REPORT

A United Nations Virtual Roundtable on

Extractive Industries as an Engine for Sustainable Development in the Arab Region

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Executive Summary

Extractive Industries (EI) have been the bedrock of economic development for many countries in the Arab region. Going forward, EI will need to adapt not only to continue meeting global and regional demands but also to ensure they remain an engine for sustainable development.

The Arab region stands to face some of the worst effects from climate change, including higher than global average temperature rises and is amongst the most water-scarce regions in the world. The diverse panellists, therefore, attempted to tackle some of the pivotal challenges and opportunities awaiting the Arab region covering three broad themes: 1) Financing for development, natural resource management and diversification; 2) Green and circular economy, technology and innovation; and 3) Socio-environmental sustainability and a just transition to sustainable systems.

The recent crisis exposed the vulnerabilities in the region, but the panellists alluded to opportunities to reform, restructure economies, diversify and explore uncharted realms both geographically and at the sector level. Priorities will need to be aligned with the Sustainable Development Goals (SDG) to foster greater social inclusion, empowerment of women and provide quality jobs for the growing young population.

Extractive industries are challenged in competition with other sectors for financial resources, attracting the private sector despite potentially low returns, uncertainty of the industry, reputational damage that in turn has adversely affected human resource capital and finally funding for innovation and technology to keep pace and address environmental concerns and sustainability.

A green and circular economy demands an appropriate balance between new technology deployment and consumption and energy efficiency measures. A diversified approach will ensure that there is no reliance on one technology, thus de-risking the path to carbon neutrality.

The Arab region is suitably positioned to take the lead in international forums to drive carbon neutrality both regionally and globally. Resources in the region have been instrumental for developing economies and in addressing key human indicators, and these resources should be used in line with global targets. Otherwise, extractive industries risk having a swathe of stranded assets, losing human capital and achieving lacklustre growth at best. Instead, extractive industries should be transformed as a positive engine for sustainable development.

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I. RECOMMENDATIONS

A. **Adopt forward-looking approaches that consider economic, environmental and social impacts**, underpinned by financial initiatives that support small and medium-sized enterprises (SME), gender and community programmes, women's access to capital and more flexible green jobs markets that create opportunities for the region's highly educated youth.

B. **Governments must engage in adopting taxonomies that are aligned with its circumstances** but are credible internationally, meaning Environmental, Social, and Corporate Governance (ESG) criteria that are transparent, encourage accountability and are aligned with the Arab region's specific circumstances.

C. **Accelerate the adoption of a Circular Carbon Economy framework (CCE)** to address carbon management throughout the value chain and its lifecycle towards a more sustainable and equitable development path.

D. **Strengthen the supply chain through vertical integration** to ensure the value of each unearthed particle is maximised, requiring the appropriate transfer of technology to support carbon-neutral objectives.

E. **Utilise international and regional financial institutions** to build and diversify project development pipelines, by injecting liquidity into the system and scaling up concessional finance. This will require debt suspensions and operationalising a long-term Debt Swap Mechanism (DSM) including debt for financial swaps and debt for nature, allowing countries to reallocate finances for sustainable development initiatives.

F. **Build fiscal buffers** that reduce deficits and restore fiscal sustainability (in preparation for shocks) for a more resilient economy. This includes the development of a tax base, engaging in value-added tax (VAT) reform and creating an income tax. These will make industries more efficient, reduce dependence on extractive revenues and diversify economies into sectors of the future such as technology and net-zero to broaden the revenue base.

G. **Address distortionary price mechanisms** through the appropriate removal of energy subsidies, the introduction of carbon emission taxes, and incentives for clean technologies such as renewable energy for extraction and carbon capture, utilisation and storage (CCUS).

H. **Develop sustainable consumption models and implement regulatory frameworks that account for interlinkages** between extractive industries and other sectors in the economy, as well as opportunities for synergies both inside and outside the region. This includes establishing a supreme council on sustainable energy that comprises stakeholders from generation to peripheral use sectors such as water, industry, buildings and transport. Energy transition funds are needed to target energy efficiency, renewable energy and sustainability to build a real economy with knowledge and research and development at its centre.

I. **Increase coordination between the private sector, multilateral development banks and governments** to de-risk investments and increase financing for projects in low-income countries and countries in conflict, and encourage long-term finance to ensure stable pathways for the sector.

J. **Strengthen the judicial system and anti-corruption laws** to address revenue mismanagement and illicit financial flows. This will require the introduction of effective internal controls relevant to revenue collection, management and spending, data transparency initiatives, the promotion of due diligence and proactive compliance with companies that countries work with and building capacities on the national side.

K. **Align global and regional targets and build capacities** to address mutual goals. Interregional partnerships and partnerships between governments and the private sector are needed for coordinated strategies, appropriate resource mobilisation, suitable transfer of technology and knowledge sharing and building institutional capacities for effective implementation.

L. **Follow a collaborative approach between investor and government**, ensuring simplicity in fiscal design and fiscal stability to remove barriers for private sector entry, and encourage greater levels of investment in technology and human capital needed for the energy transition and achieving net-zero targets.

M. **Enhance global collaboration** to realise breakthroughs and innovations in natural sciences and advances in the applied (CCUS, hydrogen and synthetic fuels, manufacturing, artificial intelligence, data analytics and others) to reach ambitious neutrality targets.

N. **Alleviate uncertainties or associated geopolitical concerns by embedding stabilising factors** including geographical coverage and regional connectivity. This could be through the development of a CCUS hub interconnected to the Gulf Cooperation Council (GCC) or a hydrogen pipeline that connects supplies to Europe, while at the same time improving regional energy security.

