

**The Financial Times**

## **Abu Dhabi Eyes Renewable Energy Future**

By Andrew England in Cairo  
Published: April 4, 2007

Even Abu Dhabi officials acknowledge that at first glance an initiative intended to research, develop and produce renewable energy sources may appear at odds with one of the world's leading oil exporters.

Yet they argue the Masdar Initiative, launched last year, is a logical step for the future of the oil-rich emirate.

It will, they say, ensure it retains its status among the top echelons of the energy sector as sustainable alternatives to traditional fuels play an increasing role amid increasing concerns about climate change.

At the same time, the initiative will attract clean technology industries, fitting into the government's economic diversification efforts. And, with the right development, it could even support the production of Abu Dhabi's oil resources, officials say, if all goes to plan.

Abu Dhabi produces about 95 per cent of the United Arab Emirates' oil, but it is seeking to reduce its long-term dependency on hydrocarbons. And the Masdar Initiative is an example of how it is attempting to carve out a different development strategy to its brasher, headline-grabbing neighbour, Dubai, by targeting strategic sectors - backed by its incredible oil wealth - where it feels it can add value.

"For us this represents a unique opportunity, knowing our position in the energy market, knowing our energy expertise and the substantial financial resources we have today," says Sultan al- Jaber, chief executive officer at Abu Dhabi Future Energy Company, set up to drive the Masdar Initiative. "The question is not to replace the oil and gas sectors, it's basically to extend the life of the oil and gas sectors and find alternatives for the future."

Under the initiative, a research centre and a graduate-level scientific institute will be set up, and in 2009 a special "green zone" designed to host clean technology companies will be established.

The concept is in part based on the Silicon Valley model, and Masdar has entered into partnerships with academic institutions such as Imperial College in London, the Tokyo Institute of Technology and Columbia University for the research network.

The Massachusetts Institute of Technology is assisting with the educational institute, while the Masdar Clean Tech Fund, a Dollars 250m private equity fund, has been created with Credit Suisse and Consensus Business Group to acquire stakes in clean energy, water and environmental companies.

Like many schemes in the Gulf, the targets appear highly ambitious. Projects planned include a study into capturing CO emissions, which could then be used to enhance oil production.

If successful, it could free up associated gas used in oil production and improve reservoir recovery. Three international companies have already submitted proposals to conduct the study and the contract will be awarded within the next few weeks, Mr Jaber says. There are also plans to build a 100 megawatt solar power plant, with potential to increase to 500MW, with German group, Fichtner, already signed up as the technical adviser.

Ultimately, as Abu Dhabi aims to be a global and regional leader in the renewable market, the initiative hopes to attract 1,500 companies into the Masdar free zone. It will be designed to be a "truly environmentally friendly living and working area", with a target of a net CO balance of zero, Mr Jaber says. Expect electric cars and light railways.

"The market is evolving and we are providing a hub and community for all these companies to come and establish and be right next door and rubbing shoulders with their peers and competitors," Mr Jaber adds.

While the plans may seem ambitious, energy and environmental experts say Abu Dhabi is being astute by tapping into a growing market as countries set targets for renewable energy sources.

"The time for renewable energy is now and for the future, and large organisations, financial companies, insurance companies, oil companies and nations are moving down this track and want to be part of it," says Ralph Sims, a renewable energy expert at the International Energy Agency.

"It's probably politically astute to support this area at the time . . . certainly there needs to be greater research and international collaboration."

In 2006, annual revenues from investment in wind power, solar cells, biofuels and fuel cells grew by 40 per cent to Dollars 55bn, and the estimated market for the four technologies is forecast to reach Dollars 225bn in 2016, says Nick Nuttall, a spokesman at the United Nations Environment Programme.

"The potential for things like renewable energy is enormous, particularly things like solar power in the region."