



In 2021, the economic, financial and political crisis in Lebanon was exacerbated and is estimated by the World Bank as potentially ranking among the top three most severe economic collapses worldwide since the 1850s. GDP was estimated to have declined by 10.5% in 2021, on the back of a 21.4% contraction in 2020. Lebanese pound's sharp depreciation resulted in a surging inflation which was estimated to an average of 145% in 2021 (World Bank, 2021). Consequently, basic public services, including electricity and fuel supply have been failing since 2021, in parallel to an increased and irreversible loss of human capital. The year also witnessed the removal of fuel subsidies, a tenfold increase in backup electricity generation prices, and a constant discussion of an imminent restructuring of electricity tariffs. As a result of these challenges, **commodity prices** emerged as a **critical uncertainty** in 2021 adding to ones that emerged the year before also as a result of the persisting crisis: the unappealing **investor environment**, lack of **affordability**, and a negative rate of **economic growth**.

On the other hand, **Geopolitics** remain a constant uncertainty affecting the Lebanese energy sector. This uncertainty has gained more relevance since September 2021 with the initiation of a World Bank initiative to secure financing for a scheme to import Egyptian gas to Jordan to be used to generate power that would be supplied to Lebanon through existing interconnections with Syria. UN-brokered negotiations, with US mediation, that were launched in 2021 following a dispute over the country's southern maritime borders also highlighted critical geopolitical uncertainties that affect the sector with a direct impact on future gas exploration activities.

At the top of the identified **action priorities** in the Issues Survey are **renewable energies** with emphasis on **decentralised systems** and emergence of **electric storage innovation** in 2021, especially with the dire state of electricity supply and the increased reliance on electric storage systems, specifically in the residential sector to cover basic electricity needs. **Energy efficiency** also remained a top issue that energy leaders in Lebanon prioritised in 2021, stimulated by the increasing energy prices, the looming removal of electricity subsidies and the reduced affordability of basic energy services. All the above challenges and action priorities are pushing energy leaders to pursue the screening, design and/or development of credit enhancement schemes, financing mechanisms, grant programs and other **support mechanisms** in the hope of supporting the sector in the coming years.

A least-cost generation plan that would heavily rely on private-sector financing was being finalised in 2021, including a thorough infrastructure integration and grid planning. The plan includes an important share of large-scale renewable energy projects, some of which are already in the pipeline, and it could reduce the deficit in electricity supply. Deadlines for large-scale RE projects were constantly being pushed forward in 2021, they will continue as such until the sector regains its solvency, viability, and credit worthiness.

The Government of Lebanon has reaffirmed once again its commitment to meet the target of 30% renewable electricity by 2030 within its Updated Nationally Determined Contribution (Updated NDC) submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in March 2021, a commitment that could be reached if international support is granted. In September 2021, Lebanon also submitted its SDG7 Energy Compact to the United Nations with

reaffirmed commitment to cover 30% of Lebanon’s electricity demand in 2030 from renewables, adopt a new legal framework for renewable energy, establish modern laws to ensure a faster transition towards sustainable energy, and use renewables to increase the Lebanese population’s access to affordable and secure energy sources, especially in rural areas.

## TESTING PERSPECTIVES WITH THE WEC LEBANON MEMBER COMMUNITY

The results of the World Energy Issues Survey were discussed within the Lebanon Member Committee in February 2022. The workshop supported the emerging findings while drawing out three key highlights to summarise the country’s current energy landscape:

1. Energy leaders in Lebanon are shifting their focus in 2022 towards **increasing affordability** in the energy sector, either through the promotion of decentralised renewable energy solutions or through energy efficiency measures.
2. **Enhancing the electricity sector’s financial performance and credit worthiness** will be a key focus area in 2022 to attract investments that enable the implementation of electricity generation projects, including large-scale renewable energy systems, that are already in the pipeline.
3. **Geopolitical interactions** will play a key role in 2022; they will have a huge influence on securing short-term solutions for the amelioration of the electricity supply and will have a long-term impact on the oil and gas sector, especially on natural gas exploration on the southern maritime borders.

## WORLD ENERGY COUNCIL

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