II. MAIN TOPICS OF DISCUSSION

A. Opening session

1. On 15 March 2021, the Office of the Deputy Secretary-General and the United Nations Economic and Social Commission for Western Asia (ESCWA) jointly convened the virtual roundtable "Extractive Industries as an Engine for Sustainable Development in the Arab Region". High-level panellists and speakers included one royal prince, one prime minister and six ministers, senior representatives from intergovernmental organisations, regional commissions and government officials and member states and representatives from

academia, think tanks, research institutions, civil society and the private sector.

2. The meeting was opened by the Deputy Secretary-General, the Executive Secretary of ESCWA, HRH Saudi Energy Minister and the Prime Minister of Mauritania and concluded by the Secretary-General's Special Envoy on Financing the 2030 Agenda and the Deputy Executive Secretary of ESCWA.

3. In opening the session, the Deputy Secretary-General of the United Nations, Ms. Amina Mohammed, highlighted the historic importance of oil and gas revenues in accelerating economic growth through for example the financing of major infrastructural projects. But oil and gas exporters in the Arab region now faced challenges to support sustainable growth, address the expectations of the region's young and fast-growing populations and plan for a more resilient tomorrow. Nevertheless, the crisis also presents opportunities to undertake structural economic diversification and adopt principles of a circular economy, ensuring that public investments are economically sustainable and are translated into opportunities for social inclusion, empowerment of women and providing high-quality jobs for the educated youth.

4. Among a series of recommendations, Ms. Amina Mohammed pointed to the need for reforms of commodity pricing as well as more trade and investment, improving access to finance and bolstering regulatory frameworks. Renewable energy in the region has picked up modestly, but the share of alternative sources of energy needs to be significantly increased to support industrial development and sustainability, while creating alternative mechanisms that provide affordable energy and protect the poor.

5. In her opening remarks, the Executive Secretary of ESCWA, Ms. Rola Dashti, shed light on the fiscal and budgetary pressures in the region due to the pandemic and the hurdles it faces including political resolve, finance and the need for inclusiveness and creating opportunities. Extractive industries therefore will play a critical role in reorienting priorities and aligning finance and policies with the SDGs and Paris Agreement to create an inclusive and sustainable future. The Arab region is characterised by climate risks exacerbating food and water vulnerabilities and increasingly affecting women and vulnerable groups.

6. Creating private investment opportunities, improving the business environment through the implementation of public-private partnership (PPP) models and good economic governance as well as capable and accountable institutions were among several priority actions singled out by Ms. Dashti. Moreover, engagement with non-state actors, civil society and businesses are needed to assist in shaping an inclusive economic transition that above all ensures intergenerational sustainable resource management, equitable and just distribution, and an inclusive economic transition.

7. HRH Prince Abdulaziz Al Saud highlighted the need for responsible production and referred to the kingdom's Vision 2030 as a reconciliation of what had been done in the past, intentions for the future and importantly how to learn from previous mistakes, transform the Kingdom, drive

entrepreneurship and lead on technology and innovation. Saudi Arabia is embracing the Circular Carbon Economy (CCE) framework and innovations across the 4Rs (reduce, reuse, recycle and remove) to achieve emissions neutrality. This includes greater deployment of wind and solar power while at the same time making strides on blue and green hydrogen to produce polymers, plastics and construction materials using non-conventional methods. Specific mention was made of the empowerment of women and the leading role of the kingdom's young people in driving activities and supporting economic development.

8. HE Mohamed Ould Bilal addressed concerns for Mauritania and other developing countries to employ higher numbers of youth. There was mention of concerns around extractive industries, the absence of good governance and the unfair sharing of benefits. But the country is hoping to increase production of raw materials, provide appropriate legal frameworks for good governance and implement necessary capacity-building programmes. The aim is to channel revenues and create funds for future generations to ensure sustainable benefits from the industry, enhance the development of health and education sectors and fight poverty in the country.

B. Financing for development, natural resource management and economic diversification

9. As governments face fiscal constraints in addressing urgent COVID-19 related interventions, it is easy to see climate needs temporarily postponed. Herein lies the space for innovative finance.

(a) Debt swaps were repeatedly addressed as a means of swapping debt for investments in sustainable development, especially climate adaptation where the Arab region attracts the lowest share at only 6 per cent, in order to protect nature and support sustainable livelihoods;

(b) International financial institutions (IFIs) are increasingly targeting areas where their support is needed, especially in the absence of government intervention. Utilising their resources, preferred creditor status and multilateral leverage, they can mobilise finance for what is a capital-intensive industry, draw in the private sector through syndication and finance critical projects;

(c) In periods of economic downturn, countercyclical debt can help safeguard the fiscal space through the immediate provision of liquidity, mitigate the likelihood of debt default and prevent/reduce costly debt restructuring operations. IFIs are uniquely positioned to support private sector players in taking risks that otherwise would not have been considered and provide finance in countries that face particularly challenging investment climates such as those in/recovering from conflict;

(d) Last, revenues from extractives have undeniably been a critical source of economic development and will continue to be so. Thus, the need to develop sovereign wealth funds that utilise export revenues, should help to build a real economy, one that relies on

diversified pools of income and with lower dependence on revenues from extractive industries.

10. Equity investments have become more important in the region, and due to their cyclical nature, provide opportunities for patient investors in the downturn. The region has many deserving investments, and multilateral development banks (MDBs) both regionally and globally as well as countries in the region with modest fiscal reserves can utilise their position and deploy patient capital, not only for de-risking investments, but engaging in an active role of co-creating value that could only be realised in the long term.

