Fuel, Food and Utilities Price Reforms in the GCC
A Wake-up Call for Business
Summary

• A period of lower global oil prices is enabling oil-exporting Gulf countries to reform heavily suppressed energy, water and food prices at home. While fuel prices in those countries remain well below international market levels, rises of between 60 per cent and 133 per cent have, in some cases, taken place overnight.

• Continued reforms will have wide-ranging implications for business and the political economy – particularly in the largest of the Gulf Cooperation Council countries, Saudi Arabia, which is accustomed to some of the lowest fuel and utility bills in the world.

• Changes to domestic gas and diesel prices will affect, above all, industry; of particular significance is the separation of the price of ethane from that of sales gas in Saudi Arabia and the prospect of gas contract revision in the United Arab Emirates.

• Higher fuel prices should drive increased efficiency in the power and water sectors. However, patterns of allocation and financial transfers within government, in some countries, mean that step changes will be incentivized only through the further unbundling of utilities.

• It is worth taking a 'nexus' view of price reforms. Transport fuel and water price revisions in Saudi Arabia will affect the logistics sector and agribusiness and these changes will begin to trickle down into retail products, raising the prospect of further inflation and measures to limit it. The alfalfa phase out is expected to free up large volumes of groundwater, potentially reducing desalinated water demand in the north and therefore saving fuel.

• This is not the first time that reform plans have been tabled, but their role in the social contract, as well as regional threats to stability and rising oil revenues, previously stalled their progress. These reforms go beyond cutting subsidies, with wide ranging diversification objectives and plans to tax some drinks, food and tobacco products for the first time.

• Smooth transition to more efficient pricing regimes will entail smart wealth redistribution measures – particularly in Bahrain, Saudi Arabia and Oman – and harnessing the benefits of new growth sectors. Efficiency and renewable energy markets are two sectors with major potential if governments encourage them to develop.
Introduction: squeezed from both sides

As the international oil price gravitated back to 2002 levels, between June 2014 and January 2016, some unprecedented changes in domestic energy and related resource pricing took place in the six oil-exporting monarchies of the Gulf Cooperation Council (GCC). Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE) together produce 20 per cent of the world’s oil – Saudi Arabia is the biggest producer with 9–10 million barrels a day – and governments have depended on petroleum exports for 60–90 per cent of their revenues. A decade of strong petroleum international prices for GCC products has underpinned high growth matched by rising levels of state spending. But now these six economies are being squeezed from both sides. The 70 per cent drop in oil international prices, between June 2014 and February 2016, has resulted in public deficits not seen since the late 1990s. As government revenues are slashed and sovereign wealth funds drawn down, it appears that support for energy, water and food policy reform is one means of simultaneously making budget cuts while moving away from a depletion- and consumption-led growth model.

Figure 1 charts changes since the spring of 2014. In late December 2015, Saudi Arabia announced its 2016 budget and increases in the price of its natural gas, transport fuel, electricity and water tariffs. Although prices are still ‘cheap’ by international standards and relative to median incomes, this was the most radical price reform the conservative kingdom had ever witnessed. Neighbouring Oman and Bahrain, which had already raised domestic gas prices the previous year, followed suit a couple of weeks later, hiking both petrol and diesel prices. The UAE linked its transport fuel prices to international market prices in August 2015 and Qatar followed suit in May 2016. At the World Economic Forum in Davos the following January, the UAE minister of energy announced that the government would revise natural gas prices. And Saudi Arabia’s comprehensive Vision 2030 launched in April promising gradual liberalization of the fuels market.

Figure 1: GCC domestic price reforms in the context of falling international oil prices

* The OPEC basket spot price is taken from the OPEC Monthly Market Oil Report.
Sources: National government websites, and various national media.

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1 In real terms.
With small populations relative to their oil and gas reserves, these countries exhibit high rates of consumption growth fostered by some of the lowest energy and water prices in the world. While there are important socio-economic and political differences from country to country, the region as a whole represents an extreme case of resource-intensive growth, the symptoms of which – such as groundwater depletion and problems keeping pace with growing power demand – affect many other countries.

The price reforms are significant for global agendas calling for ‘getting the price right’, whether they be linked to energy and water security, resource conservation or climate change. Saudi Arabia, the UAE and Qatar, in particular, are influential in international forums on issues related to sustainability. At the same time, GCC countries set an example as donors and investors in developing countries and serve as models for other petroleum-exporting states, especially through their role in OPEC. On a domestic level, the reforms may mark the beginning of a reshuffling of government support measures that will begin to reorient economies and thus affect business and investment. If this is the case, the most important questions will be how winners and losers are managed and whether new sectors for growth can be harnessed as old ones decline.

This research paper is just the beginning of the discussion. It explores the drivers for the price reforms, comments on their economic impacts and implications and considers the extent to which these reforms represent a sustainable break from the past.

A political problem

Reform of fuel, water and electricity prices presents a political problem in the GCC states, not only because they are an entrenched aspect of the social contract but also because neither government nor consumers are fully aware of the costs and value of the resources.

Energy and water prices in the GCC are amongst the lowest in the world. For example, oil sold domestically in a GCC country at $30 per barrel translates roughly into a $0.52 per litre cost of production and supply for petrol; but even when international prices were in the $100s per barrel, domestic petrol prices in the GCC were as low as $0.16 per litre. By the same token, local gas prices have long been a fraction of international LNG prices – averaging $1.4 per million British thermal units (mmBtu) up to the end of 2014, compared with global prices mainly falling within the $7–16 per mmBtu band in 2007 to 2014 – and less than one-third of North American gas prices over the last decade. Taxes or costs related to social or environmental impacts are not included in either of the above equations. In the United Kingdom, for example, just over 70 per cent of the price of a litre of diesel is VAT and duty. Meanwhile, until recently water has remained free of charge to nationals in Qatar and the Emirate of Abu Dhabi and at negligible rates in other GCC countries, despite the rising fuel volumes required to desalinate seawater and treat waste water. Various price controls affect food, including through energy and water inputs to domestic agricultural production and through subsidies to marketeers of imported products, chiefly meat.

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1 For example, Saudi Arabia’s role in the G20 (in which price reforms remain an issue following the 2009 agreement to phase out ‘inefficient fossil fuels subsidies’); the UAE’s role in Rio+20 (Earth Summit), its hosting of the International Renewable Energy Agency (IRENA) and its serving as a centre for conferences on energy and sustainability; and the role of all GCC countries – and Saudi Arabia, in particular – in the international climate-change negotiations and various UN forums, including those on the Sustainable Development Goals (SDGs).

