

The Green Transition and Sustainability in Saudi Arabia

The Green Transition and Sustainability in Saudi Arabia - Expected implications for the industry

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Rati Kvantaliani

Petroleum Studies and Research Center and Saudi Association for Energy Economics hosted the 44th International Association for Energy Economics (IAEE) Conference in Riyadh from 4-9 February 2023. This was the first time the IAEE has held its annual international gathering in the Middle East – a region that has produced more than 40% of the world’s oil and gas for the past two decades. While the conference highlighted the interdependence of the Kingdom’s clean energy trajectories, it also stressed Saudi Arabia’s commitment to sustainability and rapid transition in line with Vision 2030[1] objectives.

Commitment to Sustainability

The Kingdom of Saudi Arabia (KSA) has invested significantly in renewable energy in recent years: (i) The country has set a goal of generating 9.5 gigawatts in renewable energy by 2030, with plans to build large-scale solar and wind farms; (ii) Riyadh is investing in energy efficiency measures to reduce energy waste and promote sustainability; and (iii) KSA is looking to further reduce its dependence on oil by setting a target of having over 50,000 electric vehicles by 2030.

Notably, the KSA’s G20 Presidency in 2020 also marked the beginning of the Kingdom’s commitment to driving green transition and sustainability. These include (but are not limited to) the Saudi & Middle East Green Initiatives and the Communications, Space, and [Technology](#) Commission’s (CST’s) C.I.R.C.L.E Roadmap and Digital Tourism Strategy.

- The Saudi & Middle East Green Initiatives are designed to harmonise sustainable Vision 2030 programmes and work with the adapting future of humans and industries cohabitating with nature.
- The C.I.R.C.L.E roadmap, driven by the Saudi Ministry of Communications and Information

Technology and its regulator, CST, seeks to elevate KSA among the top global players in sustainability – from smart cities to renewable energy – while generating investment opportunities.

- The Digital Tourism Strategy, initiated by the Saudi Ministry of Tourism (MoT), has implemented numerous initiatives: (i) an e-visa system for citizens of 49 countries; (ii) the opening of its UNESCO World Heritage sites; (iii) the construction of resorts on its Red Sea coast; and (iv) the launch of a cruise line. In 2020, the MoT also announced that it would invest up to USD 4 billion to bolster the tourism industry by launching the new Tourism Development Fund. Hence, tourism is poised to be vital for KSA's diversified economy.



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In response to these ambitious objectives, Saudi Aramco – the world's largest oil-producing company – published its first Sustainability Report in June 2022, stating that, by 2035, the company aims to achieve emissions reduction and mitigation through increased investments in renewable energy, in line with the Circular Carbon Economy framework endorsed during Saudi Arabia's G20 Presidency.

Despite these goals, KSA remains hugely dependent on crude oil exports. However, paradoxically, the only way to a sustainable future is to stabilise the country's traditional energy supply while investing in renewables. According to the World Bank's estimations, the Arab World requires about USD 230bn worth of annual funding to invest in green transition and meet the UN's Sustainable Development Goals.

Notably, these developments fall into the upcoming Middle East and North Africa climate week and the 28th UN's Climate Change Conference of the Parties (COP28). These events are a significant opportunity for the region to achieve political and economic benefits, including finding realistic, practical, and pragmatic solutions to accelerate the global energy transition and drive international investments into the Arab World's green transformation.

Implications for the Industry

The push for renewable energy does not necessarily mean a significant reduction in hydrocarbons. KSA should focus on finding realistic and feasible resolutions that ensure energy

security while reducing emissions. Riyadh needs an optimal, holistic diversification plan moving forward. Therefore, while global energy development is taking a central stage in 2023 the following steps are required:

1. KSA needs to transform traditional industries and attract investment in new sectors, such as technology, tourism, and renewable energy.
2. As technology continues to evolve in the clean energy space and green hydrogen continues to be seen as a potential next-generation fuel, public-private dialogue on investment and technology should lay the groundwork to increase investments for the green transition.
3. Accomplishing the objectives of the Vision 2030 goals necessitates building renewable energy capabilities until it becomes a viable alternative to oil and gas.

[1] Saudi Arabia's Vision 2030 is an ambitious initiative launched by Crown Prince Mohammed bin Salman in April 2016. It is a comprehensive plan to transform the country's economy, society, and governance over the next decade, with the goal of making Saudi Arabia a more diversified, sustainable, and globally competitive economy.

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