11. Experts highlighted the marked increase in energy consumption in the Arab world relative to other regions. The lack of progress on energy efficiency in both energy and associated energy use sectors such as industry and transportation as well as distortionary energy subsidies were major contributors and aggravated inequalities in the allocation of resources. Several countries in the region have engaged in reforms that aim to address subsidies including electricity and transportation fuel prices, while countries such as Tunisia engaged in countrywide consultations and began their reforms in the cement industry in collaboration with companies to yield positive results.

12. The next step would then be to introduce taxes that aim to improve efficiency and curtail high carbon emissions. Taxes on emissions should encourage industry to adopt measures that aim to address high carbon emissions through investments in energy efficiency technologies or even in capturing flared gas for either export or use in other sectors of the economy. Several panellists indicated the potential for carbon pricing, but what is more important than simply introducing these policies, is to ensure their stability. The private sector requires assurance and a stable outlook, especially given that increasingly, taxation is being priced into project economics, providing investors with a clear view of each project's long-term viability at the point of entry and reducing uncertainty.

13. Extractive industries certainly suffer from reputational damage not only in their contribution to climate change globally but also in their association with corruption and illicit financial flows at a country level. This means that natural resources are in certain cases being mismanaged, and important funds needed to address economic development including the sustainable development of the sector itself are withered.

14. Vulnerabilities to corruption were emphasised, due to the size and complexity of extractive industries, as well as the number of players involved from governments to third parties. Risks can arise from the very effectiveness of the judicial system and anti-corruption laws to the entire production value chain including the decision to extract, awarding rights – arguably where the high-level and large-scale corruption often stem – to the procurement, revenue collection, management and spending phases. The SDGs address corruption through calls for transparency, accountability and integrity, and thus panellists emphasised the need for transparent data initiatives, due diligence and proactive compliance with companies that countries work with, and finally the proper introduction and implementation of internal controls

relevant to revenue collection, management and spending.

C. Green and circular economy, technology and innovation

15. The panellists highlighted that what extractive industries need above all else, is to showcase the important role they continue to play in providing essential public goods and services whilst proactively embedding measures to address serious concerns around climate change and environmental issues into their operations. At the same time, they need to demonstrate the long-term role they hold in the path towards net-zero, to attract much-needed finance for innovation and improve operations and to ensure that they maintain human capital and continue to attract high-quality talent needed for the sustainable development of the sector.

16. Renewable energy was stressed as an important part of the energy transition, with countries such as Saudi Arabia pledging to generate 50 per cent of electricity from renewable sources by 2030. There is certainly merit in accelerating solar, the technology is now mature and proven, and at 30 per cent, employs higher levels of gender parity. But there is room for innovation, and a need to consider diversity in the types of renewable energy deployed, including waste to energy and hydrogen. In the case of Jordan, the early adoption of solar relative to other countries in the region helped the country achieve energy independence and energy security, enabling it to produce 20 per cent of electricity from local resources compared with 98 per cent previously imported. Although, it was highlighted that the initial integration of solar into the grid is easier to achieve and sustain, whereas inefficiencies arise when the penetration of solar exceeds 20 per cent or even 30 per cent of generation capacity.

17. In addition to renewable energy and energy efficiency, the United Arab Emirates (UAE) highlighted successes in commissioning its first nuclear reactor during the pandemic and announced an expansion of their CO_2 CCU strategy from 8,000 tonnes to 5 million tonnes yearly by 2030. This includes a focus on hydrogen as an intermediary technology for the energy transition.

18. Hydrogen is an integral part of most decarbonising strategies. Whilst the European Union is spearheading this element, it recognises that it cannot achieve its strategy without appropriate partnerships. With high costs of technology at present, the Arab region was singled out as providing the cheapest potential, and a suitable place to drive down the price of technology, not only through the transition, but as a long-term fixture. Certainly, regional and international players should be agnostic to the colour of hydrogen, whether blue or green, so long as the aim is to achieve carbon neutrality.

19. Carbon sequestration and storage were touted as the backbone of net-zero, yet the framework cannot be adopted without international cooperation. This is necessary for adequate ways of monitoring, quantifying, and certifying, to account for carbon content in the final extracted good. The case of Occidental partnering with Carbon Engineering was

relevant in highlighting methods of capturing and burying CO_2 through Direct Air Capture (DAC) in order to export fossil fuels as carbon free. Whilst in Saudi Arabia, through the creation of a national cap-and-trade market with higher energy efficiency standards and the minimisation of carbon emissions, the slow integration of sectors should help balance the competitiveness of local industry, accounting for socioeconomic impacts and in due course attracting foreign capital seeking credible carbon offsets.

20. Collaboration between countries and between companies was imperative, especially on common goals. This includes the transfer of knowledge and technology, and partnering in order to support all parties in achieving their individual targets through accelerated innovation. Governments should have a long-term view by introducing the right policies and implementing regulations that enable the transition. The success of Jordan was attributed to the early adoption of a renewable energy framework in 2013 that paved the way for greater private sector participation and increased international finance from $300 million to $4 billion in five years.

21. As part of the circular economy framework, discussants conveyed the need to better utilise waste by-products from extractive industries. Large companies often have better resources to perform their research or even fund research in new technologies. But SMEs are an important vehicle to drive innovation and transform waste products into sustainable and commercially viable outputs. This was highlighted in the case of utilising sulphur from H_2S from the manufacture of bricks to skincare products. What is needed is for governments to play the role of facilitator and enabler to support the private sector, through in-country value initiatives, funding for training and bridging knowledge and technology gaps as well as access to the 'waste' products. These enablers were pivotal for the transition in Jordan, where the development of human capacity over the years has resulted in more than 400 companies working on renewable energy today.