2 LNG is not necessarily the correct reference price for gas in the GCC, but even minus liquefaction and transportation costs it would usually exceed $3 per mmBtu. North American gas prices remain closely correlated to those set at Henry Hub, which averaged $4.80 per mmBtu from the beginning of 2006 to the end of 2015.

While there are some countries that keep prices lower – Algeria (gas) and Venezuela (oil fuels), for example – the six GCC countries have the lowest prices relative to average incomes. Per capita income varies significantly from one GCC country to the other, as does the level of income inequality. But all GCC countries fall into the upper middle- to high-income bracket.6

Whereas high international oil and gas prices have spurred countries with high fuel import bills (including exporters that rely on refined imports for domestic use) to try to reduce consumption subsidies, they have tended to encourage low domestic prices in the GCC.

State-controlled prices are one way of protecting national living standards, sharing national hydrocarbon wealth and incentivizing industrial growth and investment. Whereas high international oil and gas prices have spurred countries with high fuel import bills (including exporters that rely on refined imports for domestic use) to try to reduce consumption subsidies, they have tended to encourage low domestic prices in the GCC. For example, electricity tariffs fell in nominal terms in Kuwait and Saudi Arabia in the 1960s and 1970s just as oil revenues increased.7 In 2006, the late King Abdullah of Saudi Arabia decreed a further reduction in national petrol prices in order to spread the benefit of the higher prices that the country was receiving for its oil at that time. At the same time, high oil prices discouraged energy-sector reform. While governments that had embarked on market restructuring to attract private investment – in the power and water sectors, in the late 1990s and early 2000s – did not officially reverse those plans, progress tended to slow.8

Furthermore, governments may not regard all prices below international market prices as ‘subsidized’. The gap between the regulated sales price of fuel and the cost of its supply – the subsidy paid by the government, which affects the national budget – is clearly different from the gap between the sales price and the international trade price of a unit of a commodity. The ‘opportunity cost’ of not exporting (deployed by the IMF and many others as the benchmark for calculating subsidies), better reflects potential or future loss of revenues. However, there are complications in applying the opportunity cost. Because Saudi Arabia is a price-maker for oil in the international market,9 its opportunity cost of not exporting oil may not be the same as the current international price (as exporting more oil could reduce global market prices). Finding the correct reference for efficient gas pricing or assessing the costs of ground-water extraction is trickier, given the variable costs, the joint production issue and the lack of a global price benchmark.10

These factors obviously inhibit reform. But there are three further reasons why economists and political analysts would not have expected change.

6 Above $4,125 as defined by the World Bank in July 2014.
8 Methods of reform and progress on restructuring and unbundling are mixed with least change in Kuwait where the Ministry of Electricity and Water continues to manage the utility services, and arguably most in Abu Dhabi and Oman, where separation of generation, transmission and distribution was achieved by 2007. To date, independent regulators are established in Saudi Arabia and Oman and the Emirates of Abu Dhabi and Dubai. See Al-Sunaidi, A. M. (2011), 'Electricity service utilities in the GCC: Steps towards a common regulatory reform', a thesis submitted for the Degree of Doctor of Philosophy in Economics in the University of Hull, https://hydra.hull.ac.uk/assets/hull:6232a/content (accessed 18 Apr. 2016).
First, the wealth of the GCC states means that unlike neighbouring Jordan, Egypt, Iraq and Yemen – all of which have undergone fuel price reforms in the last few years – they are not beholden to international financial agencies (see Box 1 below). Although they receive advice from the IMF, for example, they are not obliged to act on it.

Second, a state-business elite benefiting from energy-intensive industries (petrochemicals, cement, steel, construction, trucking and agribusiness for example) can always be expected to act to block reforms that challenge the basis for its profits.

And third, the worsening security situation in the region following the Arab uprisings in 2011, the conquests of ISIS and a stronger Iran appears to make Gulf governments reluctant to be seen to take anything away from their citizens.

The exception during the period of high fuel prices was the Emirate of Dubai, which brought its electricity and water tariffs into line with costs in 2011. In this case, it could be argued that Dubai’s unique circumstances as a city-state ‘importing’ fuel (gas and oil from its sister emirate, Abu Dhabi, and LNG from the international market) with a 90 per cent expatriate population, which would not resist the change, played a decisive role. However, there were also leadership and governance factors: namely, that the government instituted the Dubai Supreme Council of Energy, which has the authority to draw up and oversee implementation of a domestic energy strategy that includes specific targets for efficiency and diversification of the energy mix.

So far, neither the UAE nor any other Gulf state has a coordinated policy on domestic energy consumption. Since these countries have plentiful oil and gas as well as small populations, their leaders long harboured the view that they did not need such a policy and thus did not establish an institutional framework for passing and implementing the necessary legislation. However, throughout the last decade, facts on the ground have increasingly challenged this view.

## A new resource reality hits home

A decade of higher-than-average global oil prices has driven population, infrastructure and consumption growth in the GCC countries, which all depend on energy from gas and liquid fuels. During the past four years, governments have begun to publicly acknowledge that current consumption trends would require unsustainable levels of government spending to build new supply capacity and support low consumption prices. Price supports tend to be universal or barely discriminate between consumers, which means that richer (or larger) companies receive a larger share of the benefits than poorer (or smaller) businesses, while investment flows to energy-intensive industry.

The overriding problem is the cost of energy relative to average incomes and commercial revenues, to which water, fuel and power conservation have had negligible financial value in the GCC. Real Saudi household income, for example, grew at roughly 6 per cent a year during the period 2004–13, according to the Saudi Ministry of Economy and Planning. Based on available income data for Bahrain, Qatar, Saudi Arabia and the UAE for 2012, the price of filling up an SUV tank with petrol is currently cost-reflective (including the prices that Dubai pays for gas from Abu Dhabi and for LNG imports) for expats, industry, and government. Nationals pay a lower electricity tariff – one that does not reflect the cost of production.

