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# The Regional Energy Efficiency Market

State of the Retrofitting market across the region and in Saudi Arabia

Stephane le Gentil - November 2017



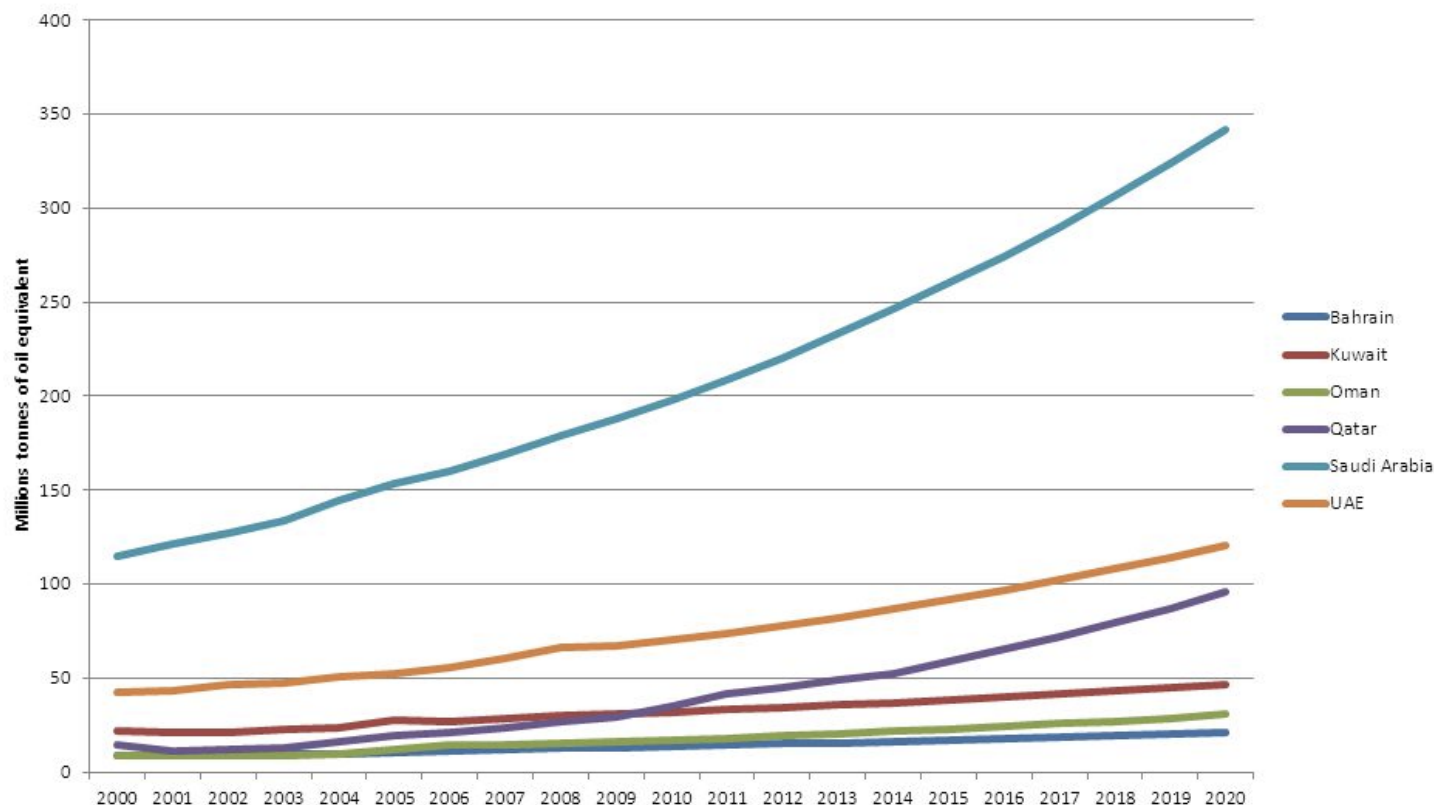
# Market drivers for Energy Efficiency

- 1 – Energy consumption growing fast
- 2 – Electricity & Water Tariffs increasing
- 3 – Aging low efficiency building stock
- 4 – General drive towards sustainability