22. Last, instead of posing a threat, automation and broadly speaking digitalisation was hailed as an opportunity for countries in the region to produce resources more efficiently and safely. The ability to work in sectors that are physically remote from remote distances would help enhance diversity, in terms of gender, culture and age, with the renewables sector employing a larger share of women than the average in extractive industries. In Tunisia, renewable energy and energy efficiency had already resulted in the creation of more than 1,000 companies and 10,000 direct jobs, of which women occupied 30 per cent. Thus, countries in the region should embrace innovation, and invest in and localise research and development, to ensure long-term sustainability as well as the creation of high productive employment.

D. Socio-environmental sustainability and a just transition to sustainable systems

23. Though extractive industries are crucial for economic growth and development of

the region, especially in the provision of much-needed revenues to finance other public needs, they can not do so at the expense of the environment. Panellists showcased the negative impacts of extractive industries on the environment in the absence of proper controls. Oil spills and flared gas in Iraq have damaged air and water quality and led to greater pollution, loss of biodiversity, damaged soil integrity and loss of marshes, representing major economic losses. These issues intensified due to conflicts, terrorism and military operations, as well as the absence of effective dialogue and consultations with neighbouring countries on the major infrastructural projects that affect water availability in the country.

24. By-products from extractive industries, if neglected, damage the environment, but if they are not treated as waste, with proper investment and policy they can be recycled and reused, reduce environmental damage and present cost savings. Hence, appropriate waste management systems are needed, and in the case of Egypt, they had succeeded during the pandemic in integrating the waste management laws for both municipal and industrial waste. These laws should inspire innovative approaches for dealing with waste and enhance resource efficiency. Policies and reforms should be coupled with new technologies. For example, in the mining sector, in order to reuse water and apply zero liquid water discharge, technologies will need to be replicated, upscaled and exchanged between different industries in the extractives.

25. The role of government is important in ensuring that investments are compatible with environmental regulations and that over time investors gradually correct their activities in line with environmental requirements. Transparent mechanisms need to be put in place for the energy sector. Endorsement by Egypt of the first sustainability criteria requires compliance by all ministries to ensure higher green outputs across all sectors.

26. There was unanimous agreement amongst all panellists that renewable energy and energy efficiency were critical for reducing demand for fossil fuels and providing a diverse energy mix, featuring in national targets for most countries in the Arab region. In 2009, Abu Dhabi had initiated its solar programme in Masdar City with the region's first utility-scale photovoltaic plant connected to the grid, and today it boasts the world's lowest tariff for solar at 1.35 c/kWh for the 2 GW Dhafrah project. The increase in modern renewable energy and liberation of gas to power in countries such as Lebanon, Mauritania and Iraq are part of an effort to offset for example high-emission fuel oil in power generation and provide affordable energy. But renewable energy can also help develop extractive industries by lowering energy costs and decarbonising the extraction process.

27. Energy efficiency measures are pivotal for reducing emissions in extractive industries and countries in the region will need to explore not just each subsector, but develop a holistic picture of the entire value chain and associated use sectors, to develop integrated plans and align strategies across all sectors. The Arab region already has a wealth of resources and human capital, innovative ways of branding and promoting technologies and seeking support are needed, including through greater cooperation, so that more

than one industry can use resources for efficiency across the region. Experts agreed that all stakeholders should collaborate to ensure a better transition to more sustainable modes of development in the extractive industries sector. This is echoed by the strategy of the United Arab Emirates that commits to help other countries achieve their SDGs through international cooperation, having allocated $400 million to support countries launch their renewable energy initiatives as part of a $16.8 billion venture currently spanning 70 countries.

28. Additionally, financing instruments play a major role in supporting renewable energy and energy efficiency programmes and projects, and the absence of financing solutions often present the biggest obstacle, preventing optimal utilisation of available resources. In this regard, Tunisia has created the Energy Transition Fund (ETF), requiring different players from the private sector and social communities to provide decentralised solutions and emphasise the role of consumers in improving energy efficiency and controlling demand. The UAE and Egypt both issued green bonds in 2020, raising sustainable finance to bridge the gap between fossil fuels and climate change.

29. Panellists acknowledged that the private sector is a willing participant in the energy transition, so long as revenues and operations are not disrupted. Therefore, the banking sector must offer appropriate financing mechanisms such as soft loans to support industry throughout the transition. Egypt is supporting the private sector by offering 10 per cent grants to survive the crisis while adhering to good practice and collectively move towards sustainable industries that reserve resources for future generations.

E. Closing session and concluding remarks

30. The closing session was initiated by the Deputy Executive Secretary of ESCWA, Mr. Mounir Tabet, acknowledging the great potential and endowments of natural resources within the Arab region. A brief summary was made of the uncertainties that remain, including access to finance, technology, capacity-building and governance. ESCWA is committed to supporting the process and will take concrete steps to work collaboratively with all key stakeholders, to ensure an integrated solution and to optimise and enhance the positive role of extractive industries in developing economies in the region and ensuring a just transition.

31. The meeting closed with remarks from the Special Envoy on Financing the 2030 Agenda, Mr. Mahmoud Mohieldin. He discussed the importance of institutions and governance in promoting environmental, economic and social development, based on principles of economic efficiency and productivity in extractive industries. Emphasis was on social and environmental sustainability, shared value generation, integration and economic diversification, and the need to effectively manage the energy transition especially for countries dependent on extractive industries to ensure a just and efficient transition. There is also a dire need to manage finances both from the private sector and public sector side and indeed tackle issues regarding

governance, accountability, transparency and implementing the right tax systems, to build fiscal buffers, create resilient economies and deal with shocks.

