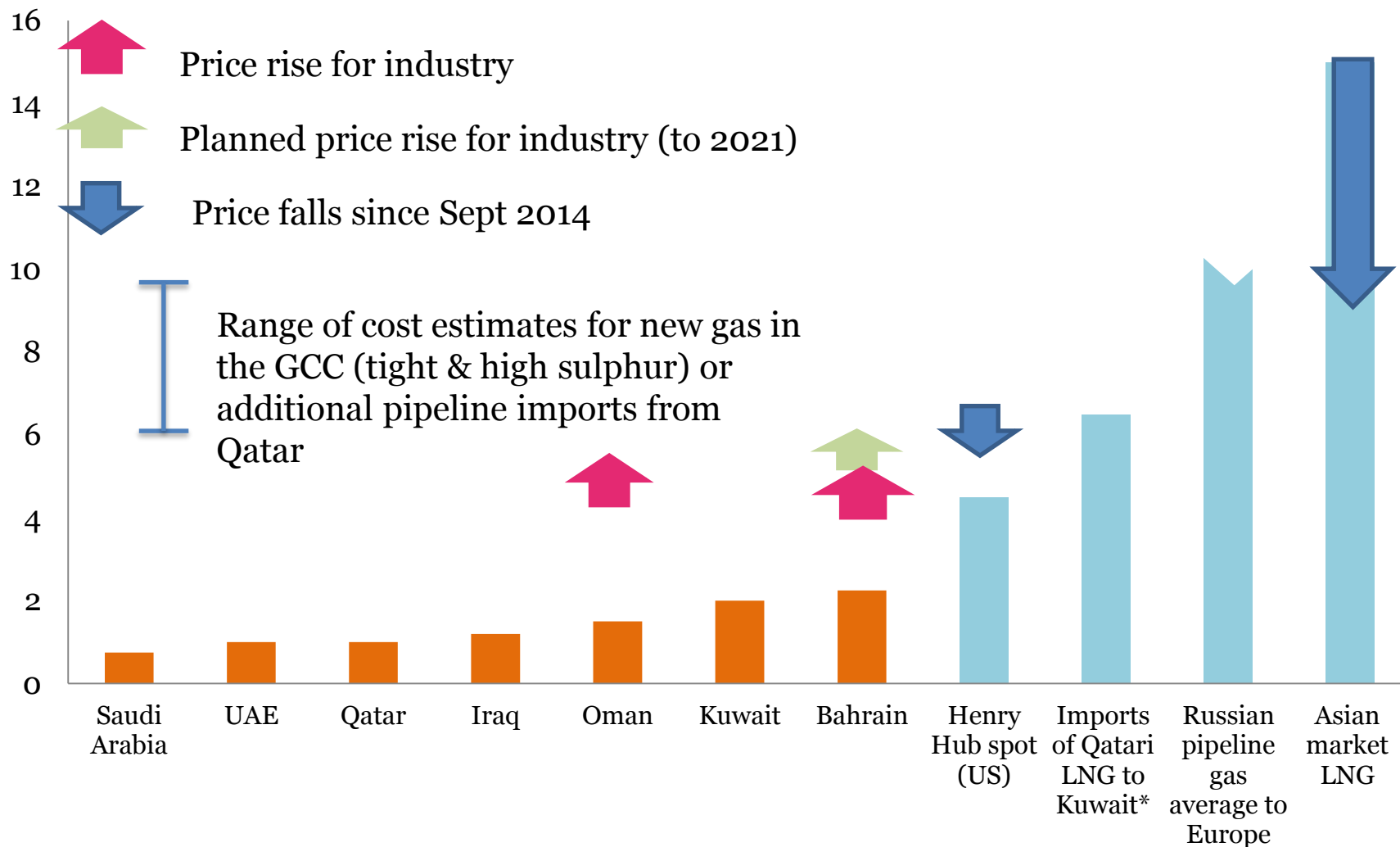
Exhibit 16: UAE Gas Production