# Market drivers for Energy Efficiency

- GCC energy consumption continues to grow significantly
- Oil producing countries using a growing share of their production for domestic use

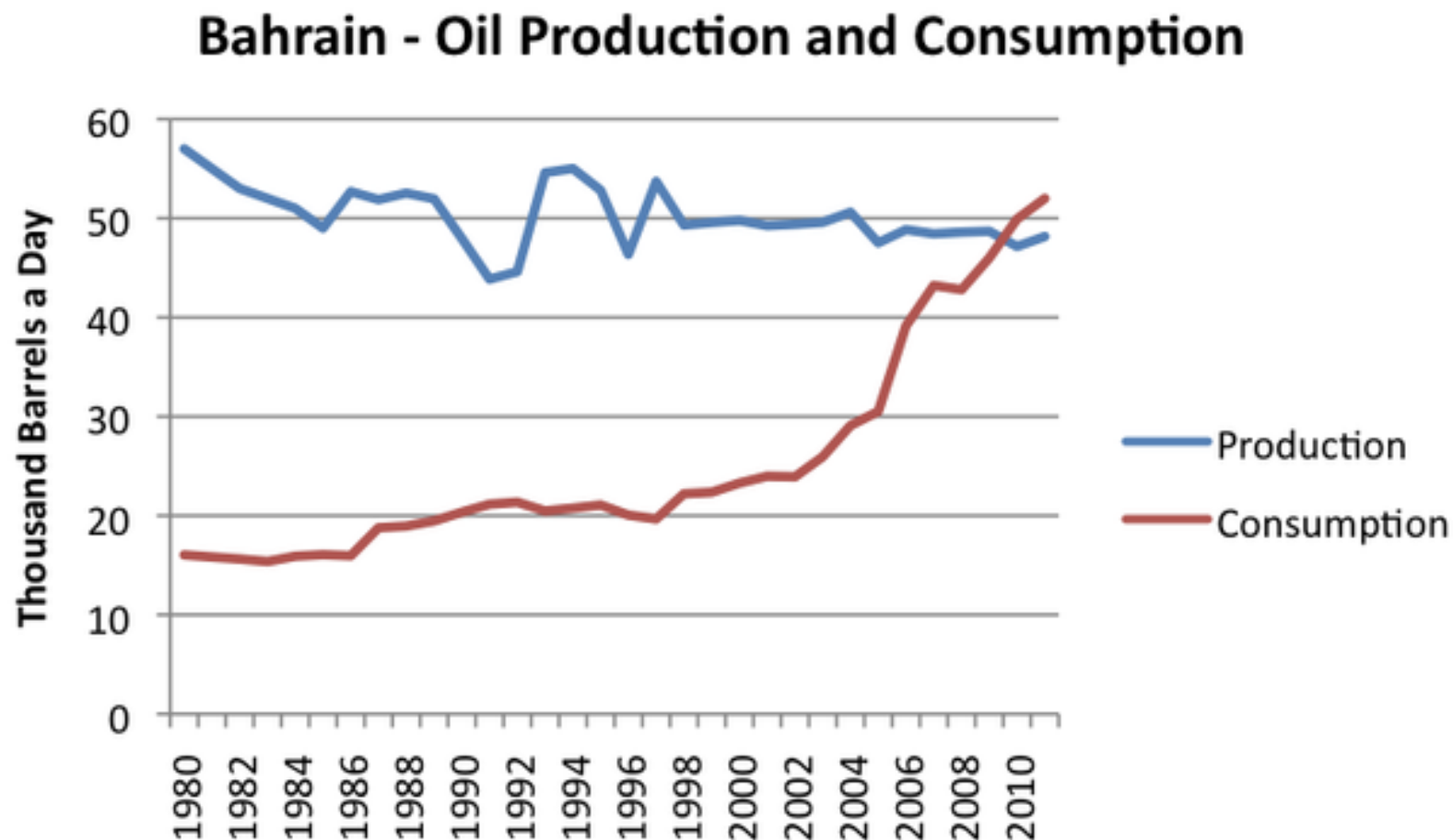
