

Executive summary

Green growth and sustainable development are high on Egypt's political agenda. Egypt's Vision 2030 promotes an integrated approach towards sustainable development. The government is committed to promoting an investment-friendly climate to turn environmental challenges into opportunities. It aims to allocate all its public investments to green projects by 2030. Over the past decade, Egypt has made progress towards achieving the Sustainable Development Goals, but challenges remain. The country is among the best economic performers in the Middle East and North Africa region. However, economic growth has not benefited all Egyptians equally. High population growth, land-use change, pollution and climate change are increasing pressure on the country's natural environment. Further progress will require stronger transformative efforts to advance towards a greener economy.

Egypt has stepped up climate action but needs to further strengthen institutional capacity. While Egypt's per capita emissions are low in international comparison, its total greenhouse gas (GHG) emissions increased at a much faster rate than the world average and are projected to grow over the next decades. The government set three sector-specific targets to reduce emissions: -37% for electricity, -7% for transport and -65% for oil and gas by 2030 compared to business-as-usual, conditional on more international financial support. It has started operationalising the National Climate Change Strategy 2050. However, it is facing implementation challenges related to financial resources to expand capacity at all levels. More regular GHG emissions updates are needed to help analyse the impacts of mitigation and adaptation measures. The adverse effects of climate change increasingly affect all economic sectors. The government is planning to complete its National Adaptation Plan in 2025.

There is significant potential to accelerate the clean energy transition and limit car dependency. The government aims to increase the contribution of renewables to 42% of the generation mix by 2030. It plans to close 5 GW of inefficient oil and gas power generation capacity and facilitate private investment to create 10 GW of new renewable energy capacity. In parallel, Egypt is continuing to upgrade transmission and distribution networks, and invest in digital technology and storage infrastructure. It aims to become one of the largest exporters of low-carbon hydrogen. It also plans to complete its first nuclear power plant in 2030. There are immense opportunities to leapfrog towards a low-carbon transport system. New urban settlements could be more compact to guarantee easy access to transport links. The electric public transport system is expanding (e.g. Cairo Monorail). The government also advanced plans to develop a 2 000 km high-speed rail network linking 60 cities across the country. Egypt has taken steps to accelerate its fleet renewal, but electric mobility is in its infancy.

Air pollution is a serious health concern. Over the past decade, the government has taken several measures to improve air quality by regulating industrial emissions, improving solid waste management, upscaling public transport and, more recently, introducing electric buses. It also helped establish a collection system for rice straws, preventing the burning of agricultural waste that leads to toxic emissions (black clouds). Developing an integrated air pollution reduction strategy, including timebound and more stringent targets for major air pollutants, would be an important next step.

Waste infrastructure and services need to be strengthened to address rising waste flows. The government achieved an important milestone with the ratification of the Waste Management Law in 2020. The law introduces measures to reduce single-use plastic bags, a “Green Label” certification to reduce industrial waste and extended responsibility for producers. The government has set ambitious goals to upgrade solid waste management infrastructure. It will need to further enforce implementation. This requires better information and waste data to monitor progress towards targets.

A stronger use of economic instruments could help address water scarcity. Egypt is moving towards absolute water scarcity with less than 500 m³ per capita of annual water supply. Economic incentives are needed to rationalise water use in agriculture. The 2021 Water Resources and Irrigation Law is a major step forward to unify attempts to improve water use and protect the quality of water bodies. It includes provisions for water user associations and climate change adaptation. Water and sanitation services need to better reflect the full financial cost.

Egypt has been committed to protecting biodiversity, but better implementation is needed across all sectors. While pressures on biodiversity are growing, knowledge about the health of species and ecosystems has improved overall. The government has started an update of its National Biodiversity Strategy and Action Plan to reflect the new commitments under the Kunming-Montreal Global Biodiversity Framework. However, implementation of commitments still faces some challenges in many areas due to limited financial and human resources. Local expertise also needs to be strengthened. The government revised the fee system for protected areas to raise additional revenues. It intends to declare the coral reef habitat of the Red Sea stretching over 1 800 km as protected areas in 2024.

Egypt is upgrading its long-standing environmental policy and legal framework. Environmental considerations are increasingly integrated into many sectoral policies. A proposed new Environment Law provides an excellent opportunity to set a unifying legal framework for environmental protection and climate action. The effectiveness of environmental impact assessment (EIA) is constrained by weak technical and financial capacity, limited consideration of cumulative effects or alternatives, insufficient enforcement and lack of public participation. Environmental expertise needs to be enhanced through training and capacity building at all levels. In 2024, the government started publishing online executive summaries of EIA reports for highly polluting projects.

