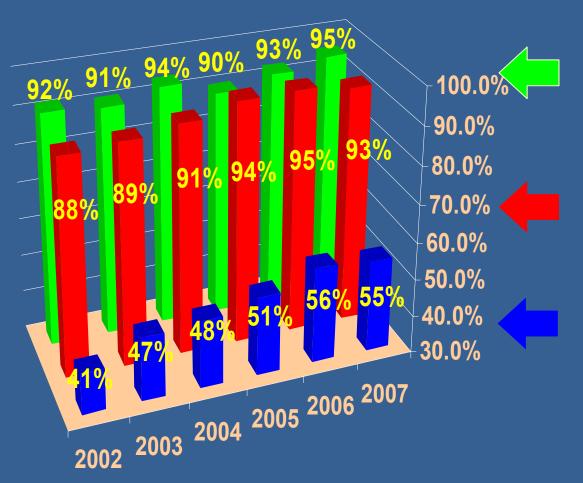
# Minimizing Spillover Effects Is a Commitment

Presentation by Kuwait Atif Al-Jemaili

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## The role of petroleum in Kuwait economy



Petroleum share in total exports value

Petroleum share in total government revenue

The contribution of oil sector in Kuwait GDP

Source: Ministry of Planning, EIU

## Vulnerability

## To climate change

- Major cities are along laying costal line
- A number of small islands threatened by rising sea level
- Harsh environment and scares water supplies

## To the impact of policies and measures

- Identified in Article 4.8 (h) of the convention
- Over 90% of government revenue is from oil exports
- Limited opportunity for diversification of government revenue

## **Article 2.3 of Kyoto**

"Each Party included in Annex I shall strive to implement policies and measures under this Article in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on other Parties,

#### **Article 3.14 of Kyoto**

Each Party included in Annex I shall strive to implement the commitments in such a way as to minimize adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4, paragraphs 8 and 9, of the Convention. In line with relevant decisions of the Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session, consider what actions are necessary to minimize the adverse effects of climate change and or the impact of response measures on Parties referred to in those paragraphs. Among the issues to be considered shall be the establishment of funding, insurance and transfer of technology.

## Study by McKay Consultants

## Objective:

 Assess Impact of Existing and Emerging Climate Change Policies on Future Oil Demand

#### **Assessment Approach:**

- Reviewed over 2500 policies in 40 countries.
- Focused on 13 Countries, representing about 80% of world GDP
- Selected 19 Policies representing the different areas on
  - ✓ Taxation
  - ✓ Fuel Switching
  - ✓ Energy Efficiency
  - ✓ Technology Developments

## Key Findings:

- Climate Change Policies have the Potential to Reduce Future World Oil Consumption by up to 25%
- The Average Annual Loss of Revenue to National Oil Companies could be up to \$265
  Bn (based on price scenarios at time of study in 2006)
- Investments in Upstream and Downstream Sectors are Expected to be Scaled Back with concerns over the Security of Oil Demand
- Technology related policies have the lowest impact

## Conclusions

Within a suite of policies and measures, technology development based measures have the lowest impact on oil demand and thus provide lower negative spillover effects on oil producing developing countries

Technologies such as CCS provide win-win solutions to address climate change and adverse effects of the policies and measures

Technology options enables the economic development to proceed in a sustainable manner

## THANK YOU

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Climate Change Polices	ž	Germany	Italy	France	Spain	EU15	Japan	S Korea	USA	Canada	China	India	Brazil	Russia Federation
			E	nergy	Efficie	псу								
Investment in Private Households	11	~~	11	11	11	11	11	~	11	11	~	~	~	~
Investment in Industry	11	~~	11	11	44	11	11	11	11	11	<b>///</b> *	111	11	111
Voluntary Agreements	11	~~	11	11	~~	11	~~	11	11	11	111	~~	11	1
Energy from CHP	~	11	11	11	11	11	~	11	~	~	~	~	~	111
			Techr	nology	Develo	pment	s							
Hydrogen/Fuel Cells	~	~~	~	~	~	~	~~	-	11	~~	~	~	-	<b>✓</b>
Carbon Capture & Storage	1	~	1	~	~	1	~	-	11	11	~	~	~	~
Other Policy Measures														
EU Emissions Trading	111	111	111	<b>//</b> *	111	111	-	-	-	-	-	-	-	-
Non-EU Emissions Trading	-	-	-	-	-	-	~~	11	11	11	~	-	-	✓
CDM and JI Projects	11	<b>*</b>	44	11	44	11	~	11	-	11	11	44	11	✓
Green Certificates	~	~	~	~	~	~	~	-	~	~	-	-	-	-
			Ta	x-Relat	ed Poli	cies								
Local Carbon Tax	✓	✓	✓	~	~	✓	✓	<b>✓</b>	~	✓	-	-	~	-
Energy Tax	11	11	11	11	11	11	44	11	✓	<b>✓</b>	1	1	11	11
Excise tax on oil products/fossil fuels	11	<b>//</b>	<b>*</b>	44	44	44	<b>//</b>	<b>*</b>	<b>✓</b>	<b>✓</b>	1	1	<b>✓</b>	<b>//</b>
Tax credits for renewable energy projects	✓	~	<b>✓</b>	~	<b>✓</b>	<b>✓</b>	~	<b>✓</b>	<b>√√</b> *	11	~	~	11	-
Border adjusted taxes	11	<b>//</b>	11	11	<b>//</b>	11	11	11	11	11	<b>//</b>	11	11	<b>//</b>
Fuel Switching														
Policies to encourage use of Nuclear Power	<b>//</b>	-	<b>✓</b>	111	<b>//</b>	-	111	111	111	111	<b>//</b>	<b>//</b>	~	111
Policies to encourage use of renewable energy	11	<b>//</b>	<b>//</b>	<b>//</b>	<b>//</b>	44	✓	<b>//</b>	<b>//</b>	11	11	11	111	<b>*</b>
Biofuels	111	111	111	111	111	111	111	-	111	111	✓	✓	<b>///</b> *	<b>//</b>
Natural Gas	<b>/</b> //	<b>///</b>	<b>///</b>	<b>//</b>	<b>///</b>	444	<b>/</b> /	<b>///</b>	<b>√</b> √	<b>√</b> √	<b>///</b>	111	111	<b>///</b> *

<b>///</b>	Major Impact				
44	Medium Impact				
✓ Pre	servation [[1] pritimpact				
-	Not Applicable				