**Total Energy Consumption in the GCC**



Source: Intelligence Economic Unit

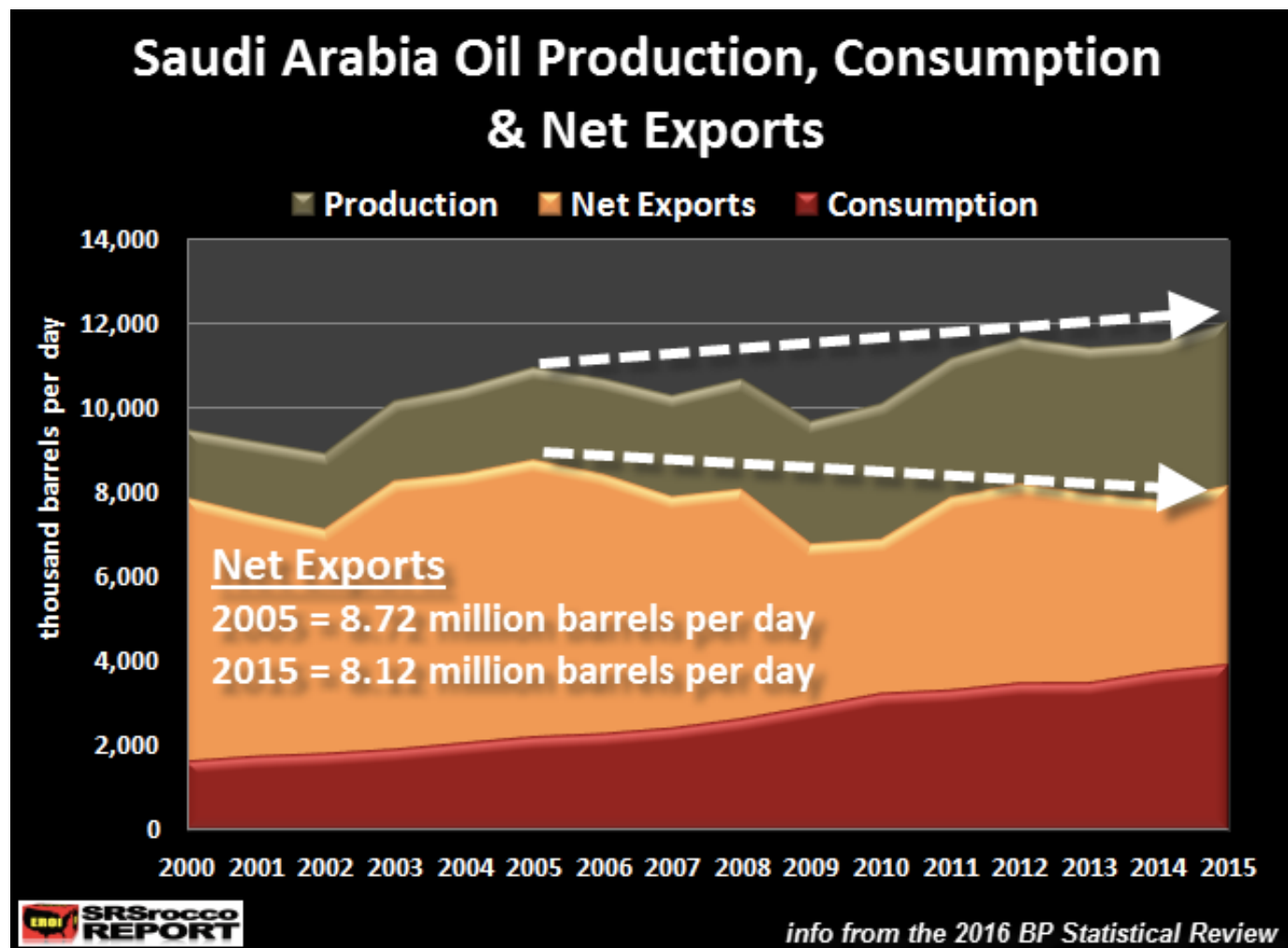
# Market drivers for Energy Efficiency

- Growing internal consumption leading to less revenues from oil exports or even need for oil imports (Bahrain)



