

## Case Study #3: The Business of Sustainability in the Middle East From Black Gold to Green Growth

Oil currently provides significant revenue and cheap energy for many Middle Eastern countries, but it will eventually run out. Some estimates predict a plateau and decline in oil production starting as early as 2020<sup>1</sup>. This fact is understood to varying degrees by all of the countries in the Middle East. What differentiates these countries are the policies and investments each is making to diversify their economies away from reliance on oil. These changes span a wide spectrum, from the \$22B government-sponsored [Masdar City](#) to the grassroots efforts of the Center for Environment and Development for the Arab Region and Europe's (CEDARE)<sup>2</sup> partnership with a vocational school focused on educating the children of Egyptian farmers about organic and bio-dynamic farming practices. All of these efforts help move the Middle East towards a more environmentally sustainable future, one without the cheap energy and revenue from oil.

One of the most striking efforts in the Middle East to diversify the local economy is that of the United Arab Emirates. Even though the UAE state of Dubai has seriously overextended itself in recent months, the changes being enacted across the country are enormous. Some of these investments, such as the Palm Islands in Dubai, are terribly unsustainable. But one bright spot of the current slowdown in construction in the region is that this may be the pause that allows time to reevaluate the path development in the UAE is on. Thankfully, there are promising signs that a more sustainable future may lay in the hands of Dubai's more responsible and wealthier neighboring state, Abu Dhabi.

With the creation of the Abu Dhabi 2030 Plan, His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi has laid the groundwork for responsible and environmentally sustainable development. The Abu Dhabi 2030 plan has led to the creation of Estidama. Estidama is the Arabic word for sustainability. An initiative developed by the Abu Dhabi Urban Planning Council (UPC), Estidama is an aspiration - a manifestation of visionary governance that places emphasis on carefully and responsibly managed development. The ultimate goal of Estidama is to preserve and enrich Abu Dhabi's physical and cultural identity, while creating an ever-improved quality of life for its residents. The most obvious outcome from the commitment to Estidama is the development of Masdar City, the \$22B zero-carbon concept city.

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<sup>1</sup> Source: "When will the oil run out?" by George Monbiot, The Guardian, Monday 15 December 2008.

<sup>2</sup> CEDARE was established in 1992 as an international inter-governmental organization with diplomatic status



We had a chance to meet with Dr. Al Hosany, Director of Sustainability at Masdar on Sunday, December 6, 2009. Dr. Al Hosany stated that the goal of Masdar is to be a driver of change, and one of the most striking insights from this conversation was the change that Masdar is having on the local construction supply chain. According to Dr. Al Hosany, in the height of the UAE's construction boom two years ago, getting suppliers to meet the stringent documentation and environmental specification for materials was a huge challenge. But now that the Masdar project is proceeding while much of the development in the UAE is on hold, the balance of power has shifted. Masdar is the biggest construction project currently going in the UAE and builders and suppliers are suddenly more than happy to make changes to their systems and documentation process in order to secure business with Masdar. In terms of suppliers, Masdar is able to play a similar role to Wal-Mart in the United States.



Wal-Mart, as the largest buyer of most consumer packaged goods in the US, has been able to force substantial environmentally sustainable changes that have rippled through the market. One example is sale of concentrated laundry detergent. While concentrated detergents had been around for years, no laundry manufacturer wanted to be the first to move its product line to all concentrated formulas. Doing so would mean less shelf space, less brand presence and a real potential for significant lost sales. It took Wal-Mart to create a level playing field by mandating that all liquid detergents sold in its stores be a minimum of 2x concentrated. The result was a win-win for everyone. Wal-Mart has more efficient shelf space and lower shipping costs to transport products to its stores, manufacturers have reduced packaging costs, and consumers get a more environmentally friendly product. These are changes with a lasting impact. Many of the impacts that Masdar is having on the construction material supply chain will also be lasting. Once a steel manufacturer makes the investment to be able to supply recycled steel, the manufacturer is not going to expend time and money to revert to its old processes when Masdar is complete. I would argue that the real value of Masdar is not the zero carbon emissions in its construction and operation; it is the lasting changes and awareness that it will bring to the region. This ripple effect will allow the results of the changes implemented by Masdar to impact construction and sustainable development in the Middle East for decades.

It is not just the big players with budgets of \$22B that can effect positive and lasting change. One of the primary goals for our trip abroad was to document the green entrepreneurs that are having an impact at the local and regional level. One great example of this was brought to our attention when we met with Ahmed Abdelrehim at CEDARE. According to Mr. Abdelrehim, CEDARE is currently working in partnership with [SEKEM](#) to further efforts to educate primary and secondary school students on the benefits of biodynamic and organic agriculture. Through further investigation, we found that SEKEM is a successful for profit business that is having a substantial impact



on the region through the promotion, marketing and sale of biodynamic and organic agriculture. The latest [financial and sustainability report](#) from 2007 shows a net profit of over 7% and sales and net income growth of 23% and 44% respectively. These results are very positive and show the economic viability of creating and effectively marketing premium products that are farmed or manufactured in a more sustainable way. And while the environmental goals in the report are not very specific or measurable, they do align nicely with key elements of SEKEM's expertise. Some of the goals include:

- Further application and spreading of biodynamic agricultural methods;
- Develop and apply Sustainable Water Management;
- Investment in alternative energies like Wind, Solar, Biogas, etc.; and
- Generate CO<sub>2</sub>-emission certificates through agricultural processes like composting.

Through its financial success and strong environmental, social and cultural efforts, SEKEM is creating positive change in a highly challenging environment, both natural and political.

While it will take efforts at all levels to successfully transition the economies of the Middle East away from a dependence on oil, we have seen examples where success has been achieved. We hope that the success of these projects and companies inspires more competition and innovation, and that these success stories encourage the governments of the Middle East to create favorable policies that will promote more efforts like them.

