



صندوق النقد العربي
ARAB MONETARY FUND

**“Climate Risk and Energy Security: Circular
Carbon Economy as a Strategy to Promote
Sustainable Development”**

**Statement by
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**Intergovernmental Group of Twenty-Four (G24)
The Ministerial Meeting
Washington D.C, April 11, 2023**

It gives me a great pleasure to join this traditional meeting, and I would like to express my thanks and appreciation to the Secretariat of the Intergovernmental Group of Twenty-Four (G24) for the kind invitation. As we gather here today, the world faces significant challenges and uncertainties. The persistence of high inflation, the tightening of financial conditions globally, the geopolitical tensions, the climate change, and the supply chain disruptions have created risks to global economic growth, unemployment, sovereign debt sustainability, and anxiety in financial markets with a high risk of contagion.

While all the other challenges are important, climate change may be the greatest challenge of our time as it is a long-term challenge with significant social and economic impact globally. The effects of climate change are already being felt worldwide, from more frequent weather events, including drought, storms, heat waves, rising sea levels, melting glaciers, warming oceans, and loss of biodiversity. Indeed, the Arab region generates today less than 5% of global greenhouse gas emissions, while the global climate changes represented by frequent and increasingly severe weather events in many Arab countries have direct repercussions on the Arab economies, since these phenomena affect many sectors, including food that depends directly on agriculture and water.

In this context, the urgency to act on climate change has never been greater; however, addressing this issue is not just an environmental challenge but also an economic and energy security challenge closely linked to climate change. The transition to renewable energy, such as solar and wind power, requires significant investments in sustainable infrastructure, new technologies, and also ensuring energy security for the transition phase. Indeed, energy security is a core issue for countries worldwide because of its impact on economic growth, national security, and the well-being of citizens. To meet these challenges, countries worldwide must adopt a comprehensive and integrated approach to energy security that considers the need to increase energy efficiency, develop renewable energy, and protect vital energy infrastructure. By improving energy security, countries can build resilience to energy shocks, reduce their vulnerability to volatile prices and supply disruptions, and lay the foundation for sustainable energy. A circular carbon economy is based on the principle of recycling carbon emissions. It is an approach that can reconcile addressing climate change risk with energy security while ensuring a more sustainable energy and climate future.

Arab countries in the field of the circular carbon economy and carbon management.

Addressing climate change and energy security requires a collaborative approach, with governments, the private sector, and civil society working together to promote sustainable development. The Arab region has made significant progress towards this goal, with many countries adopting policies and programs to promote renewable energy and energy efficiency. Indeed, important steps towards sustainable development have already been taken by many Arab countries that have made strides in the field of circular carbon economy in the context of expanding carbon capture and storage technologies. Therefore, there are

three operational carbon capture and storage facilities in three Arab countries capturing about 10% of the global carbon dioxide captured annually. The share of the Arab region is 3.7 million tons annually out of 40 million tons per year of carbon sequestered globally in 2020. Europe sequesters only 4%, with a share of 1.7 million tons per year, according to the Global Carbon Capture & Storage Institute (GCCSI, 2021). The Arab region is expected to witness a significant breakthrough in carbon capture and storage activities during the next decade, for several reasons, including increased regional action on climate change, with substantial increases in the contribution of renewable energy sources and carbon capture and storage, in particular in the context of the endorsement of the G-20 summit for the circular carbon economy initiative in 2020 during Saudi Arabia presidency, which gives a central role to carbon capture and storage technologies.

Furthermore, the Arab region is considered one of the wealthiest geographical regions around the world in which alternative and renewable energy sources such as solar, water, and wind energy are available, considered today the best available solutions to protect the environment and limit the effects of climate change. In this regard, the Arab region is witnessing the establishment of many strategic and pioneering projects in this field. Therefore, most Arab governments allocate sizable resources and define integrated strategies to develop renewable energy projects by 2030.

The Arab Monetary Fund (AMF) engagements in the circular carbon economy and energy security to achieve carbon neutrality in the Arab region.

The Arab Monetary Fund (AMF) places great emphasis on the circular carbon economy as an effective means to achieve a reduction of greenhouse gas emissions and its role in achieving energy security at the global level. Given the importance of the topic, the AMF cooperated with the Ministries of Energy and Finance in the Arab countries to host a workshop in 2022 and also organized a high-level conference on the same topic in February 2023, in cooperation with the relevant authorities in the Arab countries and several international institutions. The conference came within the framework of preparation for the twenty-eighth session of the Conference of the Parties to be held in the 4th quarter of 2023 in Abu Dhabi, United Arab Emirates, as it aimed to bring together experts in this field to discuss and exchange their views on the circular carbon economy and its role in addressing climate risk and its impact on energy security.

Climate change and green and sustainable financing issues are also a significant focus in the programs of the Council of Arab Finance Ministers, the Council of Arab Central Banks Governors, and their associated committees and task forces. In this framework, the AMF has carried out several studies and published a set of guiding principles, including a guide for issuing sustainable sovereign financing instruments, a guide on the development of stress testing methodologies for the measurement of financial sector risk, a study on climate change risk management using financial derivatives, a study on the impact of climate change and natural disasters on financial stability, another study on "Islamic Banks and

Sustainable Development Goals in the Arab World: A Case Study of Selected Countries, as well as a dedicated chapter on the topic in the annual report on financial stability in the Arab countries to name a few. Moreover, the AMF pursued its capacity-building efforts on the issue across the Arab region. Several training courses have been organized, including climate-related financial risks and green and sustainable finance.

In the end, we look forward to welcoming all of you at COP 28 in the United Arab Emirates later this year for fruitful discussions that bring tangible solutions to sustainability challenges, which none of them will happen without collaborations and partnerships.

Thank you.

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