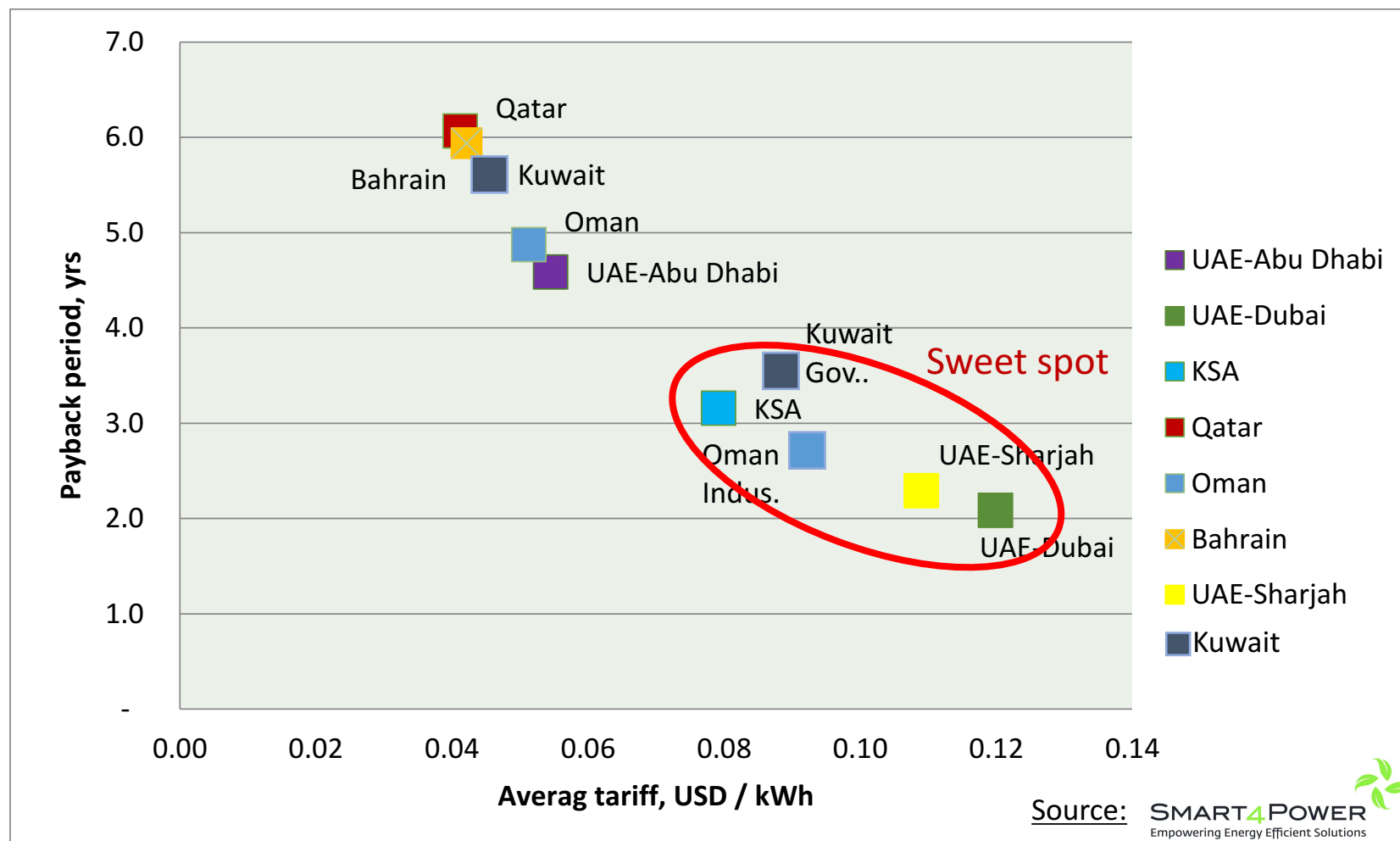
# Market drivers for Energy Efficiency

- Growing domestic consumption leading to less revenues from oil exports
- Barrel price at a bottom
- Subsidies on energy consumption are becoming impossible to finance and therefore are reducing