32. Solutions put forward attempted to tackle key questions on how to ensure that demands on nature, including extractives, do not exceed its supply, how to change our measures of the economic success of development, guided as much as possible by sustainability, and finally how to transform our institutions and systems, including finance and investment in human capital.

33. **To conclude:** The Arab region today faces a path between spectating changes and developments from elsewhere in the world, and becoming a driver of that change. But given the importance of extractive industries for the development of the Arab world, the region stands to gain the most from the adoption and accelerated deployment of new technologies, and the most to lose in the absence of doing so. This means that the Arab region will have to take leadership in international fora, be at the forefront of setting up pilots, undertake partnerships both locally and internationally, prepare for long-term exports and invest in research and development in areas that others might neglect.

ANNEX I: **Concept note**

Background

Extractive industries exports remain the economic bedrock for fiscal revenues and a valuable source of foreign exchange and surpluses to finance economic and social development in host countries across the world. Yet, the potential of extractive industries to contribute to sustainable development remains mired by economic, environmental, and social concerns. Governments have not always been able to collect adequate revenue from extractive industries, a problem further compounded by the lack of financial transparency that, all too often, allows for corruption, siphoning of profits, illicit financial flows, and exacerbates political tensions and conflicts. Volatility in the price of commodities is also a major concern for countries that are heavily reliant on extractive industries exports, as recurrent booms and busts in commodities prices tend to affect the stability of the exchange rate, the local industry activity and even the government finances, leading to the so-called resource curse for many extractive-dependent economies.

Extractive industries have a staggering impact on climate change, with fossil fuels accounting for over 75% of global greenhouse gas emissions and nearly 90% of all carbon dioxide emissions. According to IMF estimates, eliminating fossil fuel subsidies and adopting efficient fossil fuel pricing in 2015, for instance, would have lowered global carbon emissions by 28% and fossil fuel air pollution deaths by 46%. Countries also continue to subsidise fossil fuel production, thereby extending their carbon footprints. Additionally, while extractive industries often create jobs, there are significant gender disparities in access to – and types of – jobs. Furthermore, men typically have greater access to the benefits, while women are often more vulnerable to the risks.

Given this, the question thus emerges: how can extractive industries be integrated into—and even act as an engine for—sustainable and inclusive development?

Extractive Industries in the Arab Region: Challenges and Opportunities

Endowed with a significant portion of global extractive resources through large amounts of fossil fuel, including 43% of the world's crude oil reserves and 26% of the world's natural gas reserves, the region produces more than a third of the world's crude oil and 15% of the world's natural gas, and exports almost the same percentage (31% of crude oil and petroleum products and 17% of world's natural gas)[1]. Minerals are also an important resource, 19% of the world's total production of global phosphate, 11% of ammonia, 10% of aluminium, and 3% of gold are produced in the region.[2]

While the Arab region's total emissions are small compared to large, industrialised economies, its domestic carbon footprint is increasing rapidly. On a per capita basis, the GCC economies are among the highest carbon dioxide (CO2) emitters in the world, having by

[1] BP Statistical Review of World Energy June 2020.

[2] National Minerals Information Center of the U.S. Geological Survey (USGS).

far overtaken highly industrialised nations.[3] Hydrocarbon extraction is also highly dominant in the Arab region, making it the most fossil fuel-dependent region in the world. Arab economies lack economic diversification and are heavily dependent on fossil fuels as a source of energy and revenue - with over 95 per cent of their energy supply derived from oil and natural gas and between 65 to almost 90 per cent of government revenues in the economies of the Gulf Cooperation Council (GCC) countries generated from oil and gas exports.[4] In addition, mining is a major sector in Jordan and Morocco and accounts for a substantial share of their export earnings, placing the two economies among the world's top producers of phosphate. Iron mining accounts for more than one-third of Mauritania's export proceeds and the Arab region, by some accounts, is considered as the world's second largest market for gold.

The Arab region is home to high income countries of the Gulf Cooperation Council (GCC), high and low middle-income countries (MICs) and Least Developed Countries (LDCs). The fiscal space for spending thus varies widely across the region. The GCC countries are relatively better placed in terms of their fiscal space, but they are increasingly using debt financing as a strategy to finance their expenditure needs due to low oil revenues since 2015. Fiscal stress is high for most MICs that are suffering from high debt burdens, and for the LDCs that rely heavily on aid and external debt finance. Already before the pandemic, the public debt to GDP ratio was 92 percent in 2018 for the five middle-income countries in the region, namely Egypt, Jordan, Lebanon, Morocco and Tunisia. Among the LDCs, the debt to GDP ratio in Sudan was the highest at 212 percent in 2018.[5]

The fluctuation of the international crude oil price, scarcity of water, land degradation and desertification, and the international quest for low carbon and alternative fuels and energy-efficient production technologies have brought urgency to the need to address the complex challenges experienced in extractive industries within various resource-reliant Arab economies. In addition, market distortion due to continuous underpricing of energy and water and irrational subsidies in domestic markets have contributed to inefficient natural resources use, unsustainable production and consumption and illicit financial flows.

Increasing costs of borrowing and declining concessional loans and budgets for development expenditure, including climate related investments, also have been constrained. Loss of growth and revenues due to the recent global economic slowdown, conflicts and crises in parts of the Arab region, weak public finance management, and the adverse economic impact of the COVID-19 crisis have all contributed to narrowing the fiscal space in most countries in the region, at a time when demand for financing climate actions and the SDGs is high.[6]

The extractive industries of the Arab region also face environmental and social pressure from communities that live close to mines, market volatility, and water scarcity. In the past, contractual and legal frameworks governing mining and petroleum extraction

[3] Tracking SDG 7: Energy Progress Report Arab Region: Available at: https://www.unescwa.org/publications/energy-progress-report-arab-region.

