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Mitigation Enabling Energy Transition in the MEDiterranean region

Energy Efficiency financing business models in Lebanon

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EE Financing Mechanisms in Lebanon : Tax reliefs

- **Tax reliefs** (Law 444/2002, decree of 2017). Supports **green businesses and individuals** through **the reduction of tax on environmentally friendly products** and services, **including EE** and Sustainability products. Article 20 of this law lists the activities that could benefit from tax reduction (Efficient Lighting, HVAC, etc.,) and explains the process a business or taxpayer should follow to benefit from this policy.
- They can be split in **two types**:
 - **Income Tax** on activities related to environment conservation (**up to 50% reduction**).
 - **Customs Tax for importing equipment and technologies** that have a positive impact on the environment (**up to 50% reduction**).

EE Financing Mechanisms in Lebanon : NEEREA

- Developed by the central bank **BDL (Banque du Liban)**, aims to promote **EE & sustainable finance practices** across the banking sector.
- The **National Energy Efficiency and Renewable Energy Action (NEEREA)** is a national platform launched in 2010, based on circular 236 in **collaboration with European Union**.
- Developed following **initiative 11 of NEEAP I 2015**
- **provides interest-free long-term loans to residential, commercial, non-profit, and industrial users for energy efficiency and renewable energy projects for new and existing building facilities.**

EE Financing Mechanisms in Lebanon : NEEREA

- The green loans are provided through all the Lebanese commercial banks to directly reach the **end-user**.
- The NEEREA loan has a **ceiling of 20 million USD** and is offered at an **interest rate of around 2.5%** for the period that should not exceed **14 years** including a grace period of 6 months to 4 years. .
- By the end of 2017, the NEEREA financing mechanism had approved more than 780 projects with a total value of more than US 464 million.

EE Financing Mechanisms in Lebanon : LEA, Kafalat

The Lebanese Environmental Action (LEA) is a different financing mechanism platform that complements NEEREA by providing the private sector in Lebanon with long-term loans at equivalent low-interest rates in order to implement other non-energy-related environmental solutions. LEA finances and covers the cost of environmental measures of new projects or to enhance the conditions of an existing project to become environmentally sound. It allows private sector entities (individuals, SME's, or corporate bodies) to apply for subsidized loans for any type of qualified environmental projects.

The BDL is promoting entrepreneurship through numerous initiatives. These include offering micro, small and medium enterprises (MSMEs), loans at a preferential rate. Some programmes such as the Kafalat Corporation, aim is to develop a **guaranteed scheme for banks' credits to SMEs specializing in agriculture, tourism, industry, and information technology**. Guaranteed loans should not exceed a maturity period of seven years and loans are given to businesses with less than 40 employees. **Kalafat underwrites 75% of the loan in case of default and charges a guaranteed fee of 2.5%.**

EE Financing Mechanisms in Lebanon :

To maintain a competitive advantage in the global economy, the BDL launched in 2014 the circular 331 to promote the development of start-ups in Information and communication technology (ICT). The investment of up to 400 million dollars in the enterprise market led to an increase in the number of incubators and accelerators programmes in the country. Therefore, these supporting programmes foster the development of ICT start-ups in Lebanon. It should be important to note that some incubators and accelerator programmes promote and provide technical and funding for green and ICT start-ups.



Current Crises in Lebanon (2019- now)

- For nearly two years now, Lebanon has been assailed by compounded crises—specifically, an economic and financial crisis, followed by COVID-19 and, lastly, the explosion at the Port of Beirut on August 4, 2020.
- Lebanon economic and financial crisis is likely to rank in the top 10, possibly top three, most severe crises episodes globally since the mid-nineteenth century(1).
- Lebanon's GDP plummeted from about US\$55 billion in 2018 to a projected US\$20.5 billion in 2021, while real GDP per capita fell by 37.1 percent.
- More than 80 percent of the country's residents do not have access to basic rights, including health, education, and an adequate standard of living, such as adequate housing and electricity(2). The UN estimates that by March 2021, 78 percent of Lebanon's population was in poverty—triple the estimated number in 2020.
- The Lebanese pound has lost 90 percent of its value since October 2019, eroding people's ability to access basic goods, including food, water, health care, and education. Between June 2019 and June 2021, the inflation rate was 281 percent.