- End-user energy prices are increasing



# Market drivers for Energy Efficiency

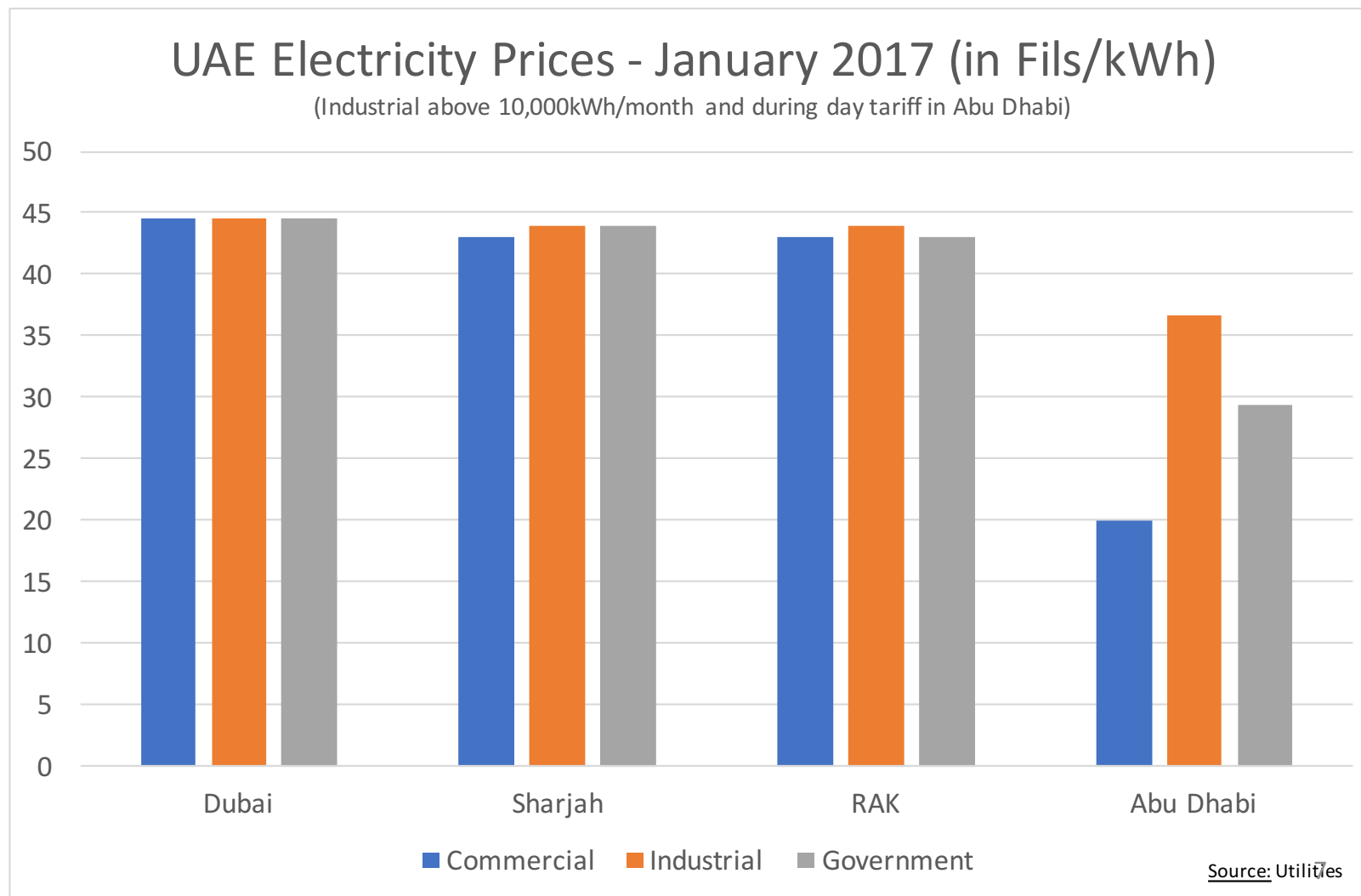
- Higher tariffs produce shorter paybacks and stimulate energy efficiency
- Sweet spot for KSA, UAE (except Abu Dhabi) and now Oman Industrials & Kuwait Government





