

## Qatar: Great expectations

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- As the global energy crunch continues, the world is in real need of a serious supplier. Qatar believes the solution is in long-term investments.
- Qatar Energy (QE) is set to become the first of its kind in the region to issue green bonds.
- Qatar is also progressing nicely politically. There are now more females than ever before in its cabinet.

### Stepping on the gas

Qatar's economy is performing well. As the country prepares to host the FIFA 2022 World Cup, this success could not come at a better time. The emirate expects to post 4% growth next year, which represents an upward revision from the IMF's earlier estimation in April 2021 of 3.6%.

- Qatar's strong post-pandemic economic rebound comes partly on the back of high international demand for liquefied natural gas (LNG).
- The current global mismatch between high demand and low supply is causing a crisis within gas markets.
  - Prices have soared fourfold since the start of 2021.
  - Across the world, global energy shortages are causing blackouts and squeezing consumer budgets.
  - Stockpiles of gas in Europe are at their lowest seasonal level for more than a decade.
    - Calls have been made for Qatar to increase LNG exports to cool energy prices, but the Gulf nation is already operating at maximum capacity with regard to output.
- Global clients who use LNG as an input for manufacturing, such as steelmakers, are on the verge of closing shop or reducing labour due to elevated production costs.
  - We assess that the situation presents both opportunities and concerns for Qatar. Higher prices (and by extension revenues) mean fuller state coffers. However, this has an adverse effect on demand; indeed, sales may fall slightly due to customers having weaker purchasing power.
    - Some of Qatar's LNG customers have been impacted in relatively less painful ways than others. Several of these customers secured contracts before the current crisis took hold, negating the necessity to buy fuel at present-day prices.
- In light of this global gas demand, Qatar is set to continue investing in the expansion of its North Field site, where the costs to produce LNG are among the lowest in the world.
  - For the first phase, Qatar plans to increase LNG output by 43% from 77M tonnes per annum (mtpa) to 110 mtpa by 2025 at a cost of around USD 30B.

Qatar macroeconomic indicators <sup>1</sup>					
	2018	2019	2020	2021f	2022f
Real GDP Growth (%)	1.2	0.8	-3.6	1.9	4.0
Crude Oil Production (Mb/d)	0.6	0.6	0.5	0.6	0.6
Oil GDP Growth (%)	-0.3	-1.8	-2.1	1.9	2.8
Non-oil GDP Growth (%)	2.2	2.4	-4.5	2.0	4.7
CPI Inflation (%)	0.3	-0.7	-2.7	2.5	3.2
Fiscal Balance (% of GDP)	5.9	4.9	1.3	2.8	5.7
C/A Balance (% of GDP)	9.1	2.4	-2.4	8.2	11.6
Total Gov't. Gross Debt (% of GDP)	52.2	62.3	72.1	59.0	53.1
Total Gross Extn'l Debt (% of GDP)	108.1	138.0	185.7	159.2	149.2
Gross Official Reserves (Mos. of Imports)	5.5	8.1	7.8	10.0	11.4
Nominal GDP (USD B)	183.3	175.8	145.5	169.2	180.9
Population (Millions)	2.8	2.8	2.9	2.9	2.9

- A further USD 20B will be allocated for the second phase, which will see a 15% rise in production capacity to 127 mtpa by 2027.
  - To complement its growing export capacity, Qatar has ordered four new LNG tankers from the China State Shipbuilding Corporation worth around USD 760M in total.
- We believe that LNG is here to stay, as it is a cleaner alternative fuel to coal and oil. This gives Qatar an advantage over its Gulf neighbours, especially in light of the current global climate concerns.

### On course to make green

Qatar is in pole position to become a key player within this field. Indeed, a shift in focus will benefit the country thanks to the importance of gas as a relatively low-carbon transition fuel.

- Nor is Qatar's LNG expansion contradictory with its intention to shift to clean energy; the country has been making bold statements lately.
  - Back in January 2021, QE announced plans to ramp up its blue hydrogen production programme using carbon capture and storage technologies as part of its sustainability strategy.
  - QE even rebranded last month to reflect the seriousness of its commitment to the global climate change movement; it was previously called Qatar Petroleum.
    - We do not see this as a cosmetic change. The state recognises the threat of climate change and knows that inherent energy market dynamics are heading toward cleaner fuels.
- To showcase its commitment, QE announced plans to raise more than USD 7B through the issuance of its first green bonds in 2022.
  - Once approved, the transaction will become the first green bond sale by a national oil company in the MENA region.
    - This follows a nascent regional trend, wherein Egypt was the first green bond issuer back in September 2020.
  - In recent weeks, Saudi Arabia has also hired advisors to structure its novel green bond issuance under ESG standards in collaboration with investment banks on the sell-side of financial markets.

<sup>1</sup> Arabia Monitor; IMF.