Current Crises in Lebanon (2019- now)

- Fuel shortages have caused widespread electricity blackouts, lasting up to 23 hours per day, and private generators—a costly alternative (more than 65 cents per kWh)—have not been able to fill the gap, leaving large portions of the country in darkness for several hours per day and sometimes for several days of total blackout.
- The government removed all subsidies on fuel. The electricity costs per month per household around 150-200\$ depending on the location and consumption, while the wage is 15\$ and the average salary of a public employee is around 75\$.
- The public institutions are not running normally: open once a week, no electricity, no budget...

Current Crises in Lebanon (2019- now)

- Unfortunately the change during the last elections (May 2022) was NOT as consequent as expected. Mainly the majority of the parties who govern the State the last 30 years were re-elected.
- Lebanon continues to be affected by political instability.
- NO National Plan to overcome this crisis.
- For the Energy Sector, NO changes in Policy makers.
- Banking Sector totally collapsed – No more loans – No more trust
- People's savings are locked in the banks (it might be lost)

On an optimistic note

- Because of the economic and energy crisis, the unavailability of the national electricity, and the unaffordability of the bills of the private generators, the Lebanese population's interest in EE and RE measures is growing.
- They are searching for efficient solutions that reduces their energy consumptions and the energy cost.
- PV systems are now more profitable regarding the high cost of the electricity bills. A considerable number of households are now turning into the PV-Battery solution.
- EE and RE projects are very profitable now!

Role of ALMEE in Financing – Some Good Practices

- **“CleanEnerTec” (2011-2015):**
 - ✓ A pilot project for the Municipality of Baalbeck
 - ✓ Renovation of the municipal building of Baalbeck
 - ✓ Improving thermal comfort
 - ✓ Installing thermal insulation
 - ✓ Solar thermal and Pvs...



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Municipality of Baalbeck

Technical
Support



Role of ALMEE in Financing – Some Good Practices

- **SOCLE project:** aimed to strengthen the skills of local authorities in environmental management EE and RE.
- ✓ Training of elected officials, local development agents and municipal police of Lebanese communities in environmental management EE and RE
- ✓ Creation of environmental units in Lebanese communities.
- ✓ Drafting of opportunity notes (pre-feasibility study) for equipment pilot projects to be presented to donors.



Technical
Support

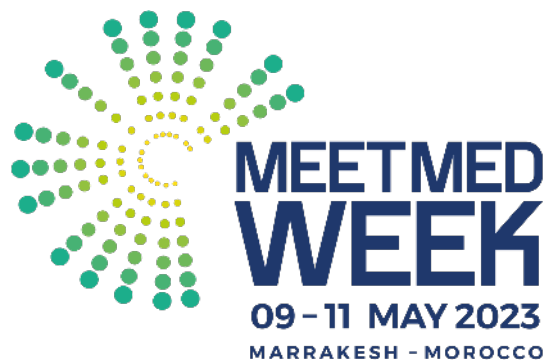
} >60 Lebanese Local Authorities
(Training)

} 12 Lebanese Local Authorities
(Opportunity notes)

Role of ALMEE in Financing – Some Good Practices

- **Green Building Roadmap for Lebanon (2022):** aimed to propose strategic roadmap and fiscal and/or regulatory recommendations to incentivize green building certification in Lebanon and to contribute to climate change mitigation and to local circular economy in Lebanon, thorough low-carbon and energy resource-efficient solutions and processes in buildings.





Contact us!



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Together We Switch to Clean Energy

For any inquires or comments,
please don't hesitate to contact us

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