# UAE Electricity Tariffs

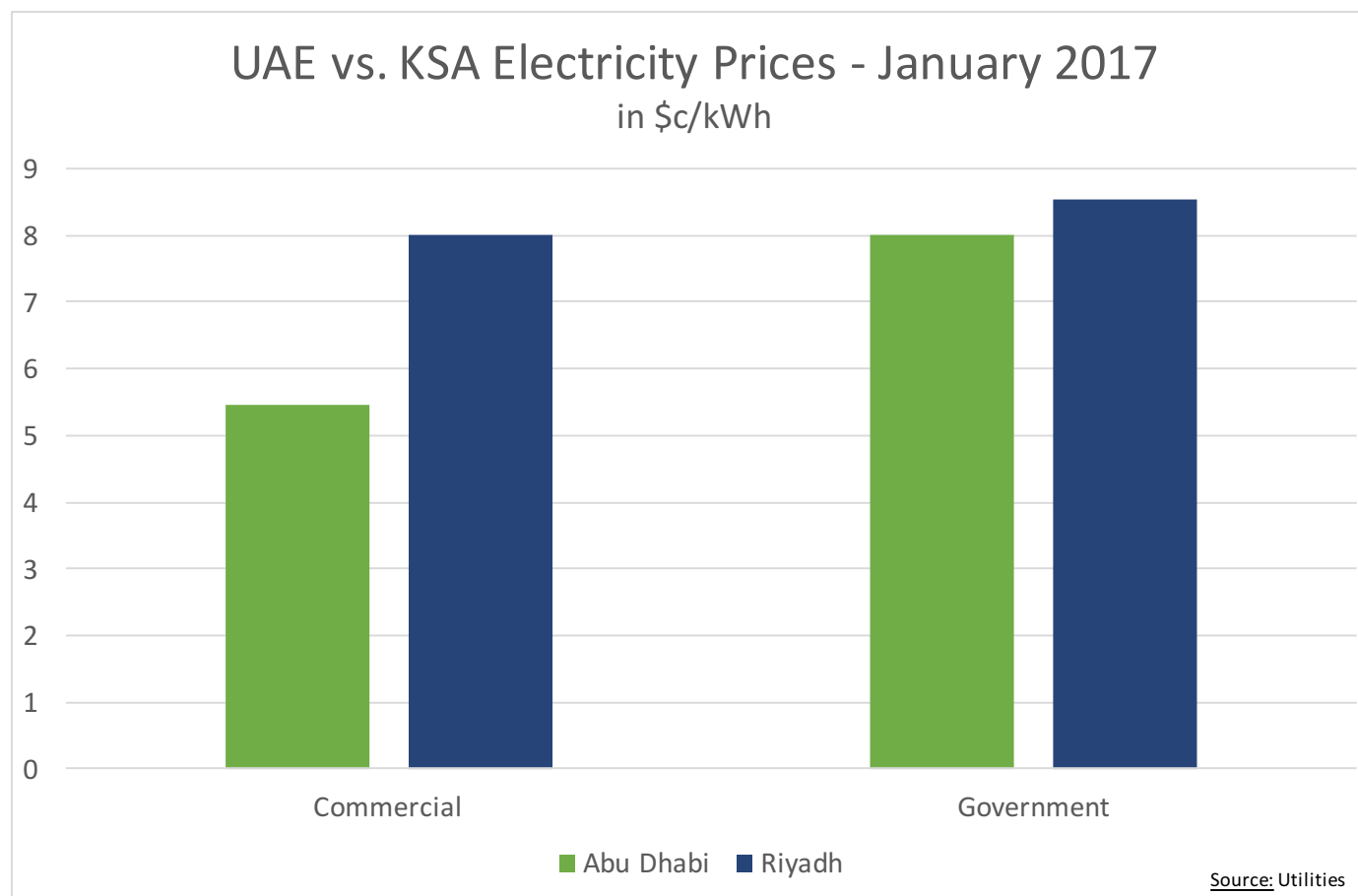
- Sharjah & RAK prices equivalent to Dubai
- Doing retrofits in Sharjah or RAK is as attractive as in Dubai
- Paybacks in Abu Dhabi are longer