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was the equivalent of just 1 per cent or less of average civil-service salaries, compared with around 10 per cent in the UK. This ranged from 2.5 per cent to 6 per cent for low-skilled private-sector workers (generally expat labour) across the region.¹⁴

Box 1: The global and regional context for price reforms

The prices of vital resources – particularly water, food and energy – are a crucial factor in domestic consumption, production, public-spending patterns and thus the fiscal health and general state of the economy as well as social well-being. The story of low- to middle-income countries whose governments become indebted and are under pressure from international financial agencies to reduce subsidies is not a happy one. If they move too fast, countries risk outbreaks of violence and even the fall of governments. There are many examples where ‘liberalizing the market’ in an environment of insufficient social supports and continued corruption has been a factor in the overthrow of a government or in the outbreak of civil war (including in Egypt in 1977, in Indonesia in 1998, in Venezuela from 1989 to 1993 and, more recently, in Egypt and Syria in 2011 and in Yemen in 2014). While many lessons have been learned from experience, the timeframe and governance are crucial for the smooth introduction of reform: i.e. is there sufficient time for the planning and gradual sequencing of measures and do people trust the government to implement and manage reforms effectively and fairly?

During the period of high international fuel prices (2004–14), reforms were successfully implemented in several net fuel-importing countries; but attempts to implement reforms in fuel-exporting states have led to deadly riots – as in Nigeria in 2012 and in Sudan and Bolivia in 2013. Notable exceptions are Iraq in 2005 and Iran in 2010. In contrast with the GCC states, these two countries are dependent on the import of refined fuel products at international prices, and that dependency necessitates a transparent and rising subsidy that the government paid to support much lower domestic sales prices. In the case of Iraq, the state was under US administration throughout this period and post-war conditions dampened the capacity for protest.² For its part, Iran had longer experience with implementing reforms, including experimenting with fuel quotas using smart cards, and a more sophisticated system of administration than that of many countries reforming subsidies. The Iranian government rolled out a comprehensive reform plan in 2010, which was preceded by monthly cash transfers to all citizens who had registered. Although President Ahmadinejad was accused of mishandling the plan and its implementation stalled, Iran’s experience sent a message about what was possible even in oil-exporting states with entrenched subsidies.³

It is interesting that one of the governments most interested in Iran’s reform experience was its neighbour and fellow OPEC member, Saudi Arabia – this despite all their political differences.

¹⁴ For the purposes of this comparison, an SUV tank was assumed to take 90 litres of petrol. Salary estimates for GCC countries are from Hertog, S. (2013), The Private Sector and Reform in the Gulf Cooperation Council, LSE Kuwait Programme on Development, http://www.lse.ac.uk/middleEastCentre/kuwait/documents/the-private-sector-and-reform-in-the-gcc.pdf (accessed 18 Apr. 2016). UK gross salaries were used here, since there is no taxation on GCC salaries.

¹⁵ Many studies have drawn attention to the unsustainability of resource use.⁵ For its part, the UAE government has pointed out that it may have only 50 years’ worth of groundwater left, on current rates of consumption. In Saudi Arabia, aquifers and springs – such as those in the historically fertile Al-Hasa – have already run dry.⁶ Hundreds of billions of dollars are planned to be spent in the

¹¹ Chatham House Workshop on Valuing Vital Resources, September 2014.


region on financing and powering the desalination of seawater as demand grows and natural sources evaporate.\textsuperscript{17} The UAE, Kuwait and Oman have all increasingly become importers of LNG from the international market owing to domestic shortages. Bahrain is planning LNG imports from 2018 onwards. Saudi Arabia relies on burning eye-watering amounts of its crude oil to meet growing power demand and peaks in consumption each year. And rising oil consumption in Kuwait has already cut into its capacity to export.\textsuperscript{18}

All governments have expressed the desire to supplement oil and gas with alternative energy sources and promote efficiency. Renewable energy is increasingly desirable, no longer as a fancy accessory but as a means of managing peak demand and reducing fuel consumption.

Consequently, all governments have expressed the desire to supplement oil and gas with alternative energy sources and promote efficiency. Renewable energy is increasingly desirable, no longer as a fancy accessory but as a means of managing peak demand and reducing fuel consumption. But despite a raft of initiatives launched during the past five years to bring about change through regulation and investment, low oil, gas and water prices remained the obstacle to transformation.

**Price reforms – what is happening?**

Plans for subsidy reform were drawn up and related studies carried out by various GCC government departments during the last five years, although those documents were not made public.

At the same time, pricing was not entirely static during the period to mid-2014. UAE transport fuel prices, however, have been increasing at least since the late 1990s – those prices are set by the government and state-owned retail enterprises, while diesel had reached ‘unsubsidized’ status (by the government’s own definition) by 2010.\textsuperscript{19} Bahrain began gradually raising natural gas prices in 2007 with the aim of reaching cost price in 2021. The above-mentioned reform of electricity and water pricing in Dubai took place between 2008 and 2011.\textsuperscript{20} Meanwhile, both Oman and Saudi Arabia experimented with adjusting industry power tariffs to encourage the reduction of demand peaks, which require expensive additional generation capacity.

By 2012 it had become clear that various national entities were aligning over price reform, including the ministries of oil and/or energy, independent power and water regulators, national oil and gas companies, ministries of environment, electricity and water authorities, ministries of finance and central banks. At the same time, the rhetoric about subsidy reform became increasingly audible. Regional associations – including the League of Arab States, the United Nations Economic and Social Commission for Western Asia and the Arab Forum for Environment and Development – held high-level meetings (attended by ministers) during the first half of this decade at which there were


strong calls for price reform. In November 2013, Oman’s minister of oil and gas, H. E. Mohammed Al-Rumhi, summed up the mood among the group when he said: ‘We are wasting too much energy in the region, and the barrels that we are consuming are becoming a threat now, for our region particularly… what is really destroying us right now is subsidies… we simply need to raise the price of petrol and electricity.’

In May 2014, Qatar raised the domestic price of diesel by 50 per cent and the UAE changed its electricity and water tariffs. National reforms across the region accelerated from the beginning of 2015 onwards, when it had become clear that the sustained drop in the oil price posed the threat of becoming a real budgetary constraint.

The following sub-sections set out the current prices across the GCC for natural gas, diesel, petrol and tariffs for electricity and water. Each section is accompanied by a discussion of the main considerations surrounding reforms, implications for business and implications for consumers.

