

GCC ECONOMIC SECTORS: THE CARBON IMPACT



CONTENTS

GCC ECONOMIC SECTORS

01.

KEY ECONOMIC PILLARS OF THE
GCC REGION

02.

CONTRIBUTION TO WORLDWIDE
GREENHOUSE EMISSIONS

03.

GCC'S ADVANTAGES OF
CARBON OFFSETTING

04.

GCC'S OFFSETTING
IMPERATIVE

05.

SOURCES

01 KEY ECONOMIC PILLARS OF THE GCC REGION

Gas and Oil Sector

The Gas and Oil sector is the backbone of the GCC economies, mainly because of the vast reserves and production capacities across the countries. The abundance of oil in countries like Saudi Arabia, the United Arab Emirates, and Kuwait has a profound impact on their GDP. This sector contributes to other aspects of the economy, such as government revenues and employment opportunities. Additionally, revenues from the gas and oil sector are often used to fund various infrastructure and development projects in the GCC countries.

The following table shows the percentage of GDP of the GCC states of the oil and gas sector, the shipping sector, and the financial sector:

COUNTRY	OIL AND GAS SECTOR	SHIPPING SECTOR	FINANCIAL SECTOR
Saudi Arabia	30-40%	2-3%	6-7%
United Arab Emirates	25-30%	5-6%	10-12%
Qatar	40-50%	1-2%	6-7%
Kuwait	45-50%	2-3%	6-7%
Oman	35-40%	2-3%	6-7%
Bahrain	20-25%	2-3%	6-7%

Shipping Sector

The Shipping sector plays a significant role in the growth and diversification of the GCC economies. The strategic geographic position of the GCC states has made them a crucial link in global trade routes. Key ports in the region, such as Jebel Ali in the United Arab Emirates, serve as essential hubs for both regional and international trade. The shipping industry also supports various ancillary businesses, such as logistics, shipbuilding, and repair—making localized contributions to respective GCC economies.

Banking Sector

The robust Banking sector in the GCC helps in fueling growth and stability in the region. With strong financial reserves, GCC banks have maintained their resilience despite global economic challenges. The region's banks have successfully leveraged their role as financial intermediaries to support businesses, trade, and the overall economy. Also, the increasing focus on Islamic banking and fintech has further strengthened the GCC's banking sector, attracting international investors and promoting financial inclusion.

Overall, the main sectors of the GCC economies—gas and oil, shipping, and banking—are vital for ensuring the stability and growth of the region. As the global economy is increasingly interconnected, these sectors allow GCC countries to play integral roles in various industries and maintain competitiveness while fostering opportunities for innovation and collaboration. At the same time, it's crucial for the GCC nations to continue working towards offsetting their economies and diversifying their income sources to ensure long-term sustainability in the post-oil era.

02 CONTRIBUTION TO WORLDWIDE GREENHOUSE EMISSIONS

Emission Rates in Gas and Oil

The gas and oil sector plays a significant role in greenhouse gas emissions, particularly in the Gulf Cooperation Council (GCC) countries. Fossil fuel use, including natural gas and oil, is known as the primary source of carbon dioxide (CO₂) emissions on a global scale¹. In the GCC countries, the gas and oil industry is a major contributor to economic growth, which consequently leads to higher emission rates. The extraction, refining, and transportation of these resources all add to the emission footprint.

It is essential for GCC countries to consider offsetting their greenhouse gas emissions to combat climate change and preserve the environment for future generations. Implementing sustainable practices and investing in cleaner technologies within the gas and oil industry can help reduce emissions and promote a greener future.

Emission Rates in Shipping

Shipping is another significant contributor to greenhouse gas emissions in the GCC countries. Given their strategic location and extensive coastline, the GCC region has a thriving maritime industry, which includes both cargo and passenger transportation².

Many shipping vessels still rely on fossil fuels to power their engines, which results in the release of CO₂ and other harmful greenhouse gases into the atmosphere.

Improving energy efficiency in the maritime sector and transitioning to more sustainable fuel sources can help reduce emission rates and contribute to offsetting emissions in the GCC.

Emission Rates in Banking

While the banking sector may not directly produce substantial greenhouse gas emissions, its role in financing businesses and industries that do contribute to emissions cannot be ignored³. Financing projects in the gas and oil, shipping, and other high-emission sectors means that banks in the GCC region indirectly support higher greenhouse gas emissions.

In response to this, many banks have started adopting sustainable finance initiatives, promoting environmentally friendly practices, and supporting projects aimed at reducing emissions. Encouraging green investment and incorporating sustainable principles in the banking sector can help offset greenhouse gas emissions in the GCC countries.