- More green trends are picking up throughout the region, and Qatar is leading the way with a pledge to reduce carbon emissions by 25% before the end of the decade.
  - Earlier this month, Saudi Arabia promised net-zero carbon emissions by 2060 ahead of the ongoing COP26 UN climate change summit in Glasgow (UK).
  - The UAE plans to achieve the same goal by 2050.
- Elsewhere in green headlines, QE and Shell agreed to pursue joint investments in hydrogen projects in the UK, more specifically within the London metropolitan area.
  - The focus will be on the decarbonisation of the industrial and transport sectors, which are known to leave a heavy carbon footprint.
- Looking forward, we do not expect this clean energy momentum to stop. Qatar knows that although the energy transition is a challenge, untapped geopolitical and economic opportunities lie ahead.

**Reform, branding, are World Cup dividends**

Ahead of next year’s FIFA World Cup, the Qatari authorities are enacting a series of policy reforms aimed at modernising the domestic political scene and improving relations with regional peers. We may witness the implementation of further progressive measures during the run-up to kick-off.

- On 19 October 2021, following the Shura (Advisory) Council legislative elections, Emir Tamim bin Hamad al Thani proceeded to carry out a cabinet reshuffle by appointing new ministers.
  - Among the new faces are two female appointees. They will join Hanan al Kuwari, the health minister and, before now, the only woman in al Thani’s government.
    - Buthaina al Nuaimi was appointed as the education minister. She is well known for her work within the Qatar Foundation, through which she founded eight different schools.
    - Mariam al Misnad was appointed as the social development and family minister. Al Misnad benefits from fifteen years of experience in institutional management and family affairs.
- The reshuffle has clearly elevated the position of women in government and can be understood as a progressive measure implemented by the emir. The promotion of women to senior political positions contributes to reducing the negative publicity surrounding Qatar’s human rights record, and should help improve its reputation internationally.
- Qatar is also rebuilding diplomatic and commercial ties with its neighbours, namely Saudi Arabia and the UAE.
  - Bilateral relations between Qatar and Saudi Arabia were severed after Saudi Arabia and several other Arab states (Bahrain, Egypt and the UAE) imposed a land, sea and air blockade against Qatar in 2017. Among a raft of charges, they accused the tiny nation of financing the

<sup>2</sup> Arabia Monitor; IHS Markit.

<sup>3</sup> Arabia Monitor.

Figure 1: Qatar Purchasing Managers’ Index<sup>2</sup>

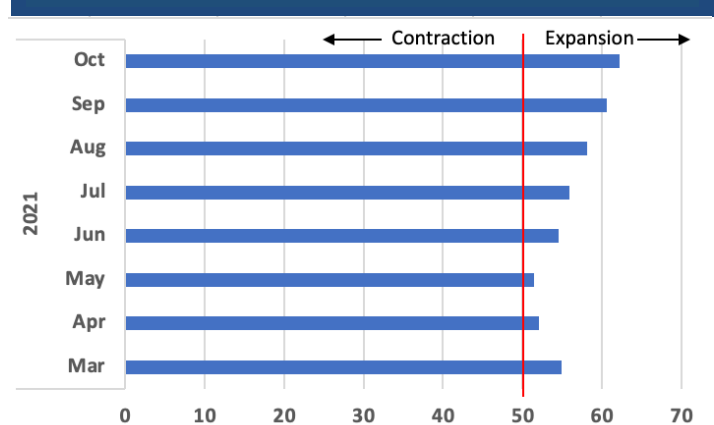
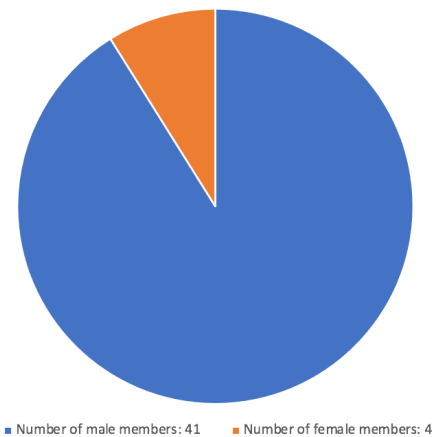


Figure 2: Representation of men and women in the Shura Council (45 members)<sup>3</sup>



Muslim Brotherhood, a political movement seen by some (most notably Saudi Arabia) as a threat to regional stability.

- The embargo lasted over three years, but diplomatic ties were restored in early 2021.
- In September, Qatar’s emir was seen with Saudi Arabia’s Crown Prince Mohammed Bin Salman and the UAE’s national security advisor, Tahnoun bin Zayed Al Nahyan, following a meeting at an undisclosed Red Sea location.
- Additionally, al Thani recently participated in the Middle East Green Initiative Summit in the Saudi capital Riyadh at the invitation of the crown prince.
- Elsewhere, Mohammed bin Abdulrahman bin Jassim Al Thani, Qatar’s foreign minister, undertook a visit to the UAE and was hosted by Crown Prince Mohammed bin Zayed al Nahyan. The pair discussed deepening ties.
- Next year Qatar will play host to competitive matches on an international sporting stage; until then, it will work hard to arrange various regional and geopolitical friendlies.

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