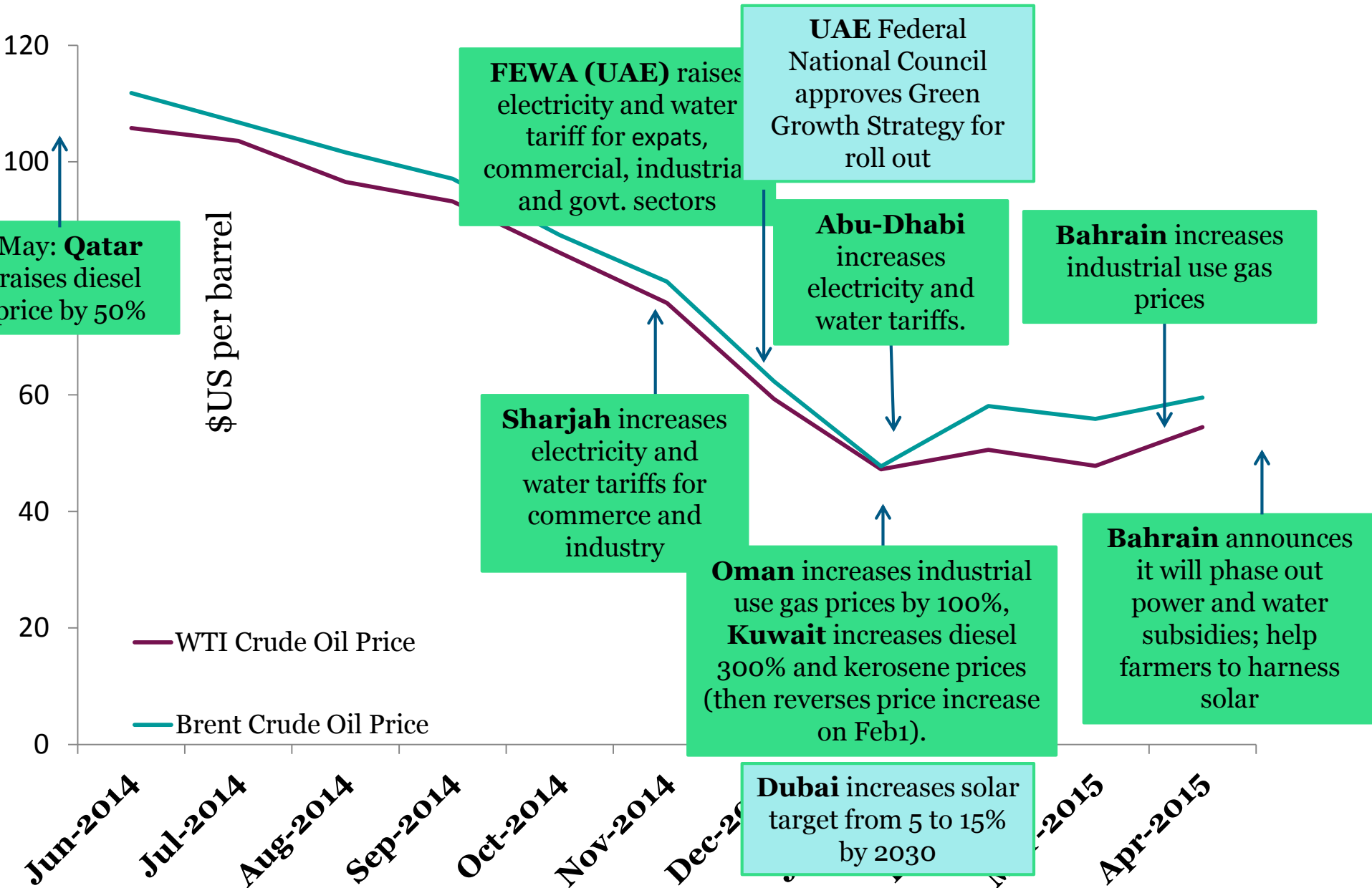
Source: UAE Ministry of Energy in CPC/MoFA White Paper on Natural Gas