# KSA Electricity Tariffs

- KSA electricity prices (in some segments) are higher than in Abu Dhabi
- It is more attractive to do projects in KSA than in Abu Dhabi







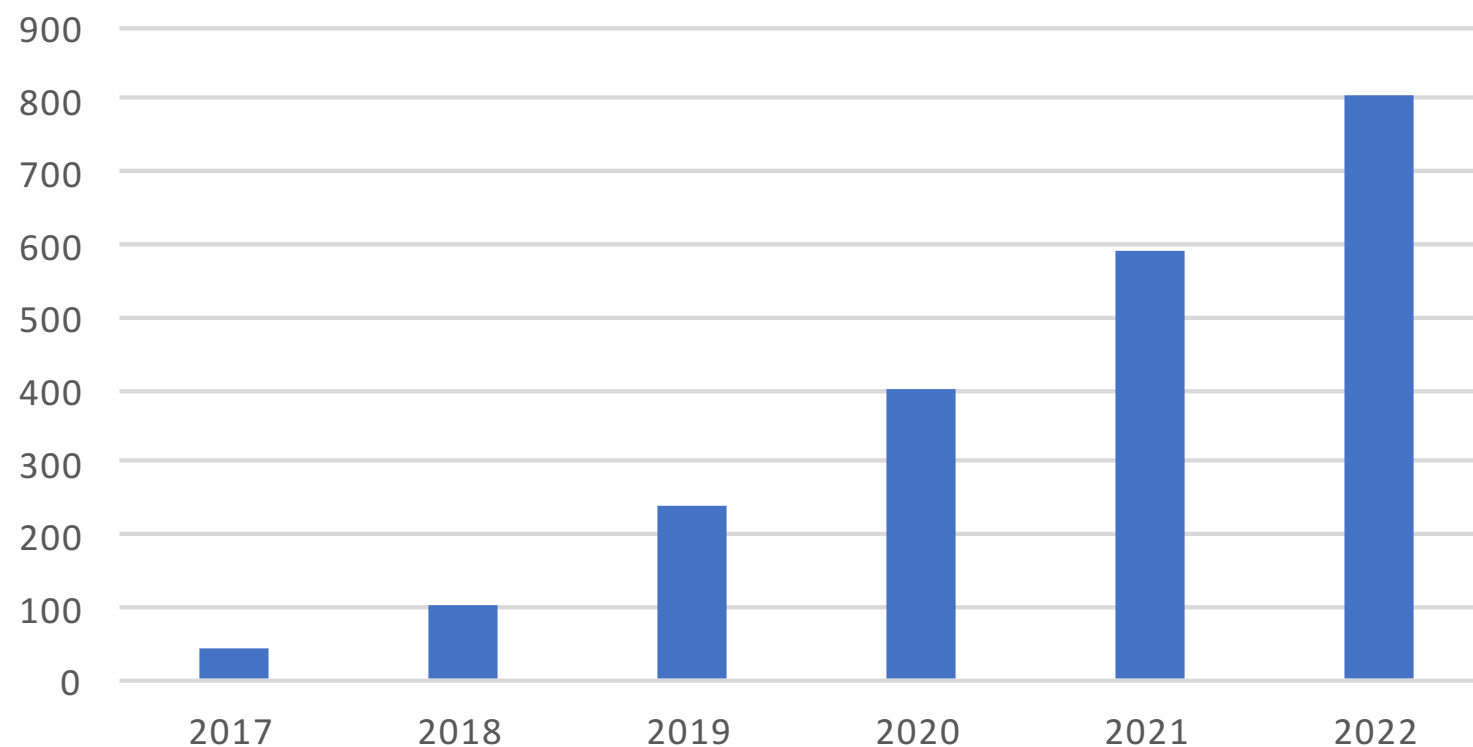
## UAE – Government Initiatives

- |                  |  |
|------------------|--|
| <b>Dubai</b>     | -Energy <b>Demand Side Management program</b> with 8 initiatives to conserve electricity and water. Etihad ESCO was created as a <b>Super ESCO</b> to retrofit <b>30,000 buildings</b> by 2030 through ESCOs |
| <b>Abu Dhabi</b> | - <b>Tarsheed</b> DSM programme, <b>Super ESCO</b> is being prepared for buildings retrofits, Municipality to <b>retrofit all street-lights</b>  |
| <b>Sharjah</b>   | -Declaration of “ <b>Sharjah City of Conservation</b> ” published, <b>ESCO program</b> in preparation, Energy Efficiency unit created  |
| <b>RAK</b>       | -RAK municipality created a unit for managing energy demand  |
| <b>Federal</b>   | -MoID & MoENR to retrofit street-lights and Federal buildings  |

# UAE market size forecasts

- Market growing from USD45m in 2017 to USD800m in 2022
- CAGR of 78% from 2017 to 2022

UAE Energy Efficiency Investments (USD mio)





## KSA initiatives

### **PUBLIC SECTOR**

- SEEC (Saudi Energy Efficiency Center) established in 2010 to develop energy efficiency initiatives.
- NESCO (National Energy Services Company) created in 2016 with a capital of USD500m to retrofit all public buildings.

### **PRIVATE SECTOR**

- Very favorable market dynamics due to the recent price hikes and end-users fears of future hikes
- Several significant projects being started by ESCOs



# Sultanate of Oman

- Oman very recently adopted a time-of-use (ToU) cost-reflective tariff (CRT) structure for their largest ~8,500 customers as of Jan 1 2017
- The majority of impacted customers are Government and Commercial, but the ones that consume the most energy are Industrials
- Demand reduction activities such as ISO50001 and ESCO retrofits will be stimulated by these new prices
- Some building retrofits start to happen in the private sector

- Kuwait recently increased its tariffs: x2 for Commercial & Industrial and x12.5 for Government
- Audits of series of government buildings have shown significant savings possible (over 40%)
- Building retrofit program through ESCOs in discussion/preparation at government level



# Conclusion

- Energy Efficiency market growth in the GCC is highly dependent on tariff reforms and government initiatives - but outlook is very positive
- UAE is now a vibrant market and a role model for the region
- KSA expected to open-up and become a massive market
- Project Financing availability for Energy Efficiency still a major barrier in the region