



An Emergency Action Plan for Rescuing Lebanon's Energy Sector

The energy sector in Lebanon is one of the key contributors to the current economic crisis, which has led to the unprecedented uprising and mobilization of the Lebanese public. Not only the sector's widely perceived dysfunction, mismanagement, and corruption practices have fueled the public anger that has spread across the entire country since 17 October 2019, they have sent a negative signal about the seriousness of previous governments to implement reforms in the sector.

On 12 November 2019, the Issam Fares Institute for Public Policy and International Affairs at AUB organized a community dialogue on Lebanon's Energy future, where a number of civil society actors and experts met with a unified goal to outline the main problems in Lebanon's energy sector and provide recommendations for priority actions to be taken by the new (and subsequent) government(s). We believe that the recommended actions below would promote a new spirit of accountability, transparency, and integrity in the sector and establish clear laws, governance, standards, and procedures.

Moreover, we believe that these actions take into account the current worldwide disruptions and evolutions in the energy industry. Lebanon shall restructure its power sector to benefit from the falling costs of renewables and energy storage, and to allow for the development of distributed power generation and the rapid integration of new technologies.

The mismanagement of Lebanon's energy sector has been damaging to the Lebanese economy and to the public trust in the state and its institutions because:

1. The poor delivery of electricity exemplifies the continuous deterioration of public services and its devastating effects on the private sector and the national economy. In 2018, private diesel generators, which are widely used in the country to cover EDL's power outages, produced around 40% of Lebanon's entire demand.

Moreover, the currently adopted electricity rationing scheme reflects a deepening level of inequality in the country – the least developed and poorest regions in Lebanon carry the burden of the highest number of outage hours, in contradiction to development norms.

2. The technical and economic inefficiencies of EDL made the utility a loss-making entity that has drained the budget and required constant transfers to cover its widening deficit. The annual transfer to EDL in recent years has ranged between 1.2 to 2 billion USD, an issue from the "balance of payment" perspective when the country's reserves of foreign currency is dwindling.

3. The constant political bickering among the parties in the previous governments, which largely masked vested interests and lack of transparency, have resulted in the lack of a visionary and transformational energy policy promoting sustainable development, the respect of the environment and of public health, and in the freeze or delaying of plans and projects that are desperately needed. The diffused decision-making process and the incoherent and opaque messaging on government plans and reforms have long been leveraged by political parties in the government to avoid accountability for the continuous decline of the energy sector. Ministers over the years made promises but they failed to deliver on the ground.

As such, we urge the new government to take the following actions as soon as possible:

On procurement of current contracts and short-term planning:

»Freeze and undertake full independent audits, and if needed forensic audits, of all energy and electricity contracts not yet signed and/or that did not reach financial closure. This should cover contracts in the oil and gas sector and procurement of fuels, the wind projects in Akkar, solar projects, IPPs/BOTs proposed projects, all EDL's operation and maintenance contracts, EDL procurement process and existing legislation for subcontracted companies in the oil, gas, and power sector.

»Review all the terms of existing contracts, signed contracts implementation (especially payment mechanisms) in order to remove all forms of patronage and corruption.

»Establish an independent oversight committee made up of renowned and qualified experts, parliamentarians, and relevant non-governmental organizations.

»Suspend the plan to build three FSRU and redirect the plan towards having only one facility.

»Implement a short-term generation emergency plan to quickly provide cheaper and long-lasting sources of energy, realizing Lebanon's renewable energy potential, in the next 24 months.

On Reforms:

»The parliament, with the assistance of other stakeholders, to review, modernize and implement Law 462/2002 to establish a fully independent regulatory body.

»Place renewable energy at the center of energy planning in the country and seek supportive technical assistance to help design economically and environmentally efficient energy policies and energy mix.

»Integrate a comprehensive approach to design a social safety net and targeted smart subsidies to protect the poorest groups affected by an ultimate tariff adjustment.

On governance and transparency:

»Convert the Lebanese Center for Energy Conservation into a public institution within the Ministry of the Energy and Water with a clear mandate and processes.