03 GCC'S ADVANTAGES OF CARBON OFFSETTING

Environmental Considerations

The predominant sectors in the GCC, encompassing oil and gas, shipping, and banking, are substantial contributors to greenhouse gas emissions (GHE). The need for offsetting is multifaceted. Primarily, it serves as a countermeasure to climate change, aiding in the mission to achieve net-zero emissions. Through offsetting, these sectors can neutralize their emissions by supporting projects or innovations that counterbalance their GHE output.

Moreover, these countries need to adapt their economies to the global shift towards low-carbon and sustainable practices as a way to preserve their natural resources and protect the quality of life for their citizens. By implementing offsetting measures, they can align with international environmental standards and contribute to global emission reduction targets.

Economic Factors

Economic implications of offsetting GHE are manifold. A transition to renewables spearheads economic diversification and innovation. Funneling investments into green technologies and decreasing fossil fuel dependency enables the GCC to penetrate the expanding global market for eco-friendly solutions. This pivot promises job generation, fresh revenue pathways, and amplified international competitiveness.

Regulatory compliance cost reduction is another tangible economic benefit of offsetting. With stricter global carbon pricing and regulatory frameworks, businesses in the GCC face escalating demands to reduce emissions. Offsetting can alleviate these costs, reflecting a business's allegiance to both corporate ethics and environmental preservation.

For international trade and commerce, GHE offsetting and reduction are becoming indispensable. Adhering to offsetting standards primes GCC businesses for global trade, meeting the ever-evolving sustainability requirements of international counterparts. This not only assures ongoing global business collaborations but also answers the escalating demands of global stakeholders. It cements the GCC's status as a considerate trading partner, poised to meet global sustainability norms.

International Relations

As integral components of the global fabric, GCC nations must play their part in climate mitigation and honor global agreements like the Paris Agreement. Offsetting GHE is a testament to their sustainable development dedication.

Such initiatives reinforce diplomatic relations and craft strategic bonds with nations sharing the sustainable vision. This bolsters the GCC's global stature as climate change combatants.

In Conclusion, GHE offsetting is imperative for the GCC for myriad environmental, economic, and diplomatic reasons. By endorsing and actualizing offsetting strategies, GCC nations can chip in to the universal climate change combat effort, ensure a sustainable trajectory, and sustain their competitive global economic stance.

04 THE IMPERATIVE OF OFFSETTING IN THE GCC

Sustainable Development

The Gulf Cooperation Council (GCC) countries have long relied on their oil and gas sectors for economic growth. However, in the face of global pressure to decrease greenhouse gas emissions, these countries are recognizing the importance of offsetting. Offsetting includes efforts to invest in clean energy, reduce carbon emissions, and promote sustainable development.

In the GCC, sustainable development has become a priority as countries realize the need to diversify their economies, reduce dependence on fossil fuels, and align with global environmental goals. The [World Bank](#) highlights the region's commitment to sustainable development, as GCC leaders look to create long-term, environmentally-friendly economic growth strategies.

Emerging Green Technology

To achieve their sustainability goals, GCC countries are embracing emerging green technologies across various sectors, including shipping and banking. In the shipping industry, investments in fuel-efficient vessels and the use of liquified natural gas as a cleaner alternative to traditional ship fuels are gaining momentum. The transition to renewable energy sources in the banking sector has also seen a surge, with institutions increasingly financing green projects and promoting sustainable investments.

The [PwC](#) report on GCC economies highlights the expected increase in efforts to green the economy. This focus on green technology positions the GCC countries as global leaders in renewable energy, climate adaptation, and innovative environmental solutions for traditional industries.

Future Implications

The adoption of sustainable practices and green technology reflects a long-term vision for the GCC countries' economic growth and environmental stewardship. By investing in cleaner technologies and adopting environmentally-friendly policies, the region seeks to secure its future in a global economy that prioritizes sustainability. Offsetting in the GCC not only contributes to global efforts to combat climate change but also helps these countries build more resilient and diversified economies. The IMF emphasizes the positive outlook for GCC countries, as they navigate the complex challenges of economic diversification and environmental concerns.

05 SOURCES

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6. [Why is net zero so important in the fight against climate change?](#)
7. [The six-sector solution to the climate crisis](#)
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10. [Gulf Cooperation Council: Economic Prospects and Policy Challenges for the GCC Countries](#)



At NetZero.Earth, we're driven by a bold vision: promoting environmental sustainability and helping GCC businesses understand and reduce their carbon emissions.

Our expert team is ready to collaborate closely with you, developing strategies that align with your sustainability goals. And if you don't have clear goals, we'll help you create them.

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