[4] Tracking SDG 7: Energy Progress Report Arab Region: Available at: https://www.unescwa.org/publications/energy-progress-report-arab-region.

[5] https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/edid-ffd_sfd_report_final.pdf.

[6] United Nations Economic and Social Commission for Western Asia (2020a). Limited fiscal space puts the Arab region recovery from COVID-19 at risk. Available from https://www.unescwa.org/sites/www.unescwa.org/files/20-00230_covid-19_limitedfiscal-space-en_june30_f.pdf.

have been developed with little or no consideration of the affected communities' wellbeing and environmental sustainability. Local communities also have a right in decision-making regarding mining projects, but this right is usually not realised. Many nations in the region appear to have embraced rules on social and environmental impact assessments but have delayed implementing them.[7] In the Arab Region, resource-rich countries are increasingly eager to leverage the positive impacts of their extractive industries and to maximise the capture of value along the supply chain on a life cycle basis through the framework of the circular economy, while at the same time removing current distortions in their economies and market structures related to less than optimal policies and governance. COVID-19, however, affected the extractive industry's supply chains at precisely the moment when the Arab region's energy transition was beginning to gather momentum. The world's current constraints in financing a robust economic recovery due to the immediate socioeconomic impact of the pandemic, including rising debt levels and constrained fiscal environments, pose additional challenges in a region, where the accumulation of debt and rising debt service obligations were already very high for low- and middle-income countries.

To address these challenges, countries in the region will need to deploy various and innovative financing instruments and approaches to build back better from this crisis and fundamentally transform the extractives sector. The 2020 UN High-level Meeting on Financing for Development (FfD) set out several options that Heads of State and Government in the region might consider , such as the use of debt swaps, including debt-for-climate swaps, to assist countries that are highly indebted but do not necessarily have unsustainable debt burdens.[8] The post-COVID-19 economic stimulus packages also present an opportunity for extractive industries to address the multifaceted vulnerabilities of countries by creating a systemic change in the economies of the Arab region, supporting diversification, and laying the groundwork for a resilient, inclusive, and sustainable future. The Arab region, with huge Oil and Gas endowments, and a mature industry should take the lead in the transition of the industry to NZE (net zero emission) by adopting a circular carbon economy, through the use of technology innovation, and by developing policies to facilitate the acceptance and use of low carbon fossil fuels in a NZE world.

The ability to harness the pool of natural resources through adequate choices of infrastructure, technology, transparency, good governance, economic diversification, and sustainable management practices will be key for Arab countries to create economic opportunities for its people, especially for youth and improve their living standards. It is also a key driver for socioeconomic development and for the attainment of social inclusion, gender equality, and entrepreneurship development, which are at the heart of driving long-term prosperity in the Arab region. This also includes the need for diversification of energy sources, carbon management and to accelerate the uptake of sustainable energy and energy productivity, eliminate wasteful fossil fuel subsidies, and reform markets structures and facilitate a circular economy, while utilising extractive industries to support the just transition. However, the wide range of socio-economic development experiences across the Arab region also implies there cannot be one "silver bullet" solution that applies equally to each

[7] Józef Dubiński, "Sustainable Development of Mining Mineral Resources" (2013)

[8] UN Report FfD (2020)

Arab country. The impact and opportunities of the extractive industries is highly contingent on individual country initial conditions.

Objectives of the Roundtable

This Roundtable organised by the Economic and Social Commission for Western Asia (UN ESCWA) will be the fifth in a series of regional roundtables on extractive industries, hosted by the United Nations Regional Economic Commissions. The Secretary-General will convene a sixth roundtable, drawing on the outcomes of the five regional roundtables, which will provide a global perspective and put forward tangible solutions. Regional roundtables will include the participation of Ministers and other senior government officials, experts from academia and think tanks, representatives from international organisations, the private sector, civil society, and other relevant stakeholders from the respective region.

The overall objective of the Roundtable is to seize the COVID-19 crisis to build back better, including by using extractives as an opportunity to identify and implement key partnerships, instruments, and policies to ensure that extractive industries can better serve as a driver for sustainable development in the Arab region.

The specific objectives of the Roundtable are to:

- Discuss emerging trends in extractive industries in the Arab region in the wake of the COVID-19 pandemic and the multifaceted vulnerabilities the region faces with reference to rents, tax revenues, labour market-fiscal stability, productive chains, technology and innovation, value addition and local content; social and economic inclusion and environmental sustainability;
- Consider how extractive industries can be aligned with the SDGs and the Paris Agreement on Climate Change;
- Discuss how the initiative on FfD in the Era of COVID-19 and Beyond is relevant to extractive industries in the Arab region, particularly with regards to finance, illicit financial flows, debt, monetary policy, taxation, and legal stability, public-private partnerships, accountability, transparency, and good governance;
- Identify key partnerships, measures and policy reforms that can be implemented at national and regional level to ensure that extractives can help drive sustainable development in the Arab region.