Prices of natural gas in the Gulf and global comparisons

Price of gas in US\$/mmBtu

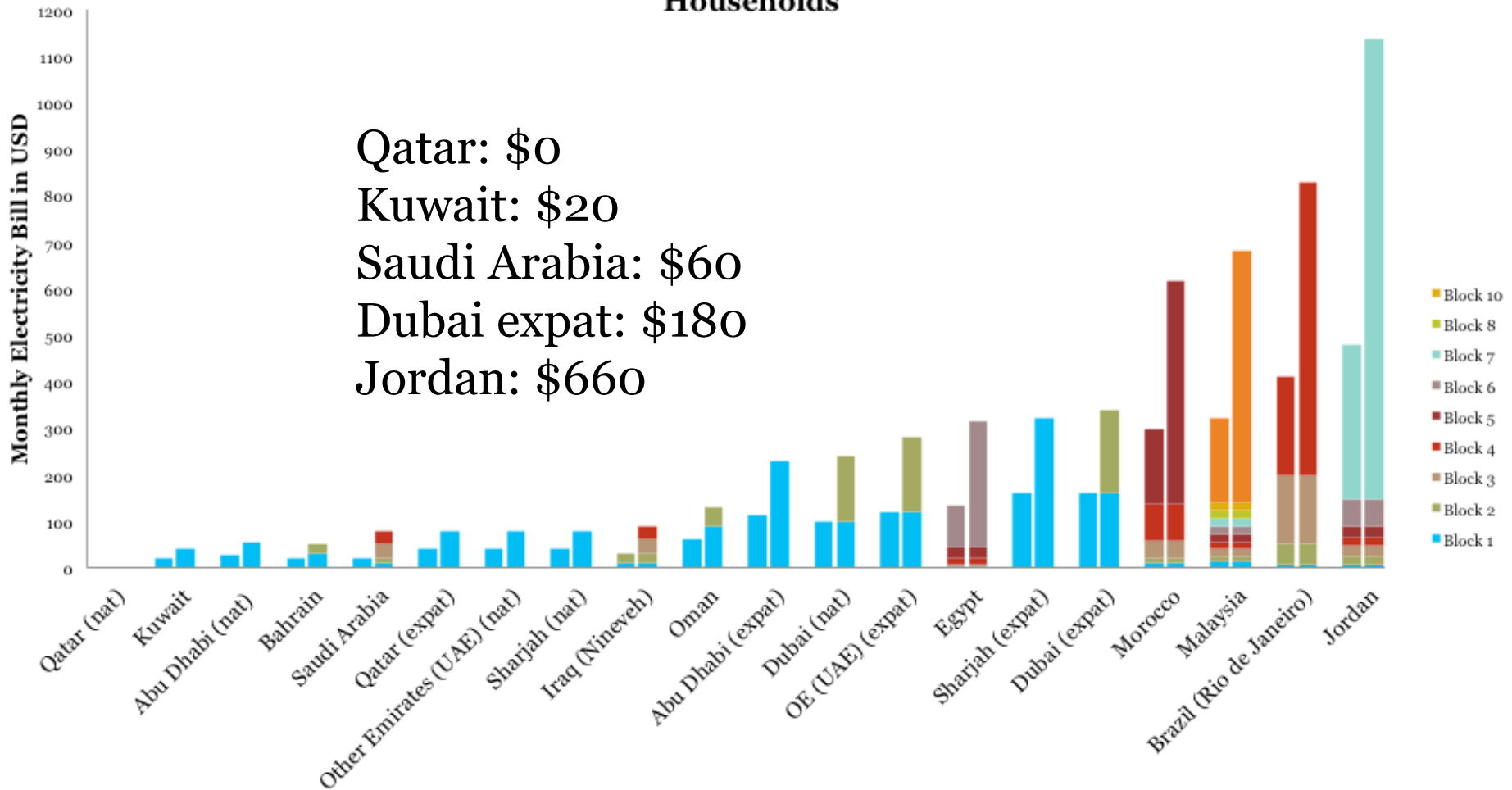


