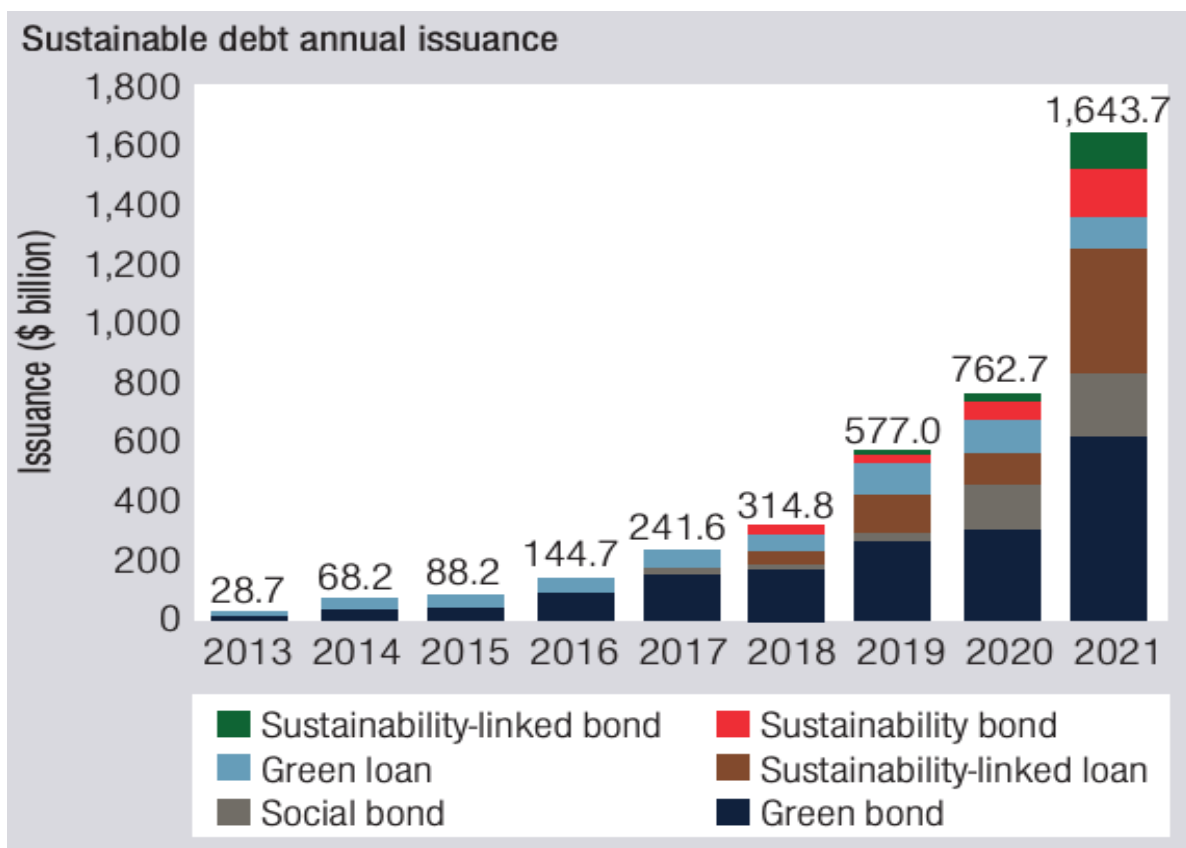




Tanka Group Research

Green Finance in GCC Region

Achieving the global transition to a low-carbon economy will require \$4-6 trillion in annual climate-related investments, up from the current level of less than \$1 trillion (source WBF).



These additional investments will need to be financed by the private sector, as many economies have a limited reserve after the considerable expenditures made to support social objectives during the pandemic and now to cover vulnerable populations in its aftermath.

Countries outside the EU are in a different situation.

These GCC countries are in a different position as they have a large reserve due to rising global energy prices and many of them have large sovereign wealth funds that can boost investments in key areas. However, given the scale of the investments to be made, private sector financial flows will be needed, not only because they can leverage public sector investments, but more importantly because many of them will be equipped with advanced technology that may not be available in the CCG countries. There is an opportunity to increase private climate finance, and GCC governments and sovereign wealth funds can be players in increasing private sector investment by focusing more on equity than debt financing.

The orientation of the investment policies of these funds towards high-growth green industries will create very positive financial and climate benefits for the GCC. The implementation of incubator and gas pedal networks will need to be complemented by a complementary financing scheme that will support energy entrepreneurs throughout their life cycle, providing grants during the formative stages, creating an adjusted mix of debt and equity during the acceleration and growth stages.

Impact funds that quantify performance in terms of risk, return, and impact will play a key role, as will specific risk financing instruments.

National regulators and political leadership will have an important role to play. Regulators will need to establish a national roadmap for climate finance, build local capacity, and provide oversight guidelines, including climate risk assessments and taxonomies, and disclosure requirements for green investments. One reason the climate finance gap remains large is the lack of investable projects. Observers note bottlenecks in project preparation and development, deficiencies in policy and regulatory frameworks, and weak institutional capacity (related to contract enforcement, property rights, fiscal risk management and public investment)

These problems make it necessary to manage the long-term investments required to build sustainable infrastructure. As such, they are no different than the problems facing gray infrastructure development, but there is an even greater need to address this situation now and accelerate the creation of sustainable infrastructure.

Green skills and human capital should be developed to successfully position workers in the green jobs of tomorrow.

By integrating this into the education system, industrial policy and diversification program.

The GCC economies are facing two simultaneous movements: first, a young population, which needs to be trained as the proportion of unemployed youth increases, remains a constant and pressing challenge - a challenge that has been exacerbated by the COVID-19.