ANNEX II: **Agenda**

Time	Programme
15:00-15:30	**Opening session**
	Moderator: ***Ms. Radia Sedaoui***, Chief Energy Section, UN ESCWA
	Opening Statement from ***Ms. Amina Mohammed***, Deputy Secretary-General, United Nations
	Introductory Remarks by ***Ms. Rola Dashti***, Under-Secretary-General of the United Nations and Executive Secretary, UN ESCWA
	Keynote address: HRH Prince Abdulaziz bin Salman bin Abdulaziz Al Saud, Minister of Energy, Saudi Arabia
	Keynote address: ***HE Mr. Mohamed Ould Bilal***, Prime Minister, Mauritania
15:30-16:15	**Panel 1: Financing for Development, Natural resource management and Economic diversification**
	Moderator: ***Mr. Jamal Saghir***, Professor at McGill University, Montreal, Distinguished Fellow at the Institute of Financial Economics, American University of Beirut
	Presentation by ***Mr. Tony Addison*** and ***Mr. Alan Roe***, UNU World Institute for Development Economics Research (UNU-WIDER)
	Mr. Ahmed Ali Attiga, Chief Executive Officer, Arab Petroleum Investments Corporation (APICORP)
	Ms. Carole Nakhle, Chief Executive Officer, Crystol Energy, United Kingdom
	Mr. Ronald J. Long, Senior Advisor, International Tax & Investment Center Oil & Gas Tax and Regulatory Dialogue, United States
	Mr. Arkan El-Seblani, Regional Manager Anti-Corruption, United Nations Development Programme (UNDP)
	Ms. Sarah Hussain Akbar, Chairperson and CEO of Oilserv Kuwait JV, Member of the Supreme Council, Ministry of Planning and Development, Kuwait
16:15-17:00	**Panel 2: Green and Circular Economy, Technology and Innovation**
	Moderator: ***Mr. Bassam Fattouh***, Director Oxford Institute for Energy Studies, and Professor at the School of Oriental and African Studies, United Kingdom
	Setting the scene by ***Mr. Adnan Shihab-ELDIN***, Former OPEC Acting Secretary General, Former Director General Kuwait Foundation for the Advancement of Sciences (KFAS), Kuwait

HE Ms. Hala Adel Zawati, Minister of Energy and Mineral Resources, Jordan

Mr. Kamel Ben-Naceur, Former Minister of Industry, Energy and Mines in Tunisia, 2021 President-Elect of the Society of Petroleum Engineers, CEO of Nomadia Energy Consulting, United Arab Emirates

Princess Mashael Alshalan, Partner and co-founder AEON Strategy, Saudi Arabia

Ms. Syham Bentouati, Founder and Managing Director, NAFAS International LLC, Oman

17:00-17:45	**Panel 3: Socio-environmental sustainability and a just transition to sustainable systems**

Moderator: *Mr. Mohammed Mahmoud Alsayed*, Manager, Public Private Partnership Division, Islamic Development Bank Group

HE Ms. Yasmine Fouad Abdel Aziz, Minister of Environment, Egypt

HE Mr. Raymond Ghajar, Minister of Energy and Water, Lebanon

HE Mr. Abdessalam Ould Mohamed Salah, Minister of Petroleum, Energy and Mining, Mauritania

Mr. Basem Zabian, Chairman T3 International and Chairman SILICRETE, Jordan

Ms. Fatima Mohamed Alfoora El Shamsi, Energy Policy Executive Director, Department of Energy, United Arab Emirates

Ms. Jehan Baban, Founder and President of The Iraqi Environment and Health Society - UK, The Iraqi Renewable Energy and Climate Change International Research Center, The Iraqi Environmentalist Network, London

Mr. Fethi Hanchi, Director General, National Agency for Energy Conservation (ANME), Tunisia

Ms. Hajar Khamlichi, President, the Mediterranean Youth Climate Network (MYCN), Morocco

17:45-18:00	**Closing session**

Moderator: *Ms. Radia Sedaoui*, Chief Energy Section, UN ESCWA

Closing remarks by *Mr. Mounir Tabet*, Deputy Executive Secretary, UN ESCWA

Closing remarks by *Mr. Mahmoud Mohieldin*, Special Envoy on Financing the 2030 Agenda

ANNEX III: **List of Participants***

Opening

Ms. Rola Dashti - Under-Secretary-General of the United Nations and Executive Secretary ESCWA

Ms. Amina Mohammed - Deputy Secretary-General United Nations

HRH Prince Abdulaziz bin Salman bin Abdulaziz Al Saud - Minister of Energy, Saudi Arabia

HE Mr. Mohamed Ould Bilal - Prime Minister of Mauritania

Panel 1: Financing for Development, Natural resource management and Economic diversification

Moderator: **Mr. Jamal Saghir** – Professor McGill University, Montreal, Distinguished Fellow at the Institute of Financial Economics

Mr. Tony Addison - Professor, Development Economics Research Group (DERG)

Non-Resident Senior Research Fellow, University of Copenhagen UNU-WIDER

Mr. Alan Roe - Senior Non-Resident Research Fellow, The United Nations University World Institute for Development Economics Research, UNU-WIDER

Mr. Ahmed Ali Attiga – CEO, Arab Petroleum Investments Corporation (APICORP)

Ms. Carole Nakhle – CEO, Crystol Energy, UK

Mr. Ronald J. Long – Senior Advisor, International Tax & Investment Center Oil & Gas Tax and Regulatory Dialogue, US

Mr. Arkan El-Seblani - Regional Manager Anti-Corruption, UNDP

Ms. Sarah Hussain Akbar - Chairperson and CEO; Member of the Supreme Council, Oilserv Kuwait JV; Ministry of Planning and Development, Kuwait

Panel 2: Green and Circular Economy, Technology and Innovation

Moderator: **Mr. Bassam Fattouh -**Director, Oxford Institute for Energy Studies, UK

Mr. Adnan Shihab-ELDIN - Former OPEC Secretary General, Former Director General Kuwait Foundation for the Advancement of Sciences (KFAS)

HE Ms. Hala Adel Zawati - Minister of Energy and Mineral Resources, Jordan

Mr. Kamel Ben-Naceur - Former Minister of Industry, Energy and Mines in Tunisia, President-2021 Elect of the Society of Petroleum Engineers, CEO, Nomadia Energy Consulting, UAE

Princess Mashael Alshalan - Partner and co-founder, AEON Strategy, Saudi Arabia

Ms. Syham Bentouati - Founder and Managing Director, NAFAS International LLC, Oman

Panel 3: Socio-environmental sustainability and a just transition to Sustainable Systems

Moderator: **Mr. Mohammed Mahmoud Alsayed -** Manager, Public Private Partnership Division, Islamic Development Bank Group (IsDB), Saudi Arabia

HE Ms. Yasmine Fouad Abdel Aziz – Minister of Environment, Egypt

HE Mr. Raymond Ghajar – Minister of Energy and Water, Lebanon

HE Mr. Abdessalam Ould Mohamed Salah – Minister of Petroleum, Energy and Mining, Mauritania

Mr. Basem Zabian – Chairman, T3 International and SILICRETE, Jordan

* Issued as submitted.