Price reform plans begin to be implemented in the GCC

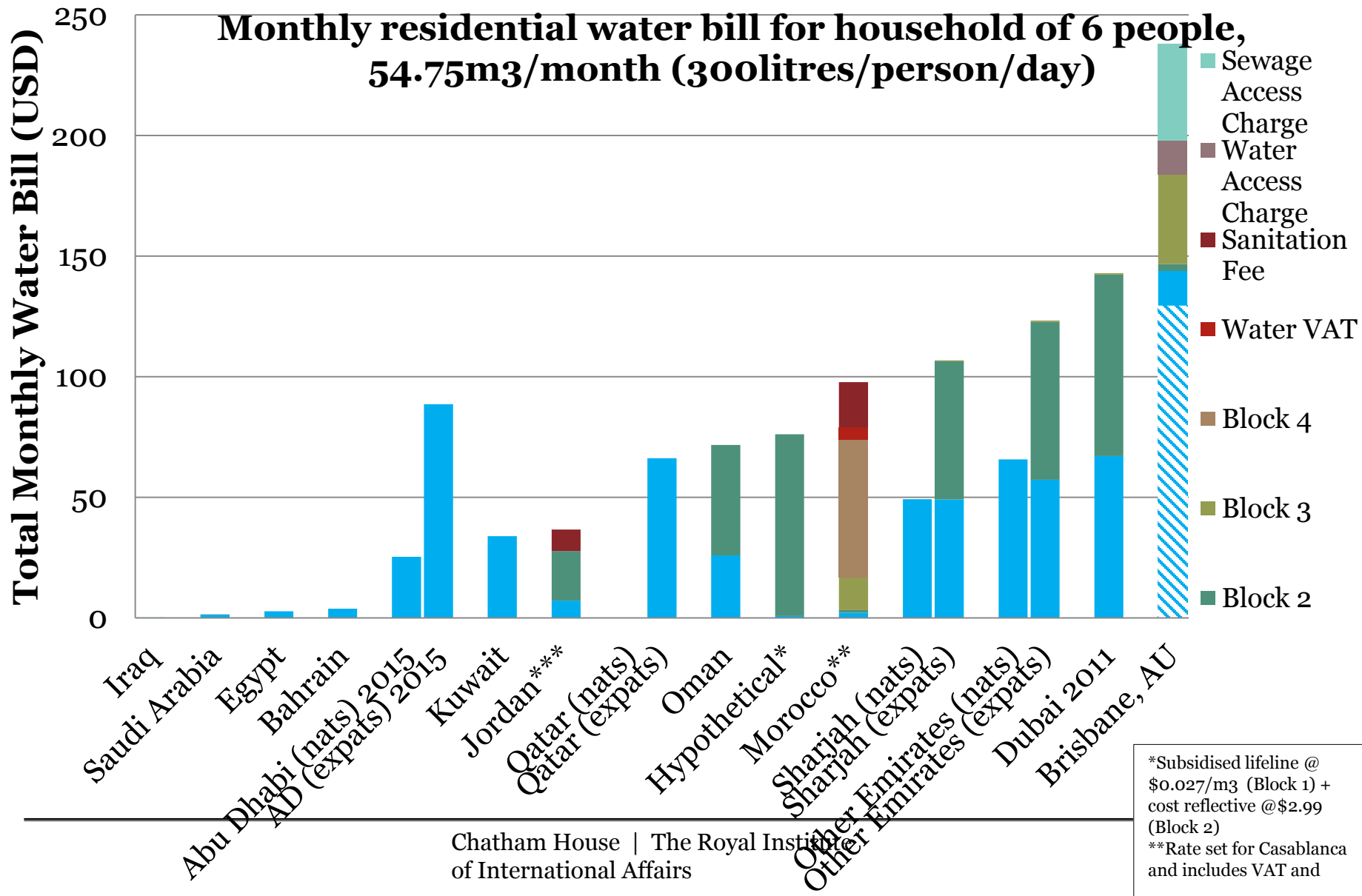


Consumer incentives for cutting wasteful use