**Natural gas**

Natural gas is central to the GCC economies. It feeds the power and water sector, the petrochemical and fertilizer industries (as feedstock as well as to generate power) and other industries in all six countries. Natural gas is exported in large volumes by Qatar and in smaller volumes by Abu Dhabi and Oman. Despite being ‘gas rich’ – the region holds 22 percent of the world’s proven gas reserves – gas supply constraints are a concern for all countries except for Qatar. The importance of natural gas in Gulf economies has increased over the years and the higher costs of marginal supply are tangible. This has implications for how countries value gas (as explained in Box 2) and has thus spurred efforts to raise its sales price.

Bahrain has to date followed through with its gradual domestic gas price reform: the latest hike – 11 per cent – took place in May 2015. Oman doubled its domestic gas price in January 2015 and Saudi Arabia followed suit in January 2016. For the first time, the Saudi government separated the price of sales gas (methane) – mainly bound for the power-generation sector – from that of ethane, the price of which jumped 133 per cent. This change affects commercial decisions in the petrochemical sector.

Previously, most political and economic analysts, both inside and outside Saudi Arabia, doubted that gas price reform would take place. The kingdom had the lowest price of gas in the region at $0.75 per mmBtu – owing to vested interests (namely petrochemical companies). Gas price reform had been debated internally at least since the late 1990s, but a serious plan did not emerge until King Salman’s formation of the Council of Economic and Development Affairs (CEDA) in January 2015. A sub-committee initially considered a formula linked to a basket of international gas prices, but industrial consumers expressed a strong preference for the stability of fixed pricing over variable market pricing.

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Box 2: Factors affecting the value of natural gas in the GCC

The cost of supplying natural gas varies from country to country; and it is not easy to define a ‘reference’ price, since it depends on factors such as the life of reserves, production costs, opportunity costs, the costs of alternatives and value in use. However, there is little disagreement that natural gas has become more valuable to the Gulf economies over time, as Figure 2 below illustrates.

Figure 2: GCC changes in gas flows, 2000–13


Qatar has become a major exporter and its economy is increasingly dependent on the revenue generated from international demand for LNG. In the case of all GCC countries, gas consumption has risen rapidly. Saudi Arabia’s natural gas production grew around 6 per cent annually between 2000 and 2010 – one of the fastest growth rates in the world – while consumption rose as power and industry competed for gas resources. At the same time, gas is linked to oil revenue. In Oman and the UAE, a substantial quantity of gas (around 23 per cent \(^a\) and 40 per cent \(^b\) of production, respectively) is reinjected for ‘enhanced oil recovery’, which has a direct impact on availability of oil for export. Meanwhile, the rising value of gas to Gulf economies has prompted the development of non-associated gas; this development can be seen in Qatar, Oman, Bahrain and Saudi Arabia, while the UAE and Kuwait both expect production of this fuel type to grow.\(^d\)

Natural gas has not only underpinned industrial development, it has also been the fuel of choice for the power and water sectors. Competition between the two sectors over allocations signalled the need for price adjustment. The case for adjusting prices has strengthened in the UAE, Kuwait and Oman, which all began importing LNG in the late 2000s. In the UAE, the expectation of increasing dependence on LNG imports has led the government to focus increasingly on energy conservation. While it is difficult to find a reference price for the region, the cost of developing non-associated gas – new tight and sour gas in Saudi Arabia and the UAE costs an estimated $6–8 per mmBtu to produce – could serve as a proxy for long-run marginal cost. Modellers at the King Abdullah Petroleum Studies and Research Center (KAPSARC) estimated ‘the value, for the Saudi energy economy, of adding 1 mmBtu of natural gas supply’ at around $12.5 per mmBtu in 2015, based on current efficiencies in use and substitute fuels.\(^e\)

\(^a\) For a detailed discussion of why finding the right price for natural gas is complex but essential see Lahn, G. and Stevens, P. (2014), Finding the ‘Right’ Price for Exhaustible Resources.

\(^b\) Author’s own calculation based on the Oman Ministry of Oil and Gas (2013), Annual Report 2013: Energy for Oman Today and Tomorrow.

\(^c\) Associated gas accounts for the bulk of Qatari production and around 80 per cent, 70 per cent and 50 per cent, respectively, in Oman, Bahrain and Saudi Arabia, based on 2014 production.

\(^d\) UAE Crown Prince Court and Ministry of Foreign Affairs (2014), ‘Natural Gas: An Assessment of Global Trends and UAE Developments: A Joint White Paper’, p. 22 (unpublished). Other sources suggest the figure is closer to 30 per cent; see, for example, Masdar Institute and IRENA (2015), Renewable Energy Prospects: United Arab Emirates, ReMap 2030, Abu Dhabi: IRENA.

In the UAE, gas supply costs and prices are less transparent. Abu Dhabi receives gas from a number of sources: associated gas from the Abu Dhabi National Oil Company (ADNOC), natural gas from the Dolphin gas pipeline (in variously priced tranches) and LNG imported at international prices (up to $16 per mmBtu in recent years). It then supplies gas to various entities and emirates based on historical contract prices, generally assumed to be $1–$2 per mmBtu. In January 2016, Minister of Energy Suhail Al Mazrouei signalled that those prices would change, saying ‘there are old gas contracts that are not realistic and do not reflect fair pricing’.23

Figure 3: Changes in GCC natural gas prices and selected international natural gas price comparisons 2014 vs 2016

Effects on industry

Heavy industry will be most affected by changes to natural gas prices – particularly petrochemicals, fertilizers, iron, steel and aluminium, cement and ceramics. One year after Oman had hiked the domestic natural gas price, some cement and ceramics companies in that country reported falls in pre-tax profits of 12–18 per cent compared with the previous year. In Saudi Arabia, the higher ethane price will affect costs for petrochemical companies: these will now have to pay 133 per cent more per unit (although the hike is to be introduced in stages and the old prices will continue to be charged for volumes contracted for certain periods).24 Nonetheless, the new Saudi price is still 40 cent lower than what industries have to pay in Oman.

The prospect of revised gas contracts in the UAE is cause for concern among private chemicals and steel industries in that country, not least since it would coincide with the decline in international steel prices since mid-2011. However, most energy-intensive companies are state-owned, meaning that the government may allow costs to be absorbed by what it considers ‘strategic industries’. This will depend on whether a company is regarded as value for money not only in terms of revenues but also of employment and the strategic nature of the markets it serves.

Transport fuels

Transport fuel pricing in the GCC remains the most politically sensitive issue, not just because of the image of oil-exporting countries as ‘oil rich’ but also due, in part, to the potential direct impact on major consumers and indirect impact on other areas such as food prices.