Second, the GCC region has increased its investments in sustainable initiatives such as renewable energy, energy efficiency, public transportation and cleaner vehicles, as well as green building and eco-towns.

As GCC industries move toward greener production methods, products and services, the demand for "green jobs" will grow rapidly.

If the GCC region were to make progress toward its renewable energy goals, an average of 135,000 direct jobs could be created each year.

Based on current green reform initiatives, most of these jobs would be concentrated in the UAE and Saudi Arabia, given their significant deployment plans.

Together, solar technologies-both CSP and PV (small and large)-would account for 89% of these expected renewable energy jobs in 2030.

Exploiting the job promise inherent in the green transition will depend heavily on the availability of relevant "green" skills (International Labor Office 2019). Green skills refer to the knowledge, skills, values, and attitudes needed to live, develop, and support a sustainable and resource-efficient society.

These skills are prerequisites for any green transition to a low-carbon, resource-efficient economy. Aisi, the green transition requires systematic changes in products, services, production processes, and business models, as well as in the tasks inherent in many existing occupations, which has profound implications for future occupations and the skills they require.

The GCC region can attract a skilled workforce from outside, but now has a unique opportunity to do so.

Occupations with high demand for green skills, such as power line installers working to upgrade infrastructure for greater efficiency, will not require significant profile changes. Occupations with stronger green skills, such as architects who are expected to design greener buildings, will require a change in their skill profiles.

For entirely new skill profiles, qualification and training frameworks will be required for new emerging green occupations, such as wind turbine technicians.

Thus, GCC has the opportunity to upgrade and renew the skills of its existing workforce and develop entirely new skills for the new emerging occupations created by its green transition. As the impact of the green transition on occupations and job tasks has begun to be felt in the relevant sectors, a combination of technical and non-technical skills will be needed. Workers need "hard skills," the job-related knowledge and abilities employees need to perform their jobs effectively, such as:

Technical and engineering skills (know-how)

Scientific skills (innovation)

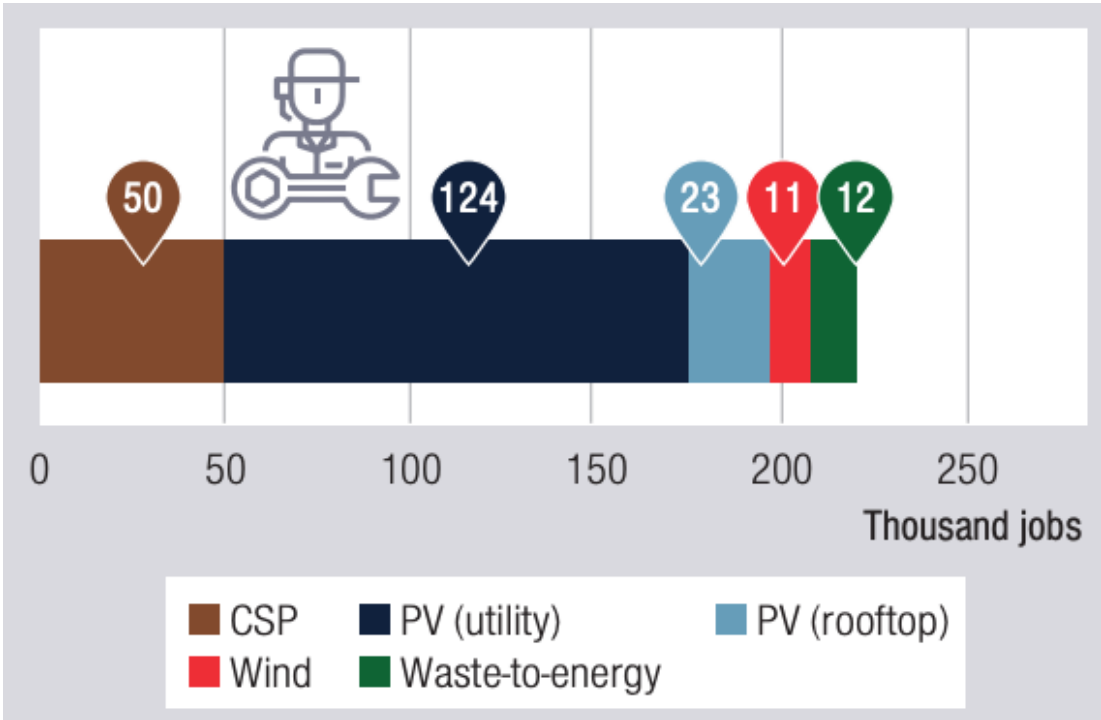
Operations management skills (change management and business processes)

Control skills

Technical and legal standards Workers will need soft skills such as environmental awareness, analytical skills, work related innovation, communication, leadership, negotiation skills, as well as management and entrepreneurial skills.

Between 2016 and 2021, the largest green jobs, in terms of annual growth, are specialized jobs such as sustainability manager, wind turbine technician, solar energy consultant, ecologist, and environmental health and safety specialist. Most green jobs, however, are less specialized and can be found in a variety of sectors, including roles ranging from compliance manager to facilities manager to technical sales representative.

The demand for green skills is expected to quickly outstrip the supply of skills, both globally and in the GCC region. In GCC countries such as Saudi Arabia and the United Arab Emirates, for example, green skills intensity is already above the global average in sectors such as construction, energy and mining, public safety, and software and IT services, but is below the global average in sectors such as agriculture, business services, transportation and logistics, real estate, and education.



Source: Word bank, BloombergNEF, Bloomberg LP

Source: IRENA LCOE and PPA auction database prices, global weighted averages 2010-2022