



# The State and the electricity sector in the Arab countries

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# Introduction

- Electricity as a symbol of modernity => early involvement of the State in the Arab countries
- New challenges: strong growth of the demand; rising costs; end of subsidies; sustainable energies
- New policies:
  - Involvement of private actors;
  - Redefinition of the State's commitment in the sector
  - What role for the local power?
- Paper based on literature review and field work in Lebanon and Jordan

# Electricity as a development tool

- Access to electricity means access to modernity (light, home appliances)
  - Electricity means the development of industry and of the economic sector
  - Water provision is highly dependent upon electricity
- => The independent States have use electricity as a strategic tool and create/appropriated national utilities to assert their legitimacy

# New challenges

- Population growth, urbanization, rise of the middle class led to new practices (e.g. AC, home appliances)=> strong growth of the demand in recent years, to continue in the future (+5 up to 15% a year)
- Energy dependency: A geopolitical issue for the non-oil countries
- Electricity as a financial burden (Lebanon, Iraq, Jordan...)
- Bigger sensibility to shortages:
  - Particularly in highly affected countries: Lebanon, Iraq, Palestine
  - Also in usually well supplied countries: Jordan (July 2009); Sharjah (September 2009)

# The electricity issue reflects/reveals the vulnerability of societies

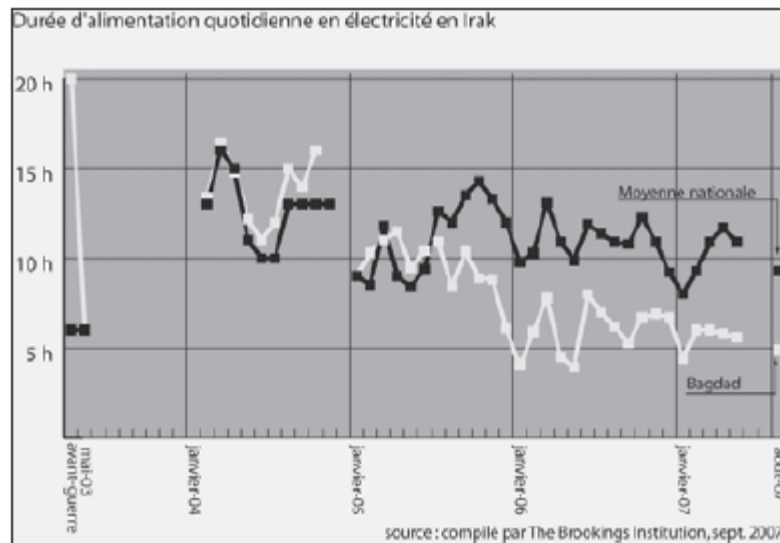
- Social gaps: energy appliances are expensive; who can afford to pay for alternatives supply means in case of power cuts?
  - In Lebanon, 38-65% of households have a generator
- Geographical and political splits. Policy choices regarding the rationing of electricity can reflect the balance of power

# Unequal geographies of electricity

Tableau 2 : Alimentation électrique par région au Liban (moyenne quotidienne)

| Période de référence      | Beyrouth | Antélias | Chiyah | Reste Mont Liban | Liban Sud sauf Marjayoun | Békaa Sud, Zahlé, Anjar, Marjayoun | Békaa nord et banlieues de Zahlé | Tripoli Chekka Ehdén Bécharré, Kouré et partie de Zghorta | Akkar Dennyé Minié partie de Zghorta Batroun |
|---------------------------|----------|----------|--------|------------------|--------------------------|------------------------------------|----------------------------------|---|--|
| Situation moyenne en 2004 | 23,83    | 21,71    | 21,32  | 21,09            | 19,74                    | 20,43                              | 20,3                             | 22  | 20,38  |
| Situation en janvier 2008 | 21,25    | 16,25    | 14,75  | 15               | 15,75                    | 15                                 | 15,25                            | 16,75   | 16,5   |

Source : EDL 2005 ; *L'Orient Le Jour*, 11 janvier 2008 (d'après EDL)



# New policies: redefinition of the role of the State

- The States don't give up their strategic role
  - Breaking the oil dependency : Jordan, Lebanon, imports of 95% of the energy needs;
  - Managing the rare/soon vanishing hydrocarbon resources or converting it in hard currencies (Syria, Iraq, Egypt)
- Achieving independence through sustainable energies?
  - Jordan National Energy Policy
    - Toward 20% of RE in 2020?
    - The nuclear option: the radical energy independence

# New policies: redefinition of the role of the State

- Liberalization: the Jordan example
  - Unbundling:
    - Selling parts of the generation sector and allowing IPPs
    - Selling all the distribution companies
    - The State retains its role as single buyer and in the transportation
  - Regulating through an « independent » body (tariff, competition)
  - Privatization in acts:
    - Strong ties between the new private owners and the regime
    - Attractive returns for investing money in safe sectors
  - What future for privatization after the financial crisis?



# New policies: redefinition of the role of the State

- Pricing policy
  - Energy subsidies as a major cause of public debts
  - Badly conceived tariffs are creating social imbalances
    - Lebanon: the effective cost of energy generation is above the average price the customer pays : the more you consume, the more you cost to the State.
  - Necessity to differentiate the rise in tariff to protect the poor. Fine tuning between residential and productive sectors

Rise in tariff in Jordan

| Category        | 2005 | 2008  | Increase (%) |
|-----------------|------|-------|--------------|
| 1-160 kW        | 31   | 32    | 3%           |
| 161-300 kW      | 59   | 71    | 20%          |
| 301-500 kW      | 67   | 85    | 26.8%        |
| > 500 kW        | 82   | 113   | 25.6%        |
| Commercial      | 63   | 86    | 36.5%        |
| Small industry  | 41   | 49    | 19.5%        |
| Middle Industry | N/A  | 49.24 | -            |
| Big Industry    | N/A  | 64.53 | -            |
| Agriculture     | 31   | 47    | 51%          |
| Water Pump      | 40   | 41    | 2.5          |
| Hotel           | 60   | 86    | 26.6%        |

# New policies: redefinition of the role of the State

- Decentralisation in the electric sector?
  - Europe/USA: metro authorities, municipalities or regions are becoming strong actors in energy policies (energy saving policies, pushing renewable... )
  - Jordan: the privatization is reducing the link that existed between the municipalities and the local utilities
  - Lebanon: energy decentralization as an open debate
    - A way to involve the informal and the future sustainable electricity producers in the national electric production? Implies to address the holes in law 462 and to offer attractive prices for selling
    - A way to create autonomous territorial clusters – a challenge to the national unity? Toward differentiated electric standards?

# Conclusion

- Electricity, like water, is a basic service for the people : it creates a mandatory role for the State
- Curbing the growth through demand management is first priority, without forgetting the needs and capacities of the poor
- Electricity can not be free or disconnected from production cost. Fine tuning of tariff is necessary in order to avoid subsidizing those who don't need it, to limit debt and to penalize productive sector
- Sustainable energy has a high cost and must be carefully studied
- Privatization is an expensive option. It is sometimes used when policy makers don't want to assume the unpopularity of reforming the public sector. But limited and well controlled PPP can prove useful
- Decentralization in energy policies is far from the capacities of the local authorities today. Autonomizing the local territories is a risk for the national unity. Decentralization of energy production can help cope with the current crisis of energy