As fuel demand growth eats into the oil-export potential of some of the GCC countries and smuggling continues – particularly from Saudi Arabia – this issue has been a focus of discussions at the regional level. For several years, the large discrepancies in transport fuel prices between the individual GCC states has been a concern. Rising prices in the UAE, Yemen and Jordan over the last decade have driven the discussion about standardizing fuel pricing at the GCC level. More recently, urban traffic congestion and air pollution – particularly in Saudi Arabia and Kuwait – have strengthened the case for price reform.

Figure 4 shows the changes in diesel prices across the region between January 2014 and January 2016. The trend is towards smaller differentials. Figure 4 also highlights Saudi Arabia’s more cautious approach compared with that of other states in the region. This may be due to diesel’s greater importance in the Saudi economy owing to longer transportation distances and the fuel’s use in power and agriculture.

Figure 4: Diesel prices in the GCC countries 2014 vs 2016 with two international comparisons

Sources: UAE Ministry of Energy and Natural Resources; UK Government statistics; Manaseer Oil and Gas; World Bank Indicators 2015; local news sources and interviews.

In the UAE, fuel prices crept up a notch when a new market linked pricing regime was introduced in August 2015, but fell thereafter along with global oil prices. Unsurprisingly, given the subsequent decline, there has been no resistance to the change, although there has also been no impact on fuel conservation either. The next logical step would be to introduce VAT and some kind of emissions charge; this would drive a wedge between the market price and the consumption price, increasing predictability and incentivizing use of public transport and fuel-efficient cars.

**Effects on industry**

Different fuels will impact on different consumer groups: diesel is mainly used in logistics, electricity generation in the power sector and industry’s own power generation, and for water pumping in agriculture, while most passenger vehicles and light commercial vehicles use petrol.

Higher diesel fuel prices in Saudi Arabia will affect the logistics sector and those who rely on it and will trickle down into the costs for retailers. While the hike in the diesel fuel price from 8 cents per litre to 12 cents per litre may not seem like a big change, a back-of-the-envelope calculation suggests that it will add about $631 million to the 2016 costs of the Saudi logistics industry.\(^26\) Other high-consuming industrial sectors, such as the cement industry, will be affected too.

**Effects on consumers**

Transport fuel hikes always have a more immediate psychological effect. The announcement of a fuel price rise is inevitably followed by queues at petrol stations as people rush to fill up before the price is increased. This is exactly what happened in Saudi Arabia, Oman and Bahrain in late 2015 and in early 2016. In Saudi Arabia, where car travel is essential and cities are designed along the US model of a sprawling grid system, buying petrol is a habitual activity. Wealthy citizens are already noticing the difference. During the author’s visit to the kingdom in January, one businessman explained how it had

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\(^{26}\) This is based on the sector’s annual diesel consumption of 16.1 million tonnes (KAPSARC, 2016, forthcoming).
cost SAR45 ($12) to fill up his tank for as long as he could remember and that he had always given the petrol station attendant one 50 riyal (SAR) note and told him to keep the change. In late December, the attendant surprised him by saying that wasn’t enough as the price had risen to 77 riyals overnight; so he ended up leaving a 100 riyal note ($26.66) instead. However, since that sum may still account for just 1.5 per cent of the average civil-service salary and given that there is still no viable alternative transport system (a metro is planned to open in Riyadh for 2018), the hike is not large enough to change driving habits.

The food basket

Governments will keep a close eye on food prices, which tend to rise when transportation costs go up. This can become a focus for popular uprisings (as was the case in Egypt in 2011 and Nigeria in 2012). The GCC imports about 90 per cent of its food; because international prices have been falling – in tandem with sinking fuel prices – since August 2014, the overall impact of domestic fuel hikes on food prices may be muted. However, the major Saudi agribusiness Almarai claimed that adjustments in fuel, water and electricity prices would add $80 million (SAR 300m) to its 2016 costs. The company also said it would be paying around $53 million more a year for fodder imports owing to the government’s decision to phase out the cultivation of water-intensive green fodder crops (mainly alfalfa) by 2019. The question is whether Almarai and other companies will be allowed to pass on such costs to consumers, rather than tightening up or changing production practices in order to lower their water and energy costs. The company’s share price fell following the announcement of the reforms.

The diesel price increase in Saudi Arabia is unlikely to be high enough to reduce groundwater pumping, but the decision to phase out the cultivation of alfalfa should make a significant difference. For example, it is reported that farms in the Jawf region in northwestern Saudi Arabia use around 2 million cubic metres of groundwater a day, chiefly to produce animal fodder; this is more than a day’s water use in the city of Riyadh. The government is hoping that the alfalfa phase out will free up groundwater for domestic use in some regions, thus relieving the need to pump desalinated water over long distances. Questions remain over whether a cost would be applied to this groundwater and how its allocation will be managed.

Food price reforms are also taking place. In the past, Gulf nationals have shown sensitivity to meat, fish and dairy product prices, especially those produced domestically. When Almarai raised the price of milk in Saudi Arabia in 2012, there was a national outcry and a boycott of the company; the government responded by forcing the producer to reduce the price. In Kuwait, a similar consumer boycott followed a recent increase in the price of the nation’s ‘favourite fish’, the zubaidi (un-subsidized), resulting in sellers bringing the price down again. Bahrain switched to market pricing for meat and poultry, in October 2015, in an effort to cut rising subsidy bills – especially since most meat comes from animals imported at international prices. The move, which initially caused meat prices to soar by three to four times, prompted a strike by some butchers and was criticized by the political opposition amid heightened political tensions following the 2011 demonstrations and crackdown. In January, the GCC Secretariat

27 Interview with the author in Riyadh in January 2016.
tabled a plan for a uniform ‘sin tax’ of up to 100 per cent on fizzy drinks and tobacco products across the region for potential implementation in 2017. This is logical on public health grounds given the high rates of diabetes and obesity in the region.

**Utilities**

Independent regulators in Saudi Arabia, Abu Dhabi, Dubai and Oman have been a driving force behind electricity and water pricing reform. Mandated to provide value for government and security for customers, these entities have a natural interest in boosting efficiency on the demand and supply side as well as in the use of alternative energy sources. The efficiency targets set by the Dubai Supreme Council of Energy in 2010 led to the move to cost-reflective pricing in 2011. In Oman the levelized cost per kilowatt-hour (kWh) is assumed to be around $0.08 per kWh if the opportunity cost for gas – which serves as a benchmark – is taken into account. The corresponding figure in Kuwait is $0.16 per kWh (2014), which factors in international prices for fuel. As Figures 6–8 show, the majority of residential consumers across the region remain highly subsidized.