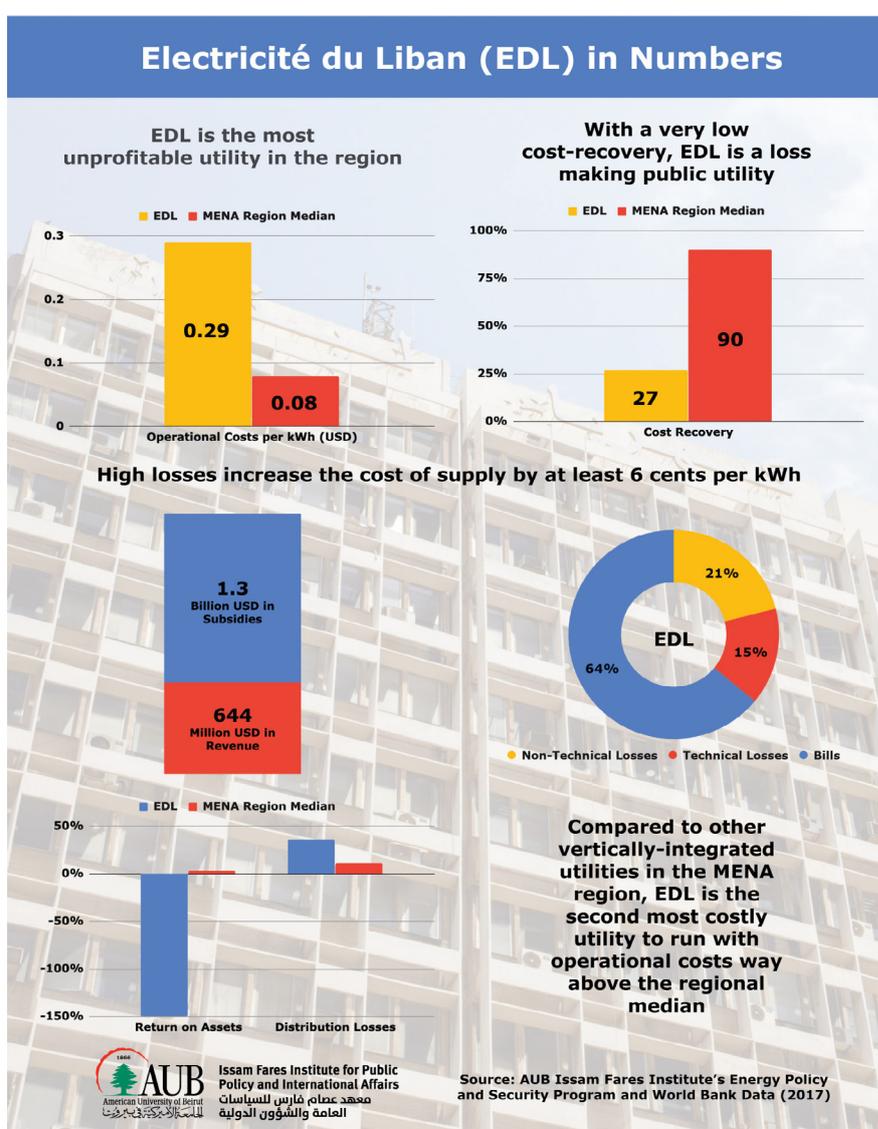
»Implement article 10 point 7 of the Law 84/2018 Enhancing Transparency in the Petroleum Sector and publish the beneficial owners of all companies contracted and sub-contracted in the oil and gas sector. Also, publish all reports sent from the Ministry of Energy to parliament regarding the oil and gas sector as requested in the taxation law.

»Review and fully reform fuel procurement processes and make it more transparent and subject to control.

»Allow access to all available data and information under Law 28/2017 and assign a focal contact point within the ministry to handle requests for data from the various entities (LCEC, LPA, Oil Installations, and other).

On appointments:

- »Appoint a new EDL Director General and Board members based on published criteria.
- »Set criteria for appointing Minister of Energy and Water advisors and publish their salaries and CVs.
- »Review and improve the existing set of criteria used for appointing the LPA board members. Change the existing appointment procedure for the LPA board members to be an equal opportunity process based on merit and a published set of criteria for candidates.
- »Based on the revamped set of criteria, perform a results-oriented evaluation of the performance of the current LPA board members by an independent oversight body composed of sector-related international experts. The evaluation should result in clear recommendations related to the continuation or discontinuation of appointment of the LPA board members



Infographic: EDL's impact on Lebanon's economy

Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut

The Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut (AUB Policy Institute) is an independent, research-based, policy-oriented institute. Inaugurated in 2006, the Institute aims to harness, develop, and initiate policy-relevant research in the Arab region.

We are committed to expanding and deepening policy-relevant knowledge production in and about the Arab region; and to creating a space for the interdisciplinary exchange of ideas among researchers, civil society and policy-makers.



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The Energy Policy and Security Program

The Energy Policy and Security Program at the Issam Fares Institute for Public Policy and International Affairs at AUB was launched in 2016 as a Middle East-based, interdisciplinary platform to examine, inform and impact energy and security policies, regionally and globally. The Program closely monitors the challenges and opportunities of the shift towards alternative energy sources with focus on nuclear power and the Middle East.

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