Ms. Fatima Mohamed Alfoora El Shamsi - Energy Policy Executive Director, Department of Energy, UAE

Ms. Jehan Baban - Founder and President, "The Iraqi Environment and Health Society-UK; The Iraqi Renewable Energy and Climate Change International Research Center in London; The Iraqi Environmentalist Network"

Mr. Fethi Hanchi - Director General, National Agency for Energy Conservation (ANME), Tunisia

Ms. Hajar KHAMLICHI – President, the Mediterranean Youth Climate Network (MYCN), Morocco

Closing

Moderator: **Ms. Radia Sedaoui** – Chief Energy, ESCWA

Mr. Mounir Tabet - Deputy Executive Secretary, ESCWA

Mr. Mahmoud Mohieldin -Special Envoy on Financing the 2030 Agenda

Participants

HE Mr. Manhal Aziz Al-Khabbaz - Minister of Industry and Minerals – Iraq

Mr. Adam C. Bouloukos - Resident Representative - United Nations Development Programme - Saudi Arabia

Mr. Amr Nour –Director, Regional Commissions New York Office

Ms. Ana Rachael Powell - Executive Office of the Secretary-General – New York

Mr. Kohji Iwakami- Economic Affairs Officer, EDD – UNESCAP

Ms. Chiara Giamberardini – Programme Management Officer Regional Commissions – UNDESA -

Mr. Hongpeng Liu – Director, Energy Division- UNESCAP

Mr. Matthew David Wittenstein -

Technical Consultant – UNESCAP

Mr. Olivier Munyanesa – Economic Affairs Officer – UNDESA

Ms. Marit Kitaw - Governance Officer – UNECA

Mr. Hari Tulsidas – Sustainable Energy Division - UNECE

Mr. Scott Foster – Director Sustainable Energy Division – UNECE

Mr. Tarek El-Sheikh- United Nations Resident Coordinator – Kuwait

Ms. Irena Vojackova-Sollorano – United Nations Resident Coordinator and UNDP Resident Representative - Republic of Serbia

Ms. Charlotte Ndakorerwa - Special, Administration Assistant - UN Environment Programme

Ms. Ghussaina Ghassan Al-Hilu - Director of Natural Resources Projects - Ministry of Energy and Mineral Resources- Jordan

Mr. Ayman Shasly - International Policies Advisor **-** Ministry of Energy Industry & Mineral Resources – Saudi Arabia

Mr. Hassen El Agrebi –ANME -Tunisia

Mr. Mostafa Abdelhamid Ouki - Independent Consultant - UK

Ms. Leila R. Benali - Chief Economist – International Energy Forum (IEF)

Mr. Yesar Al-Maleki - Managing Director - Iraq Energy Institute

Mr. Hamid H. M. Sherwali - Chairperson of Board of Renewable Energies – Renewable Energy Authority of Libya

Mr. Mohamed Ould Yarguett -Technical Advisor- Ministry of Petroleum, Energy and Mines - Mauritania

Ms. Shorouq Abdel Ghani - Organizational Development Department - Ministry of Energy and Mineral Resources – Jordan

Mr. Joseph Alassad- Advisor – Ministry of Energy and Water – Lebanon

Ms. Shada El-Sharif –Senior Advisor – EBRD-Jordan

Ms. Mariangela Parra-Lancourt - Senior Economist, Sustainable Development Unit, Executive Office of the Secretary-General United Nations – New York

Mr. Arun Jacob - Economist, Development Coordination Officer at United Nations – Egypt

Mr. Christopher Gilbert Sheldon - Manager - World Bank

Mr. Francesco Galtieri – Strategic Planning officer/RCO Team Leader - UNCT Syria

Ms. Yera Ortiz de Urbina – Senior Liaison Officer – IRENA - UAE

Ms. Anne Fishman - Policy Analyst, Commodities & Finance - Public Eye

Ms. Noura Al-Saud – Partner and co-founder - AEON Strategy

Driss Haboudane - Senior Development Coordination Officer - United Nations RCS

United Nations ESCWA

Mr. Mohanad Almusawi - UNESCWA – Lebanon

Ms. Roula Majdalani - UNESCWA – Lebanon

Ms. Carol Chouchani - UNESCWA – Lebanon

Ms. Mohamad al Moctar - UNESCWA – Lebanon

Mr. Tarek Sadek - UNESCWA – Lebanon

Mr. Zied Gannar - UNESCWA – Lebanon

Mr. Niranjan Sarangi - UNESCWA – Lebanon

Mr. Hisham Taha - UNESCWA – Lebanon

Mr. Daniel Griswold - UNESCWA – Lebanon

Mr. Mustafa Ansari - UNESCWA – Lebanon

Ms. Noha Ziade - UNESCWA – Lebanon

Ms. Maya Mansour - UNESCWA – Lebanon

Mr. George Saliba - UNESCWA – Lebanon