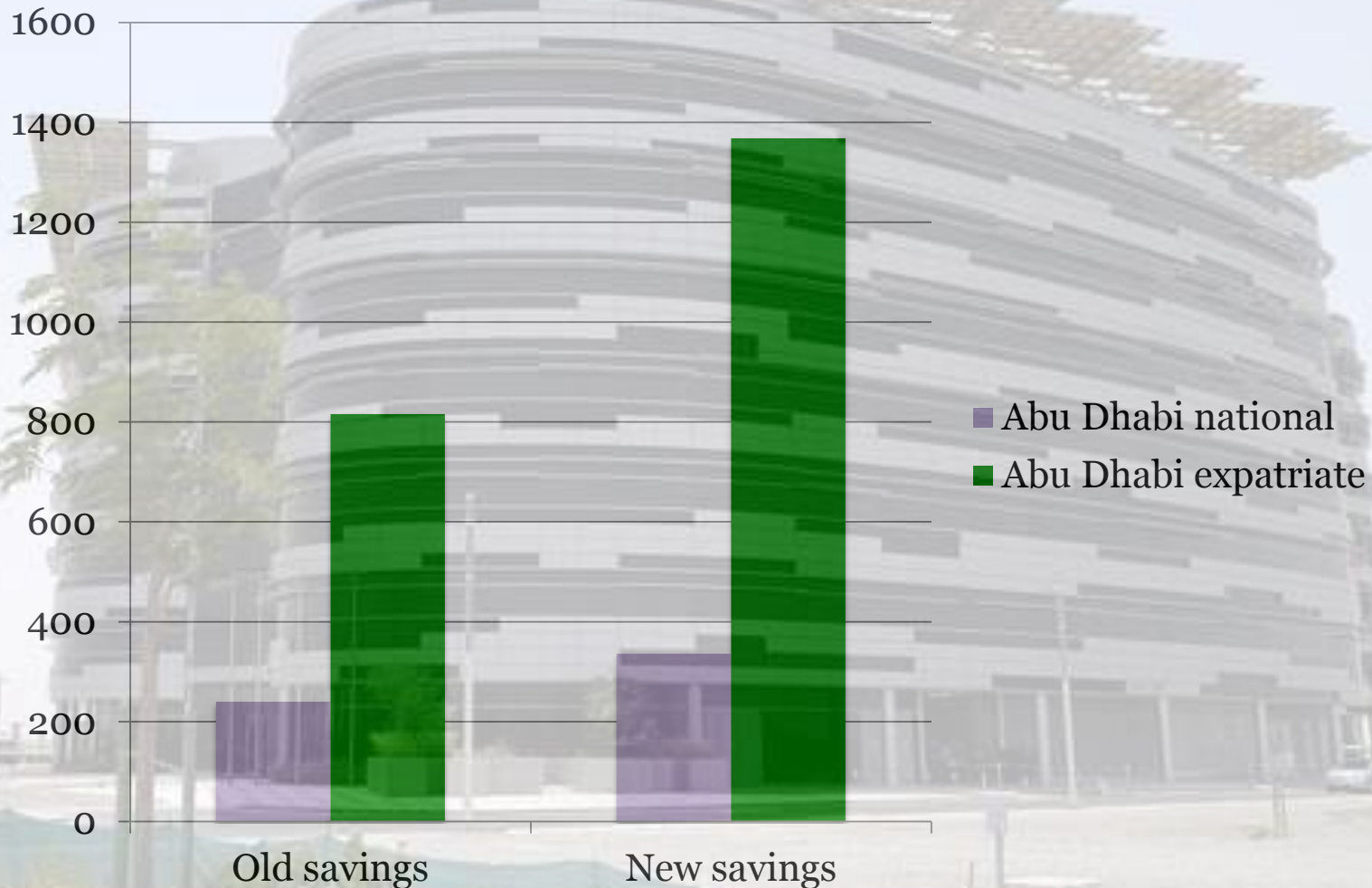
Residential Monthly Electricity Bills for 2000kWh and 4000kWh/month Households