From a political standpoint, utilities prices should be easier to reform than transport fuels. First, the effects of price changes on society are felt not in the price per unit of electricity sold (kWh) but in the overall bill, and the response to bills is neither as immediate nor as communally felt as that to prices at the petrol pump. Second, setting prices per unit by consumption slab can discourage excessive consumption whilst keeping low costs for basic consumption needs – Figure 6 shows that the UAE, Saudi Arabia, Oman and, to a lesser extent, Bahrain are using this mechanism. This approach offers the potential for cross-subsidization: high-consuming customers pay above the cost price, in effect subsidizing the tariff for low-consuming customers. And third, efficiency measures may be taken to ensure the same level of comfort at a reduced number of kWh.

**Figure 6: Residential electricity tariffs across the GCC**

* Tariffs for nationals living in villas (those living in flats have different tariffs).
** This is for the first registered household of Bahraini nationals, further properties are charged at higher rates.
Sources: National government ministries, electricity companies and regulators.

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Fuel, Food and Utilities Price Reforms in the GCC: A Wake-up Call for Business

Figure 7: Commercial electricity tariffs across the GCC

* In addition to tariff costs, Saudi Arabia adds a ‘meter reading, maintenance and billing charge’ of between $2.66 and $7.00 per bill based on breaker capacity. This also applies to the below tariffs.
Sources: National government ministries, electricity companies and regulators.

Figure 8: Industrial electricity tariffs across the GCC

* Tariff for up to 10,000 kWh/m consumption.
** Bahrain has a slab tariff, this is the rate for 5,000 and 250,000 kWh/m consumption.
*** Peak tariffs only apply to over 1 megawatt (MW) consumption.
Source: National government ministries, electricity companies and regulators.

Low electricity and water bills in the Gulf countries (see Figures 12 and 13) are due not only to low fuel prices and subsidization but also to the first consumption slab/block being set too high. For example, the lowest water price tariff applies up to 200 m³ per month for nationals in Abu Dhabi, who received water bills for the first time in 2015 (that is the equivalent of over 1,100 litres per day per person in a household of six). Until March 2016, households living in Bahrain paid under 1 USc per kWh for the first consumption slab of up to 3,000 kWh per month. In line with its plan to lift subsidies on electricity, the government of Bahrain raised the price per unit in the first consumption slab to 1.4 USc per kWh in March 2016 for Bahrainis and three times that for non-Bahraini residents. This is scheduled to rise to the estimated cost price of 8 USc per kWh by 2019 but with
no stated plan to adjust consumption slabs. The Saudi government made a significant change to its water tariff structure for 2016 by lowering the first block volume from 50 m$^3$ per month to 15 m$^3$ per month and introducing several blocks beyond that at an increasing rate.

**Figure 9: Residential water tariffs across the GCC**

<table>
<thead>
<tr>
<th>Consumption block (m$^3$/month)</th>
<th>Tariff (US c/m$^3$)</th>
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<td>0</td>
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<td>150</td>
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* All water bills in Saudi Arabia now include a maintenance charge of 5–15 riyals ($1.33–4.00), depending on the diameter of the meter.
Source: Government ministries, water companies and utilities regulators.

**Figure 10: Government water tariffs across the GCC**

<table>
<thead>
<tr>
<th>Monthly consumption (m$^3$)</th>
<th>Tariff (US c/m$^3$)</th>
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* Includes sanitation service charge.
Source: Government ministries, water companies and utilities regulators.
Effects on consumers

On the demand side, the effects will depend on how people and businesses pay their utility bills, what the new prices mean relative to their incomes, and whether they take measures to conserve energy and water in order to reduce their bills. First, not everyone sees or feels the impact of the bill: it will be either the head of the household, the office manager or director or the owner of the building who pays. Second, tenancy arrangements and lack of sub-metering may result in a time lag. Many people who rent flats or offices in Riyadh, for example, pay rent in advance for the year in January, inclusive of bills, meaning that the landlord is unable to factor in increased tenancy costs during that rental period, as a result of which the tenant may experience no change for one year. Third, in most Gulf countries payment is now by direct debit, meaning the consumer may be less aware of the higher cost. However, in Kuwait utility bills have to be paid at the local government/authority office. Until recently, there were no penalties for non-payment, meaning that bills customarily went unpaid for months or even years; but, in 2014, Kuwait’s Ministry of Electricity and Water launched enforcement measures.32 Nevertheless, the change in tariff structure to penalize excessive consumption in Saudi Arabia appears to have hit home. Some people expressed outrage when they received their first water bill under the new tariff, including a former football star who asked if the water company had begun adding vitamins to his water as his bill was 33 times its normal amount.33 By April 2016, it was being referred to as ‘the water price crisis’ and had become a subject for Shura (advisory) Council debate.34 The King dismissed the minister of water and electricity on the basis of his mishandling of the tariff reform implementation, and placed his responsibilities under the Minister of Agriculture on a temporary basis.35

Figure 12 below compares the residential water bill for a high-consuming villa in the Gulf with that of various other countries. Each colour represents either a consumption block (priced at an increasing rate) or a service charge. The countries with the lowest bills have a simple tariff structure in which most consumers fall within the first (lowest priced) consumption block. To illustrate the difference that the block restructuring has had, Saudi Arabia's former tariff would have produced a bill similar to the Bahraini one.

**Figure 12: Water bill in selected countries for a high-consuming residential villa* in the Gulf, 2016**

* A household of six people using 300 litres per person per day = 54.75 m³/month.
Sources: National electricity and water authorities and utilities companies.

**Effects on business**

As Figure 12 shows, with the exception of Saudi Arabia, GCC countries do not charge for supplying water or treating waste water. This has implications for revenue streams and incentives for utility companies to invest in supply infrastructure and post-use treatment. Several non-GCC countries that suffer from water shortages have developed more sophisticated tariffs: Jordan adds a waste water charge per m³ and Australian utilities include a ‘state bulk water charge’ prior to the consumption block pricing. This is set by Australian state governments to sufficiently recover the costs of maintaining water supply including through management of natural water assets, pipeline grids and treatment plants. In the case of Saudi Arabia, a maintenance charge based on the diameter of a building’s water meter for all customers and sanitation charges for many government buildings make that country’s water tariff the most progressive in the region in terms of structure.

