

# Climate Change and Environment in the Arab World

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## Possibilities and Limitations for Feed-in Tariff Policy in Lebanon Electricity Sector

After decades of political turmoil and internal strife, policy-makers are now keen to push the Lebanese Energy sector forward. Hamed Beheshti from Freie Universität, Berlin, has published a research paper on the viability of a type of policy, 'Feed-in Tariff' (FIT), that pushes for the adoption of renewable energy resources within the energy sector in Lebanon, with the aim of making them cost-beneficial.

Following the publication of a policy paper by the Ministry of Water and Energy in June 2010, Beheshti found it necessary to work on introducing FIT as a viable option for the use of renewable energy in Lebanon, covering issues ranging from Lebanon's security situation, government transparency, policy administration, financial resources needed to implement FIT, and its acceptance by Lebanese institutions and its population as a whole.

### **FIT needs stability and credibility to be durable**

FIT has yet to be introduced primarily because Lebanon has only witnessed pockets of stability in an otherwise unstable period. "One of the main pillars of FIT regulation is the long-term payment contract that in some applications exceeds 25 years. Such a long period needs social, economic and political stability in order to send positive signals to the investors," stated Beheshti.

In addition, there are several setbacks which need to be overcome before the implementation of FIT can be deemed as successful, chiefly, government credibility. While FIT will not necessarily be a government burden, Beheshti points out that in order to attract investors the government should be reliable and transparent, with capabilities in guaranteeing long-term payback of projects.

### **Energy sector monopolization hinders private sector involvement**

Though there is ample room to explore Lebanon's access to renewable energy sources, the rigidity of the ministry of energy and its entrenched reliance on conventional thermal power plants prevents the country from expanding to alternative means, "Any renewable energy development in Lebanon needs the country to unbundle the electricity sector and open the stage for all types of private partnerships in electricity generation and distribution."

### **Poor electricity provisions in Lebanon advantageous for FIT introduction**

It is well-documented how badly the electricity and energy sectors are in terms of providing the population with consistent power throughout the year. Power cuts range from 3 hours a day in some areas and can last up to 13 hours in others. As a result, households are forced to pay two electricity bills; one for the Electricite de Liban (EDL) for the power they provide, and another bill for the private generator that many households are forced to invest in—to ensure 24-hour electricity.

**“ FIT has yet to be introduced primarily because Lebanon has only witnessed pockets of stability in an otherwise unstable period. ”**

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With this in mind, Beheshti found through a 2009 World Bank survey that over half EDL subscribers are willing to pay double their current expenditures in order to guarantee round-the-clock electricity. “This provides a unique environment, rare among developing countries, for policy-makers in Lebanon to be more confident [for] FIT enactment and the extra cost of this mechanism on the electricity bills.”

### **Empowering Energy Regulatory Authority with Draft Law 426**

Other setbacks include a lack in any credible research conducted within the field of renewable energy and its implementation in Lebanon, or any legislation that would support the implementation of a policy like FIT. Therefore, the Energy Regulatory Authority (ERA) needs to work towards creating policy papers and legislation that are capable of introducing viable initiatives into the country. To achieve this, the government needs to pass pending draft law 426. “According to the capability that Law 426 gives to ERA, this entity is eligible to determine and classify the various type of electricity production in the country. Such ability enables the authority to lead the industry toward more indigenous and environmentally friendly technologies. This duty is the exact part of the law that enables ERA to open an arena towards [renewable energy] sources in Lebanon.”

“ [T]he rigidity of the ministry of energy and its entrenched reliance on conventional thermal power plants prevents the country from expanding to alternative means. ”

### **Conclusion and Recommendations:**

- While the current climate in Lebanon is conducive for the introduction of renewable energy sources, there are several key areas that need work before such an implementation can take place successfully.
- On the legislative side, it is crucial to put into effect Law 426 in order to allow the Energy Regulatory Authority to conduct its work efficiently.
- Any renewable energy deployment in Lebanon needs the country to unbundle the electricity sector and open the stage for all types of private partnerships in electricity generation and distribution.
- This study finds that according to the social, economic and political context, among them the finance capacity and the low social costs, “Premium FIT”—a fixed remuneration paid on top of the electricity market price—is the most realistic type of FIT mechanism to accelerate the implementation of renewable energy sources in Lebanon.
- Fundamental administrative reforms need to take place in order to ensure a certain level of trust between investors and Lebanese institutions, as well as between the local population and these same Lebanese institutions. ■



**Further Reading:**  
**Beheshti, H. Possibilities and Limitations for Feed-in Tariff Policy in Lebanon Electricity Sector (2010)**  
<http://jft-newspaper.aub.edu.lb/thesis/t-5348.pdf>

**IFI Commissioned Papers:**  
**Country-specific Studies on Climate Change and the Policy-making Process in the Levant**  
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