

SUMMARY - GULF ROUNDTABLE SERIES

PARTICIPATING SCHOLARS

David Scott is executive director of energy and economic affairs for the Executive Affairs Authority of Abu Dhabi. In that position, he leads a team of analysts who conduct targeted research and provide strategic economic policy advice to the Abu Dhabi leadership. Scott has been deeply involved in projects estimating future energy and water demands in Abu Dhabi and potential responses to it; he was deeply involved in the UAE decision to pursue civilian nuclear power. Prior to his current position, Scott was a regional vice president for Occidental Petroleum Corp. From 2001 to 2002, he served at the White House as the National Security Council's director for the Arabian Peninsula and North African Affairs. Scott is a former U.S. foreign service officer and an Army veteran. ■

UAE: Strategies for Enhancing Global Energy Security

There isn't enough energy in the world, and energy poverty is still a significant barrier to human development. As a result, energy suppliers must be strategic developing their trade and consumption patterns, according to David Scott. Scott is the executive director for economic affairs at the Executive Affairs Authority in Abu Dhabi. He discussed the UAE's model for energy production and use as well as its energy diversification goals at a Gulf Roundtable entitled "UAE: Strategies for Enhancing Global Energy Security" at CSIS on February 11, 2013.

Scott emphasized the UAE's interest in serving as a reliable energy supplier and maximizing the export potential of its energy resources. This interest, he said, grew out of UAE leaders' belief in the moral responsibility of energy producers to maximize access to energy around the world. Higher standards of living require a minimum level of energy consumption per person. With energy demand rising in growing economies and supplies scarce, energy exporters such as the UAE play a critical role in facilitating global economic growth and human development, Scott said. In terms of domestic interests, the UAE's leaders have determined that the cost-benefit analysis that determines production levels must consider not only profit, but also the returns on investment in human development and infrastructure that current production can finance. Scott contrasted this perspective with suppliers' historical effort to control production more carefully in order to maximize profit.

The UAE has employed several strategies to achieve these ends. On the supply side, the first strategy has been a focus on consistent expansion of production capability. Since the 1980s, the UAE has doubled its oil exports to approximately 3 million barrels per day (bpd), and it anticipates raising that number to 4 million bpd.

The second strategy has been improving security. In 2007 the UAE commissioned the Fujairah pipeline, an alternate route for the transport of oil which bypasses the Strait of Hormuz. In 2012 it completed the pipeline, which can transport 1.5 million bpd, or half of the UAE's daily oil exports. In building the pipeline, Scott explained, the UAE has leveraged its geography to alleviate a geopolitical risk—namely the threat that

THE GULF ROUNDTABLE SERIES

The CSIS Middle East Program launched the Gulf Roundtable in April 2007 to examine the strategic importance of a broad range of social, political, and economic trends in the Gulf region and to identify opportunities for constructive U.S. engagement. The roundtable defines the Gulf as the United Arab Emirates, Saudi Arabia, Oman, Qatar, Bahrain, Kuwait, Iraq, and Iran. The roundtable convenes monthly, assembling a diverse group of regional experts, policymakers, academics, and business leaders seeking to build a greater understanding of the complexities of the region. Topics for discussion include the role of Islamist movements in politics, the war on terror, democratization and the limits of civil society, the strategic importance of Gulf energy, media trends, trade liberalization, and prospects for greater regional integration. The Gulf Roundtable series is made possible in part through the generous support of the Embassy of the United Arab Emirates. ■

the Strait of Hormuz could be blocked in a conflict—that affects global energy security.

The final strategy has been ensuring that a diverse group of external parties have a stake in the UAE's energy production. Most of the UAE's energy exports go to Asia, in particular to Japan, India, Korea, and China. At the same time, the UAE has sought investment and support from companies and governments in North America, Europe, and Asia, building a community of nations with interests in securing and maximizing Emirati energy production. Scott noted that the United States' continued interest in the UAE's energy market, despite the fact that it does not import energy from the UAE, is one example of the success of this strategy.

On the demand side, the UAE has sought to diversify its domestic energy consumption so as to avoid exhausting resources that could be exported. Scott explained that UAE energy experts studied the examples of other oil-exporting states, where internal consumption eats away at export capacity.

The UAE has developed an alternative model seeking to maximize oil exports that he estimates will yield an additional 343 million exportable barrels per year by 2030, or savings of around 1 million bpd. This model relies on multiple resources for domestic power production and consumption. They include additional sources of natural gas through the Dolphin Gas Project, its initiative to import natural gas from Qatar's offshore North Field, and the establishment of Emirates LNG, which works to import natural gas from other sources abroad. The UAE has also invested in nuclear energy development through the Emirates Nuclear Energy Corporation (ENEC) and in renewable energy projects, especially efforts to develop waste energy.

Planners are investigating the potential for solar and wind power to contribute more to the UAE's energy mix and are working to stabilize energy grids and promote better efficiency to manage demand. For example, air conditioning accounts for up to 60 percent of the UAE's electricity demand annually, so UAE energy experts are focusing on improving building design and the efficiency of air conditioning units, Scott said. He estimated that these new technologies could reduce consumption by approximately 22,000 bpd.

The importance of Asian markets and particularly of China as a future growth market is plain to the UAE's leaders. In the past couple of years, UAE energy exports to China have tripled to a total of around 200,000 bpd, Scott said.

Existing long-term contracts with other East Asian markets tie up most of the UAE's supply, limiting further growth at present. However, according to Scott, as the UAE's supply grows it anticipates increasing its exports to Asia, including China. The UAE signed an agreement with China in 2012 awarding four upstream blocks. The UAE is interested both in securing a long-term customer and in building an important strategic relationship.

Scott highlighted several ways in which the United States could look to the UAE's energy strategy as a model. He argued that the UAE has demonstrated the viability of a balanced approach to combining strong energy exports with strategic imports and concerted efforts to reduce domestic consumption, all in order to promote growth and secure long-term energy supplies. The UAE has also successfully leveraged its geography in order to enhance its reliability as an energy exporter, something Scott suggested the United States could think more creatively about, for example by strengthening its export facilities on the West Coast. Scott also argued that anticipated U.S. energy independence will not have as dramatic an effect on U.S.-UAE relations as some suggest, noting that shared interests in trade, securing the international crude market, and Middle East security more broadly underlie the bilateral relationship. ■

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