

COP26: Saudi Arabia commits

Net zero by 2060 but maintaining oil exports

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- ◆ Saudi Arabia has made a 2060 net zero pledge yet aims to maintain its supremacy as a leading oil & gas exporter
- ◆ It follows the UAE announcement earlier this month in the run up to COP26 as the region strives to balance climate and oil
- ◆ Lower carbon intensive oil producers in both countries are positioning for the global energy transition in the coming decades

Another net zero commitment from a GCC member state: During the ongoing Saudi and Middle East Green Initiative summit in Riyadh, Saudi Arabia made an announcement to target a net zero economy by 2060. We had previously argued that the United Arab Emirates (UAE) announcement of the Net Zero 2050 Strategic Initiative could be the beginning of similar announcements from the other countries in the region. Saudi's net zero commitment aims to bring all sustainability related efforts together to meet the goals of reducing carbon emissions, afforestation and protecting land/sea areas.

Reducing emissions, expanding EVs: As a part of the Saudi Green Initiative (SGI), the kingdom's net zero initiative aims to reduce its carbon emissions by more than 270 million tons per year and join the Global Methane Pledge, contributing towards cutting global methane emissions by 30 percent by 2030. The plan also aims to reduce the emissions from the capital city of Riyadh by 50% by 2030, and achieve at least 30% penetration of electric cars (EVs) in the city over the same period. Overall, Saudi Arabia's net zero emissions target expects to see investments of more than USD186billion.

Pressure points: As a member of G20, the pressure on Saudi Arabia to make a net zero commitment was already high, given that the kingdom has the highest per capita emissions across all G20 members. While the SGI aims to reduce the kingdom's direct carbon emissions, it also aims to continue its supremacy as a leading oil and gas exporter, targeting stability of the global energy market.

Increasing oil production: Saudi plans to raise its oil production capacity, via Saudi Aramco, from 12m barrels a day to 13m barrels a day by 2027. Similarly, the UAE, via the Abu Dhabi National Oil Company (ADNOC), also plans to increase its production capacity, from just over 4m barrels a day to 5m barrels a day within the next decade. But these plans come with some context – the carbon intensities of ADNOC and Aramco are already extremely low which, in a world where the transition away from oil & gas will not be immediate, argues in favour of these companies effectively taking on unabatable oil & gas production requirements from higher emitting producers. The cautious welcome from the international community highlights that Saudi's net zero target is domestic only.

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After the UAE, Saudi also commits to net zero

The announcement was made during the Saudi and Middle East Green Initiative summit in Riyadh (23 October to 25 October).

Reducing emissions and planting trees

As a part of the Saudi Green Initiative, the Kingdom's net-zero initiative aims to reduce its carbon emissions by more than *270 million tons per year*. Furthermore, the initiatives under the plan until 2030 could see more than 278 million tons per year of carbon emissions reduction, which is significantly higher than the 130MtCO₂e reduction planned as per the Saudi Nationally Determined Contribution (NDC) during the green summit earlier this year.

As per the announcement, the plan's *afforestation initiatives* have already started which include rehabilitation of eight million hectares of the country's degraded lands. Under this initiative, the Kingdom aims to allocate new protected areas for rehabilitation and increase the aggregate protected areas to more than 20 percent of the country's total area.

Oil supremacy to continue

However, the announcement states that the country would continue to maintain its role as a leading oil producing nation, targeting stability of the global energy market, until the time technologies required to contain carbon emissions are developed. This was in reference to carbon capture and storage technologies which are still considered expensive and not yet mature enough to play a decisive role in enabling the world to achieve its carbon reduction targets. The country has plans to raise oil production capacity, from 12m barrels a day to 13m barrels a day by 2027.

Saudi Aramco, the largest oil producing company globally, set a relatively more ambitious target of reaching net-zero by 2050, ten years earlier than the kingdom. However, the company's CEO mentioned during the Saudi and Middle East Green Initiative event that enough backup capacity for oil & gas needs to be built in order to cover the global energy demand until the new low carbon sources of energy are developed globally.

Saudi Arabia's 2060 net zero target is ten years out from the UAE's 2050 net-zero target. However, oil accounts for around 25-30% of real GDP in both Saudi and the UAE.

Cautiously welcome response

The international community response has been mixed. On the one hand, it welcomes such a commitment (albeit without details on implementation) from an oil producing state – especially a G20 member, one of the largest per capita emitters in the world, and shoring up more ambitious climate pledges in the week before COP26 begins. On the other hand, the announcement only focuses on domestic emissions. We note that the concept of "overall mitigation of global emissions" is gaining prominence among climate negotiators – so that responsibility for emissions becomes a *collective* endeavour.

The global climate calendar: upcoming events

2021	Location	Event
30-31 Oct	Rome, Italy	G20 Italia 2021
31 Oct – 12 Nov	Glasgow, Scotland, UK	26 th Conference of Parties (COP 26)
06-07 Nov	Glasgow, UK	2021 Global Conference on Health and Climate Change
29 Nov – 3 Dec	Daegu, Republic of Korea	XVII world water congress
2022		
14-18 Feb	TBD	Approval session for Working group II, IPCC AR6
17-18 Feb	Virtual	The 6th International Conference on Climate Change 2022
21-25 Mar	TBD	Approval session for Working group III, IPCC AR6
07-08 Apr	Vancouver, Canada	14 th International conference on Climate change: Impacts & Responses
25 Apr -08 May	Kunming, Yunnan, China	UN Biodiversity Conference: Part II
09-21 May	Côte d'Ivoire	United Nations Convention to Combat Desertification (UNCCD) COP 15
26-30 Sep	TBD	Synthesis report, IPCC AR6

Source: HSBC

Disclosure appendix

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