On the supply side, higher fuel prices should drive increased efficiency in the power and water sector but may have little impact where company or water authority losses are compensated for by Ministry of Finance transfers or fuel allocations included in contracts, as is the case in Kuwait for power and desalinated water in Saudi Arabia. Price rises will be effective only when they are passed through to utilities and, ideally, where utilities are unbundled in a way that incentivizes investment.
in each part of the business (distribution, generation/production and waste-water collection and treatment) to meet future demand and improve efficiency. Unbundling can take place through well-regulated privatization or the separation of accounting and performance standards for state entities or a combination of both approaches.

In the long run, fuel price hikes impact on the ‘energy versus capital’ trade-off in power and water plant design – such increases are still too small in Saudi Arabia to bring about radical change, while in Abu Dhabi rising gas prices are forcing the government to consider switching to higher-efficiency desalination plants (using reverse osmosis). From August 2016 onwards the Abu Dhabi Water and Electricity Company is likely to be charged more for the gas it uses to generate power because ADNOC will begin importing more LNG at international prices to meet local market needs. Despite the significant drop in global LNG prices in the last 18 months, the impact of the utility companies receiving smaller quantities of cheap gas from ADNOC will be to significantly drive up the fuel cost for power and water production. This could promote the adoption of more energy-efficient production technologies, in turn, driving down carbon emissions.

**New business opportunities**

Progress in electricity and water tariff reforms across the region offers business potential for the new efficiency and renewable energy markets, provided governments take measures to enable their growth.**38** Saudi Arabia’s Vision 2030 makes reference to the latter, promising ‘we will guarantee the competitiveness of renewable energy through the gradual liberalization of the fuel market’.**39**

Progress in electricity and water tariff reforms across the region offers business potential for the new efficiency and renewable energy markets, provided governments take measures to enable their growth.

There is a strong case for building efficiency in countries with more progressive tariffs: several studies have shown that the consumption of a typical UAE or Kuwaiti villa, for example, could be reduced by half through retrofitting.**40** Figure 13 below shows the difference between the electricity bill of a high-consuming villa – 4,000kWh per month – and that of a villa in which energy consumption is reduced by half. It highlights comparative financial incentives for households to invest in efficiency and the potential business case for retrofitting. An annual saving of $240 in Kuwait and $648 in Saudi Arabia compares with savings of $2,254 for expats in Dubai and $7,920 in Jordan. This underscores the stronger case for residential efficiency and solar applications where tariffs better reflect the costs of supply. In Kuwait and Saudi Arabia, the majority of householders will continue to fall within the first (low-priced) consumption block. There is little or no demand for efficiency and no business case for efficiency services under the tariff for Qatari nationals or under the Kuwaiti tariff. Meanwhile, Saudi electricity reforms will have to go much further to affect household and business choices. However, the new water and electricity tariffs combined offer the foundation on which government could establish a performance-contract-based market for retrofitting state-owned assets.

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State support will be needed for efficiency services to develop. At present, the Dubai government is the only GCC authority actively developing an energy services market – beginning with performance contracts for government-owned buildings based on an innovative relationship between a new state energy services company (which tenders for performance-based contracts for state buildings) and the Regulatory and Supervisory Bureau (which provides energy service company accreditation). Saudi Arabia plans to introduce similar measures. If tariff reform continues in Abu Dhabi and other emirates, the UAE would provide a lucrative market for efficiency services, especially if rising gas costs are passed on in the form of household utility tariffs. But if tariff reform is not further pursued – either in the UAE or the other GCC countries – it will continue to be in the government’s interest to pay for the efficiency improvements itself in order to dampen demand growth and cut unsustainable spending on expanding water and power supplies.

Where will the savings go?

In each country, the rhetoric of reform is framed in terms of both bringing down deficits and reshuffing subsidies or benefits away from wasteful consumption and towards those who rely on them most. The Saudi Vision 2030 states this explicitly. “We will continue to develop the social services system for greater efficiency, empowerment and equality whereby we will work to maximize the benefits of support [subsidies] for food, fuel, electricity and water through directing support to those who deserve it.” The extent to which governments will achieve this will depend on how they spend the savings from reduced subsidies/increased prices, and avoid the problem that Iran faced when the promised cash transfers to citizens and businesses outweighed the savings. How much is saved depends on how costs are calculated and subsidies measured, as discussed above, but there are some

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* Kingdom of Saudi Arabia Vision 2030, p. 29 (translation from Arabic).
official figures that point to large savings that will at least offset some countries’ debts. For example, in Bahrain, Minister of Energy Dr Abdulhussain Mirza said that the government expects the country to save BD620m ($1.6 billion) by 2019 the reform of subsidies, just under half the expected national budget deficit for 2016. Projected savings from subsidy reforms in Oman and Kuwait are in the range of $1.2–$2.3 billion per annum. In November, Bahrain began distributing ‘anti-inflation allowances’ to eligible citizens registering with the Ministry of Labour and Social Development following the removal of the meat subsidy, a measure which could be expanded. In Saudi Arabia, various government departments are collaborating to develop a mechanism to provide cash transfers to low- and middle-income Saudis.

Why is this time different?

Intentions and plans to reform fuel and water prices are not new to the GCC. Government departments have periodically drawn up plans, at least since the late 1990s, but each time vested interests, higher oil prices and/or political stability concerns have weakened leaders’ resolve. This time round is different, according to those who champion price reform in the region. There are three key reasons:

1. A sharp rise in the price of oil necessary to balance government budgets over the last decade. Government dependence on oil revenues grew in the GCC economies during the commodities boom. In each country, fiscal dependence on oil revenues increased. While the UAE has been relatively successful in diversifying GDP, the IMF notes: ‘The GCC non-oil sectors are dependent on the oil sector either directly or through government spending.’ Meanwhile, state budgets have increased, not least to meet rigid costs – civil service wages, benefits and subsidies – that are difficult to reduce because people soon become accustomed to them as an entitlement. The so-called break-even price for exported oil (needed to balance the state budget), had doubled or tripled between 2004 and 2014 based on IMF calculations.

Estimated fiscal breakeven prices should be treated with caution. Some GCC countries have higher levels of economic diversification (UAE) and larger sovereign wealth buffers (UAE, Saudi Arabia, Kuwait and Qatar) than others. Unsustainable deficits are most apparent in Bahrain and Oman. But there is no doubt that the return of the oil price to 2004 levels poses a serious problem for all economic planners and finance ministries in the region.