Environmental information and data have improved, but major gaps remain. The monitoring capacity for air, water and soil has expanded but still requires efforts to align with international standards. Implementing the System of Environmental-Economic Accounting would provide a robust basis to inform the plans for greening national accounts. Environmental data and information remain scattered across various ministries. It is critical to improve data sharing between national entities, as well as between Egypt and stakeholders. Beyond awareness-raising campaigns, public participation in environmental decision making needs to be further enhanced.

A comprehensive green fiscal reform should be prioritised. Environmentally related tax revenue has increased, but its share in gross domestic product remains low. The bulk of this tax revenue comes from energy products, mainly excises on petroleum products used for transport. Egypt has neither taxes on pollution and resources nor an explicit carbon tax to directly address GHG emissions. Emissions from electricity production and industry sectors remain largely unpriced. The government could consider introducing a climate component in vehicle taxation and increase the use of road pricing. Gas prices for different industrial activities need to be adjusted more regularly. Despite increases in electricity prices, Egypt did not meet its target of full cost recovery by 2023. Adopting a more cost-reflective pricing model would help address wasteful consumption, reduce fiscal costs and foster energy security. Green investment could be better prioritised when providing corporate income tax incentives. In 2022, the Special Incentive was expanded to include projects of strategic interest, namely green hydrogen and green ammonia, waste management, e-mobility and alternatives to single-use plastic. However, it is also available for non-green projects, which may weaken incentives for green investment.

Cities play a pivotal role in supporting the green transition but face multiple challenges. Cities are the engines of Egypt's growth and can support its green transition by stimulating urban economic activity, green innovation, jobs, skills and more inclusive development. At the same time, cities are major sources of pollution and are also exposed to multiple climate-related hazards, especially heatwaves, flash floods, dust storms and rising sea levels for coastal cities. Current urban policies have been unable to keep pace with population pressures, which has led to uncontrolled urban expansion, environmental degradation and precarious living conditions. Meanwhile, many new urban communities built on desert land adjacent to existing cities struggle to attract new residents. In 2023, the government adopted a National Urban Policy to promote positive transformative change in cities.

Administrative reforms are needed to better consider the rural-urban continuum. The binary categories of urban and rural areas no longer reflect Egypt's urban realities with its dense settlement patterns. The 2026 national population census is an opportunity to reconsider administrative divisions and review the definition of urban areas to ensure that policies and funding address the specific needs of its populations, as well as challenges associated with urban sprawl. Egypt needs to simplify the current land-use planning and registration system and pursue development of an integrated information system to streamline the land allocation process and improve transparency.

Tailored place-based policies would support sustainable urban development. The institutional framework for urban planning faces several challenges: a disconnect between national plans, the planning of local infrastructure and local development needs; weak horizontal co-ordination between different government entities; bureaucratic complexities; and limited local capacity and financial resources. Fragmented sectoral investment planning impedes an integrated development vision at subnational level. Environmental considerations need to be systematically mainstreamed into all urban development plans and land-use planning tools. Despite many guidelines, a substantial gap between strategic plans and green measures persists in local development plans. In line with the National Climate Change Strategy 2050, governorates should develop their own subnational climate change strategies. Moving to more participatory approaches would help better align urban policies with local development needs. This will require strengthening competences, capacities and financial autonomy of subnational governments.

Egypt needs to pursue efforts to promote climate-smart, resilient and inclusive cities. Despite stated green and inclusive principles, new cities continue to be constructed in an expansive manner. The building code requires important updates to support climate and environmental goals. This could include the definition of national standards for low-carbon construction material, minimum energy efficiency standards, provisions for use of renewable energy sources and minimum requirements for green public spaces in residential areas. The government can further green its own public buildings and social housing programmes and develop a holistic approach to cooling policy. The central government needs to pursue efforts to downscale climate risk assessments at subnational level and develop appropriate city-level early warning systems. Egypt upscaled nature-based coastal protection solutions in the Nile Delta. Cities have much scope to increase their green spaces. The government has made major strides in addressing unsafe areas. However, few efforts have been directed towards establishing mitigation and adaptation plans for existing urban areas, where most Egyptians live.



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