

Prepared for

**LEADERS CLUB**  
by LEBANON OPPORTUNITIES

# Economic Revolt

**A Plan for Revival**

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RESEARCH

## Electricity



The electricity sector is one of the largest burdens on citizens, the Treasury, and hard currency. It generates tremendous losses for a wide variety of reasons including pricing at half the cost of generation, technical losses, unpaid bills, corruption, theft of materials and equipment, illegal connections to the electricity lines (theft), inefficiencies, delays in billing, and more.

The official electricity sector consumes \$1.7 billion in fuel and gas imports, representing eight percent of total imports. Electricité du Liban (EDL) produces electricity at an average cost of €20/Kwh and sells it at €2.3-€13/kwh, averaging around €9/Kwh

The financial losses incurred from electricity emanate from three areas:

- 1. Fuel:** Above market purchase prices and theft from storage tanks
- 2. Technical:** Inefficient generation and transmission losses
- 3. Collection:** Many people (illegally) consume electricity at no charge

Until such time as EDL is privatized, or is able to operate without a deficit, production should be completely shut down. The State can no longer afford a mass subsidy of electricity to all, including rich and poor, residences and commercial entities, and the public sector. For an interim period, all users will have to rely on private generators. Low-income families will be given vouchers to cover the difference between what they currently pay EDL and the additional cost incurred by procuring electricity from generators. It is estimated that this will cost no more than \$100 million per year.

Power Purchase Agreements can be made with Turkey, which has surplus capacity. An undersea cable can be installed in about four months. The cost of delivery from Turkey to high-transmission facilities, including the cost of the cable, is estimated at €7-8 cents/Kwh. Another €5 should be added for distribution to homes (including technical losses), bringing the total to approximately €12. The consumer can be billed at €15 which will eliminate losses and ready the sector for privatization.