As regards what spending could be cut most easily, the general assumption is capital expenditure. However, public spending on large projects is the engine of growth and an FDI draw for the GCC economies. GDP itself is largely state-spending led, so a slowdown in spending means less growth in the non-hydrocarbon economy. Defence spending in the region remains high – Saudi Arabia and the UAE ranked among the 15 countries with the highest military

44 For an excellent assessment of the fiscal pressures motivating reforms see Fattouh et al. (2016), pp. 3–5.
spending in the world in 2015\(^48\) – and it is unlikely to be reduced in the next two years, given the regional security crises. Cutting the wages of public-sector workers is not an option either. Thus, subsidies for energy, water and agriculture are actually one of the few areas where enough of a consensus exists to make spending cuts.

2. The prospect of an era of pricing below $50 per barrel. In the United States there are a large number of wells that have been drilled but not completed (the so-called ‘fracklog’). These could bring an estimated 2–3 million barrels per day onto the market at relatively short notice, if the market price were right.\(^49\) Thus, in effect, a price ceiling exists. Prices may well rise temporarily for geopolitical reasons; but with high international stock levels and in the absence of a major long-term outage, the trend for the next few years is towards an oversupplied market.

Consequently, the main questions for GCC governments now are how to get the most value from their resources and buy more time to diversify their sources of revenue. Efficiency, incentives for productivity and growth in non-hydrocarbon sectors are all essential to achieving those objectives and all depend on changing the way resources are valued and priced.

To that effect, the governments of GCC countries with lower oil revenues per capita and higher deficit to GDP ratios – Saudi Arabia, Bahrain and Oman – in addition to the UAE, have all stated their conviction to institute long-term price changes as part of economic diversification strategies. With the announcement of the budget in Saudi Arabia, the Ministry of Finance stated that fuel prices would be revised on a gradual basis over five years\(^50\) as part of the kingdom’s economic transformation plan (Saudi Vision 2030). In Bahrain, reform of subsidies is also spoken of as part of a ‘comprehensive economic and fiscal reform programme’. Oman plans a similar market-linked restructuring for transport fuels as that in the UAE that will result in ‘zero subsidy’.\(^51\) In the smaller states of Kuwait and Qatar, with higher oil income per capita, the long-term commitment is less clear although the move to market-linked pricing for transport fuel in Qatar suggests willingness to move in line with others.

3. The critical mass of support is within governments for transforming the energy mix and increasing efficiency in both the supply and use of energy. This support reflects the global shifts towards cleaner and smarter energy systems. But unlike the shifts in OECD countries, from the 1970s and 1980s onwards, they have not been driven by high import prices or interest in reducing carbon dioxide emissions. Rather the impetus came from consideration to counter challenges during the boom period in the Gulf countries, when the electricity grids could barely keep up with rapidly rising consumption and – in the case of the UAE, Kuwait and Oman – imports of LNG began. Systemic waste in fuel use was laid bare. The discourse on sustainability and efficiency, which has serious implications for the under-30s, who make up the majority of GCC populations, cannot easily be turned back.


Conclusion: do the reforms mark a sustainable break with the past?

The recent domestic price reforms in GCC countries indicate that change is possible on a step-by-step basis. Given the confluence of interests in reform and increasing economic pressures, the UAE, Saudi Arabia, Oman and Bahrain have passed the stage of just testing the water. However, price reforms will not necessarily continue smoothly. Some age-old pitfalls may lie ahead. These include the impact on the competitiveness of industry and the profit margins of companies as well as the trickle-down effects on prices for the final consumer and household budgets. Saudi Arabia already appears to be suffering from inflation due to domestic price rises. According to Jadwa Investment, ‘Saudi CPI accelerated sharply to 4.3 percent year-on-year in January, its highest in five years, as higher energy prices contributed to a significant rise in the housing and utilities, and transport segments.’

Intensification of that trend is expected throughout 2016, along with further consequences of the energy price reforms. In Bahrain, there is concern over the inflationary impacts of further subsidy reform and the effects on low-income expatriate workers who will not be eligible for proposed cash transfers. This raises an interesting question about the impact on the cost of expatriate wage labour, which low and subsidized living costs have long kept cheap. Will people be prepared to pay more for their construction workers, drivers, nannies, cooks and cleaners? As for an upswing in oil price, it may cause paralysis or backsliding if governments have not yet institutionalized the governance necessary to carry through with reforms.

To rationalize fuel use, governments must ensure that a programme of gradual price rises is accompanied by stronger institutional and legislative support for energy efficiency.

In regard to political acceptability, some in the region have pointed out that, contrary to the idea that regional turmoil means greater internal political sensitivity to reform, the current crises in Iraq, Syria and Yemen mean the GCC citizens are more likely to be grateful for security and acquiesce in a few extra costs. But going forward, a much deeper dive into the reform process will need to accompany price reform – and the potential for fuel and food taxation. The main questions are: a) whether poorer groups, particularly in Saudi Arabia, Bahrain and Oman, can be adequately compensated if incomes are affected. In Bahrain and Saudi Arabia, ministries are testing mechanisms to do this. The response to water bills in the latter suggests that it might have been better to begin transfers in advance of tariff reform; b) whether the richer segments of society and industry can be seen to be taking their fair share of the ‘hit’ so that the reforms are perceived as increasing, not decreasing, equality; and c) whether the opportunities offered by rising resource prices to develop new business sectors and increase investment in areas such as efficiency and renewable energy can be harnessed to reduce operational costs over the long-term and contribute to meeting economic diversification objectives.

As the comparison of electricity bills demonstrates, there is potential for a new sector to develop here if properly supported and regulated.

The last question segues with the GCC countries’ interests in oil and gas conservation. While the recent price rises will help bring down government subsidy bills, they are unlikely to significantly impact on fuel demand growth, given the current ratios of energy cost to income. To rationalize fuel

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use, governments must ensure that a programme of gradual price rises is accompanied by stronger institutional and legislative support for energy efficiency. The question of how to make this dual approach work for business is pertinent to green growth agendas globally. In this context, the region that has some of the highest per capita carbon intensities in the world is worth watching.
About the author

Glada Lahn is a senior research fellow in the Energy, Environment and Resources Department at Chatham House.

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