Energy Injustice: MENA countries must help those in need

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Abstract: Energy justice is a relatively new concept aimed at fair distribution of energy costs and benefits. Between oil-rich gulf and energy-poor MENA countries, energy justice, or lack thereof, overlaps with human rights, politics and international relations within and outside the region.

For many years before and particularly during the COVID-19 pandemic, inflation was very low due to overall stability and low demand, creating almost a state of recession in many parts of the world. As the economy reopened and people started travelling again, demand for goods, services and energy increased at a much faster pace, causing sharp price rises. Climate change also significantly influenced energy demands. For instance, less wind in the UK meant less generation of renewables while the cold weather fuelled high demand for heating oil. Energy security issues can never be isolated from the social, environmental and political contexts in which they arise. Not only do energy prices directly affect the cost of daily necessities like heat and light in terms of fuel and electricity, but they also indirectly affect the price of all other goods and services, thereby impacting the overall standard of living of every citizen.

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Energy issues in the Middle East are no exception. With oil being a crucial element in the region's geopolitics, it is important to first make the distinction between the Middle Eastern countries which import and those which export oil and how this affects energy security, subsidies, human rights and climate change in the region.

Oil-exporting countries

Despite efforts to move to less carbon-based energy production and large investments in renewable energies, the global economy is still highly dependent on fossil fuels. Given the abundance of fossil energy sources in the Middle East, the region is of huge strategic importance to the world's competing superpowers. According to the national hydrocarbons authority statistical yearbook in 2016, 48 per cent of the world's hydrocarbons reserves are in the Middle East, making Saudi Arabia, United Arab Emirates, Iraq and Kuwait among the top 10 oil producers in the world. With that in mind, energy-consuming states, particularly in Europe where energy reserves are expected to deplete in 10 years, need to ensure both control and preservation of energy sources in the region. This has a huge impact on European foreign policy towards totalitarian oil-producing states. Moreover, energy-consuming countries have been maintaining control by investing in energy transfer technologies and funding energy infrastructure projects.

This dynamic between oil-producing and oil-consuming countries jeopardises human rights on many levels. On one hand, the international community is openly tolerant of the totalitarian practices and human rights violations of oil-producing countries. The EU has long turned a blind eye to Saudi Arabia's blatant crackdown on freedom of expression. Hardly surprising given that Saudi Arabia is the world's second largest oil producer after the US. On the other hand, there is an issue of energy insecurity, especially in oil-importing countries such as Egypt, Morocco, Jordan, Tunisia and Lebanon within the Middle East itself.

In addition, the level of conflict, poverty, corruption, ethnic discrimination and constant human rights abuses in the region leaves no room to call out harmful environmental practices and energy injustices where the poorest and most marginalised communities bear the brunt of climate change and environmental hazards. For example, Lebanon has been suffering a serious waste management problem these past five years. According to Human Rights Watch, the August 2020 Beirut blast that killed 218 people, injured 7,000 and left 300,000 homeless also damaged two key sorting and recycling facilities, running the risk of another trash crisis where garbage piles up and floods the city streets.

Oil-importing countries

Unlike the lucky oil-producing countries of the Gulf, many Middle East and North African (MENA) countries are extremely vulnerable to energy insecurity and sometimes even energy poverty. Even before the Russian-Ukrainian war exacerbated the situation, Egypt, Tunisia, Jordan and Lebanon were already struggling with failing economies.

In a post-Arab Spring world, many countries are trying to recover from the political unrest and conflicts which have fuelled inflation, unemployment and increasing dependence on foreign loans. Lebanon's energy crisis, for instance, has been one of the most disastrous crises in the region, partially contributing to the country's collapsing economy, political unrest and even civil clashes. Over the past three years, Lebanon has been stuck in a vicious circle of incompetent institutions, corruption and massive inflation. When anti-government protestors took to the streets in September 2019, the exchange rate of the Lebanese Lira rose from 1500 LL to US$1 up to 30,000 LL in the Lebanese black market, causing massive price increases and further political unrest with clashes between Hizb Allah and Sunnis. This comes at a critical time where the International Monetary Fund (IMF) loan conditions for developing countries in the region have been reshaping the social contract between governments and citizens. For decades, oil-exporting MENA countries have relied on subsidies as a substitute for legitimacy, a tool to avoid political opposition and civil unrest. For oil-importing countries, subsidies act as an additional social safety net to cushion the poor against economic shocks.

Egypt

Since 2011, Egypt has been one of the countries most affected by the Arab Spring. Even though the human rights abuses, civil unrest and violence that took place there was nothing compared to what happened in Syria, Libya and Yemen, Egypt's case was different. In order to avoid a bloody scenario like that of its counterparts, Egyptians had to live under a new social contract where they traded freedom for stability. The country's regression to authoritarianism and harsh transition to a neoliberal economy left very little space for dissent.

The influence of this transition can be traced back to Egypt's energy crisis in 2014. The government gradually lifted energy subsidies resulting in an increase in electricity tariffs that varied from 10 percent to 50 percent. The second wave of energy price rises came after Egypt's pound devaluation in 2016 upon receiving a US$12bn IMF loan. By July 2017, electricity prices had rocketed between 15-42 percent.

Despite the government's relative success in curbing the economic effects of COVID-19, the Russian-Ukrainian war caused inevitable inflation in Egypt leading to yet another surge in prices. With the increasing need for Gulf oil

as a substitute for reduced demand for Russian oil, Egypt saw an immediate rise in energy prices resulting in a spike not only in electricity tariffs but also in household cooking gas. Egypt's vulnerability to inflation was also one of the highest in the region causing another devaluation in the Egyptian currency, which has fallen approximately 31 percent since the beginning of the war.

Way forward

According to IMF assistant director Ranjit Singh, Egypt is still vulnerable to the negative consequences of the Russian invasion of Ukraine. While energy poverty and inflation seem inevitable for Egyptians, more transparency about the government's energy decisions, spending on public services and public debt is required. The Egyptian government has already started a social solidarity programme to support struggling families and help them cope with the new prices. However, it must be acknowledged that there is a wider sector of the Egyptian middle class who do not benefit from such programmes but are still suffering the long-term effects of energy prices and inflation.

Prior to the Arab Spring revolutions, a slow neoliberal transition was taking place in the developing countries of the Middle East and the inability to cope with this transformation was one of the main drivers to the uprisings. According to the IMF, the region's developing countries must move to free market economies where generalised subsidies are eliminated and replaced with targeted subsidies for those in genuine need, only a small percentage of whom are currently receiving assistance.