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ARAB TRADE UNION CONFEDERATIO

Financing the Just Climate and Energy Transition in Kuwait



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Defining the Just Climate and Energy Transition and Climate Justice

The climate and energy transition refers to the shift from a fossil fuel-based economy to a low-carbon, sustainable energy system, while simultaneously strengthening adaptation to climate change impacts. In the Kuwaiti context, this transition entails aligning energy policies with environmental sustainability and economic diversification away from oil, while ensuring that all segments of society benefit equitably.

Climate justice emphasizes that the burdens and costs of climate change should not fall disproportionately on vulnerable and marginalized groups. Climate justice recognizes that communities least responsible for greenhouse gas emissions often suffer the most severe social, economic, and health impacts. Accordingly, a just energy transition is understood as a transformation toward a sustainable, low-carbon, and socially equitable energy system that creates decent jobs and guarantees access to energy for all.

Kuwait has repeatedly stressed in international forums that a global energy transition must be based on climate justice, technology transfer, and sustainable financing for developing countries, while also considering the specific circumstances of oil-producing economies. In this sense, justice is a core pillar of Kuwait's transition strategy, requiring policies that protect social cohesion and mitigate negative impacts on workers, low-income households, and future generations.

Sources of Financing

1. Domestic Public Financing

Domestic financing relies primarily on the state budget and sovereign wealth mechanisms. The Government of Kuwait allocates public resources through the electricity and energy budget to renewable energy and efficiency projects. The Future Generations Fund, managed by the Kuwait Investment Authority, represents a long-term financial instrument that can support sustainable diversification and climate-related investments.

Direct government investments include flagship projects such as the Shagaya Renewable Energy Complex, reflecting Kuwait's commitment to deploying public capital for clean energy infrastructure.

2. International Financing

Kuwait participates actively in regional and international development finance. The Kuwait Fund for Arab Economic Development (KFAED) provides concessional loans and grants for infrastructure and climate-relevant projects abroad, including renewable energy initiatives implemented in cooperation with UN agencies.

At the multilateral level, Kuwait engages in global climate finance discussions. At COP29, developed countries committed to mobilizing USD 300 billion annually for climate action in developing countries, a framework that may indirectly open financing and partnership opportunities for Kuwait through technology cooperation, carbon markets, and regional initiatives.

Although Kuwait's high-income status limits access to direct climate grants, it can benefit

from innovative instruments such as carbon pricing mechanisms, voluntary carbon markets, and regional climate investment platforms.

3. Private Sector Financing

Private financing is increasingly important. Kuwaiti banks and financial institutions have begun issuing green bonds and sustainable sukuk to fund environmentally and socially responsible projects. For example:

- Kuwait National Bank issued green bonds worth USD 500 million.
- Islamic banks such as Warba Bank issued sustainable sukuk to support renewable energy, efficiency, and social projects.

Public-private partnerships (PPPs) are central to large-scale energy investments. Projects such as Al-Zour North Power and Water Plant and upcoming solar projects (Al-Dabdaba and Shagaya Phase III) are being developed under BOT and PPP models, combining state guarantees with private capital and long-term power purchase agreements.

Financing Instruments and Mechanisms

- Sovereign wealth funds and public reserves investing in long-term diversification.
- Concessional loans and grants, particularly through regional development cooperation.
- Public-Private Partnerships (PPP) for large renewable energy and infrastructure projects.
- Green bonds and Islamic green sukuk, mobilizing capital markets for climate objectives.

- Regulatory and financial incentives, including tariff guarantees and long-term PPAs.
- Emerging tools, such as results-based financing, carbon credits, and climate-linked financial products.

Key Projects and Programs

Renewable Energy

Kuwait's flagship initiative is the Shagaya Renewable Energy Complex, including the Al-Dabdaba solar project, planned to reach more than 4.5 GW through phased development. Initial phases already include solar PV, concentrated solar power (CSP), and wind energy. The government aims for renewable energy to supply 50% of electricity generation by 2050.

The oil sector has also begun integrating renewables, such as Kuwait Oil Company's solar installations in oil fields and new agreements to generate up to 1 GW of solar power for upstream operations.

Energy Efficiency and Sustainable Transport

Projects include:

- Deployment of smart meters in public buildings to reduce electricity waste.
- Introduction of electric buses in public transport.
- Energy-efficient street lighting and standalone solar systems in new urban developments.

Water, Environment, and Waste

Large-scale PPP projects such as Al-Zour North integrate power generation and desalination

with improved efficiency. Additional initiatives focus on waste management, recycling, and environmental remediation, though these remain at an early stage.

Challenges to Financing a Just Transition

- Heavy dependence on oil revenues, which complicates fiscal reform and energy pricing.
- Limited private-sector participation due to insufficient incentives and regulatory clarity.
- Institutional coordination gaps between energy, environment, planning, and finance authorities.
- Rising climate risks, including extreme heat and dust storms, increasing public expenditure needs.
- Social justice risks, particularly for low-income households, migrant workers, and outdoor laborers exposed to climate stress.

Future Opportunities

- Global climate finance expansion, including new collective climate finance goals and carbon markets.
- Hydrogen economy development, leveraging Kuwait's solar resources and gas infrastructure.
- Energy efficiency and smart grids, reducing long-term costs and emissions.
- Green industrial value chains, attracting foreign direct investment in low-carbon manufacturing.
- Innovative domestic instruments, such as sovereign green bonds and climate-linked sukuk.

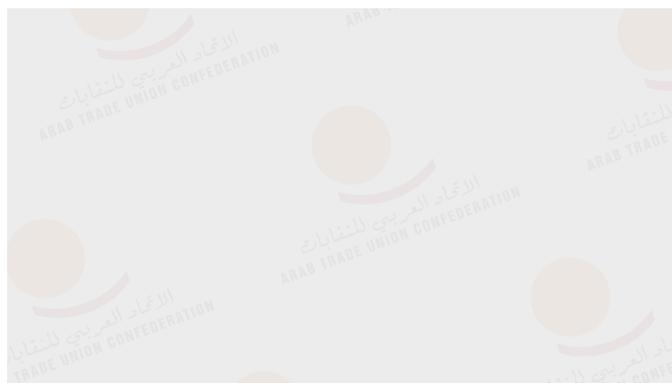
Role of Civil Society and Regulatory Institutions

The Environment Public Authority (EPA) plays a central role in climate governance, adaptation planning, and environmental regulation. Civil society organizations and research institutions increasingly advocate for climate justice, transparency, and social protection within climate policies.

Environmental NGOs emphasize that climate justice and social justice are inseparable, calling for fair distribution of benefits, protection of vulnerable groups, and public participation in climate-related decision-making. Greater engagement between government, private sector, and civil society is essential to ensure that climate financing supports a just, inclusive, and sustainable transition.

Conclusion

Kuwait possesses strong financial capacity and institutional foundations to advance a just climate and energy transition. The key challenge lies in aligning oil-based wealth with long-term sustainability and social equity. Through strategic use of public finance, private investment, and innovative climate instruments combined with inclusive governance Kuwait can position itself as a regional model for a fair and resilient transition in a hydrocarbon-dependent economy.



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