

Pathways to Overcoming Lebanon's Energy Crisis

Policy Insights by a Diplomeds Task Team

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In February 2023, Diplomeds convened multi-national groups of Mediterranean experts for two policy planning meetings to discuss how to help Lebanon overcome its energy crisis, given current obstacles related to the Arab Gas Pipeline. This document includes key policy insights generated through these meetings. It does not represent a consensus among all participants but can serve as a basis for further deliberations.

A. Transfer of Natural Gas via Pipelines

The most feasible way to ensure the flow of natural gas to Lebanon is to make the **Arab Gas Pipeline** (AGP) a viable solution that will enable import from Egypt. For this to happen, a specific change in the US position regarding Syria and the **Caesar Act** is necessary.

The renewed regional engagement with the **Assad regime** in Syria (by the UAE, Saudi Arabia, Jordan, Egypt and Turkey), is officially resisted by the US but tolerated in some cases, particularly in relation to Jordan. Nevertheless, there are perceptions in the region that such a broad re-engagement would not have happened without a tacit **American green light**.

There may be potential for some US flexibility on specific aspects of the sanctions against Syria through providing the necessary **assurances to Egypt and Jordan**. However, this may also face challenges in the US congress. In the meantime, the letter of assurance provided by the US administration in January 2022 is not perceived as providing adequate protection against the application of the Caesar Act.

Only a clear **US approval and guarantee**, via a waiver for the Caesar Act, will convince Egypt that transferring natural gas to Lebanon via the AGP is feasible and is something they should fully engage in. **French diplomacy** can play a role in facilitating the necessary modification in US policy and in engaging with the Arab countries that are relevant to the issue, to ease implementation as needed.

In any case, the AGP requires a **technical upgrade**, so it can function at full capacity, enabling also an export of natural gas from Lebanon through the pipeline, should natural gas be found in significant quantities in the Qana field. In such a case, Lebanon and the companies will need to think how to transport the natural gas through the pipeline. The easiest way will be to construct a pipeline from the platform to the shores of Zahrani, where a power plant already exists, and to build another pipeline northwards, to connect it to the AGP.

In addition, construction should be done to upgrade and expand the Lebanese terminal of the AGP in Tripoli. Should an agreement be reached with Syria, the AGP could also be extended to Turkey. For these to happen, **investments** are needed, from sources such as the governments of France and Qatar, TotalEnergies and the World Bank.

Alternative **options for pipelines** reaching Lebanon from other neighboring countries are assessed as not being feasible, due to costs and time requirements of building new infrastructure, and due to deep-rooted geopolitical rivalries (e.g. between Israel and Lebanon, as well as between Cyprus and Turkey). This may be partly bypassed, in case new infrastructure will be built as part of **company-to-company deals**, which do not formally involve governments (although such a project will definitely require governmental approval) and which will be funded by the companies themselves.

B. Transfer of Natural Gas in Liquefied Form

There can also be an option of transferring **liquefied natural gas** to Lebanon, from Egypt, Cyprus or Turkey. Currently, however, there are no regasification facilities in Lebanon that could enable a regasification of this liquefied gas.

An option to solve this could include the use of a **Floating Storage and Regasification Unit (FSRU)** by Lebanon. The cost of such a unit is significant, much beyond Lebanon's capacity. It could be granted by as assistance to Lebanon by one or more countries (France included), or by an international organization.

The current condition of linking international **assistance to Lebanon** on domestic reforms is an obstacle for progress, given the ongoing **political crisis** in the country. Nevertheless, there is need for assurances that funds will be used in an effective manner and for necessary control to ensure that corruption is avoided. The political crisis also shifts **internal attitudes** in Lebanon, as domestic positive momentum and good will that existed after the signing of the Israel-Lebanon maritime border deal somewhat diminishes. This, despite the understanding that producing gas is not guaranteed, and if found will take several years.

C. Provide Electricity, Rather Than Natural Gas

Prioritizing **electricity supply** can be a way to bypass the position that no solution to Lebanon's energy crisis can be found or no investment will be made before a President, a functioning government and a plan with the IMF are in place. Even if there is a political stalemate, electricity supply from regional countries could be envisaged.

This happened in the past and could be replicated, via connecting Lebanon to existing and planned **electricity grids** in the Middle East and the Eastern Mediterranean. International investments may be needed for connecting grids and gradually creating a common electricity market between MENA countries. Connecting the region through electricity will be less costly compared to natural gas infrastructure, but will require the international community to invest in advancing **bilateral agreements** between regional countries as well as **implementable projects** that will enable better connectivity.

In addition, as an **environment-friendly alternative** to natural gas, there will be benefits in switching to a cleaner source of electricity and investing in solar panels. **Diversification and decentralization** would be useful to Lebanon, whose electricity sector is corrupt and mismanaged, leading to billions of dollars of loss as well as problems in fee-collection and cost-effective production.