

# Stability versus Sustainability: Energy Policy in the Gulf Monarchies

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**Abstract** The six Persian Gulf monarchies are home to some of the world's largest hydrocarbon reserves, and also some of the cheapest energy prices and highest per-capita consumption. Government subsidies based on socio-political objectives have contributed to regime longevity, but they have also stimulated demand for resources comprising the region's chief export and biggest contributor to GDP. This paper finds that these monarchies – Qatar excepted – face an increasingly acute conflict between maintaining subsidies and sustaining exports. A shift to a higher-cost model of energy provision is underway. The era when primary energy was considered nearly free is being eclipsed by one where new sources of demand are met by more expensive resources. For now, governments have absorbed the increased costs. Consumers have been insulated from higher prices. This counterproductive practice only intensifies the call on exportable resources. The choice for regimes is one of short-term political stability versus longer term economic sustainability. As energy production reaches a plateau, domestic consumption will gradually displace exports. Politically difficult reforms that moderate consumption can therefore extend the longevity of exports, and perhaps, the regimes themselves.

**Keywords** Subsidies, energy policy, natural gas, electricity tariffs, Persian Gulf, GCC, OPEC, rentier state, monarchy, energy consumption, political economy

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