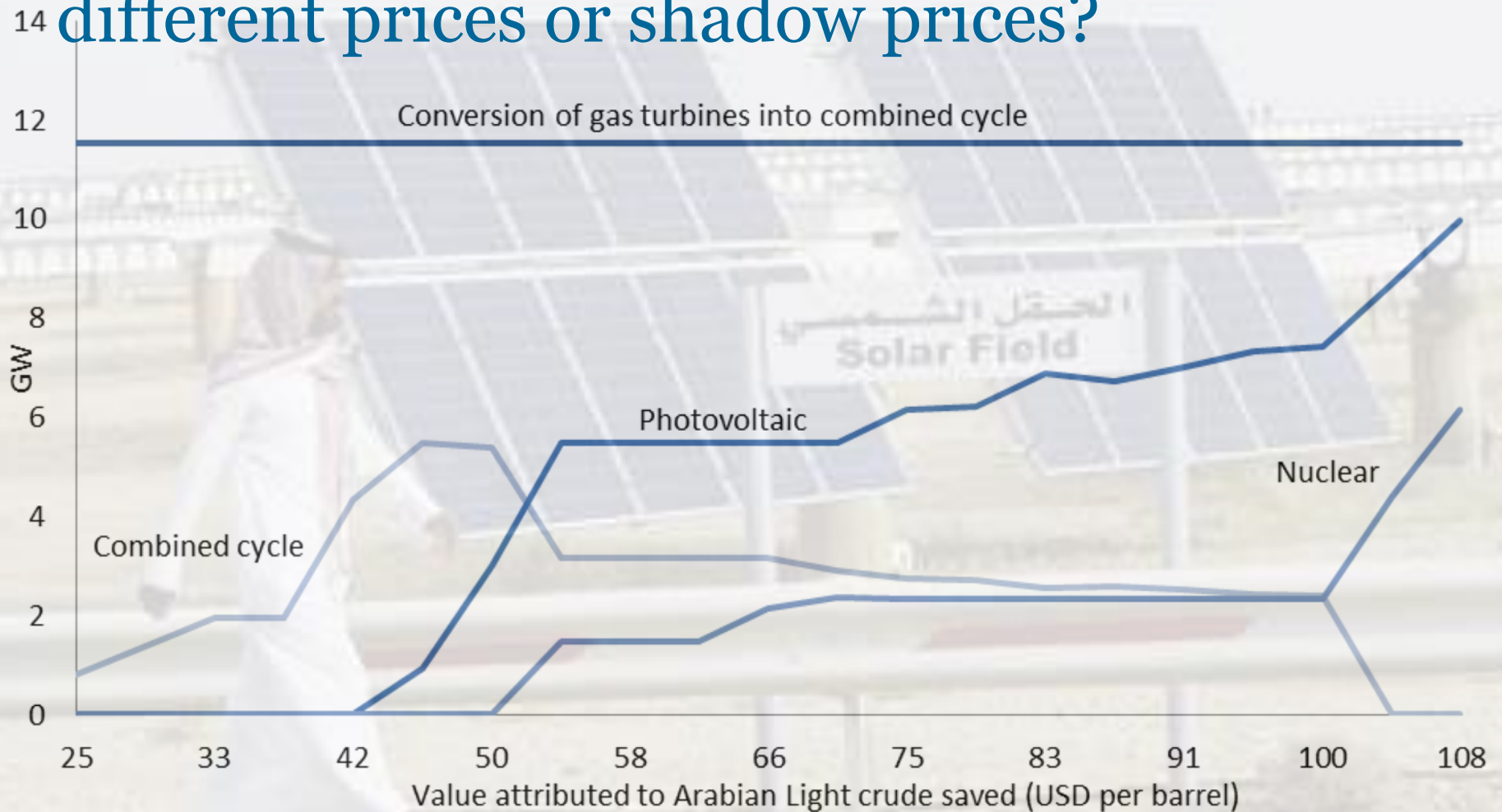
The potential for new business models: water ...



Cost-benefit case for investing in efficiency



What would be competitive today with different prices or shadow prices?



KAPSARC study, 2014

Saudi Arabia: Capacity built in the power sector under price-deregulation scenario

Does energy have to get more expensive? There are options

- Per unit, the full costs and externalities should be made transparent
- Once this is clear, government can decide what it is worth investing today in order to save tomorrow
- Or pass on some or all of those costs to the consumers, using the savings to help offset bills or provide other benefits
- Shadow pricing is another option to help increase efficiency and create a more level playing field for RE
- The lower oil price signals an opportunity to rework economies away from depletion-led diversification

Thank you

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