LEBANESE REPUBLIC
MINISTRY OF ENERGY AND WATER

Electricity Sector Policy Note

Sector Organization, Transitional Framework and Long-Term Model

21 July 2026

1 Purpose and policy direction

The Electricity Sector Policy Note sets out the proposed framework for the organisation and reform of Lebanon's electricity sector[1]. It is intended to give the Council of Ministers a concise, decision-ready policy basis, and to give the Electricity Regulatory Authority (ERA) and the Ministry a shared forward plan for the implementation of the sector reform.

The Ministry of Energy and Water has set a comprehensive plan for the reform and recovery of Lebanon's electricity sector aimed at restoring reliable and affordable electricity supply, strengthening governance, improving operational and financial performance, and accelerating the transition towards a modern, sustainable and resilient electricity sector. This vision combines infrastructure investment with institutional reform and is guided by the principles of least-cost planning, operational efficiency, financial sustainability, sound governance, regulatory independence, and alignment with Lebanon's national clean energy objectives and international commitments. It is further supported by several studies being currently prepared notably, the Least-Cost Generation Plan, which will provide the strategic basis for future generation expansion and investment planning.

The Ministry's reform plan encompasses the development of new conventional and renewable generation capacity, the transition towards natural gas, the strengthening of regional electricity interconnections, the rehabilitation and expansion of the transmission network and the progressive improvement of distribution services and customer performance.

The implementation of the Ministry's reform plan is supported through coordinated technical assistance provided by several international development partners across multiple reform streams. These initiatives complement one another and collectively contribute to the development of the legal, regulatory, institutional and technical frameworks required to deliver a modern, efficient and financially sustainable electricity sector.

This Policy Note establishes the institutional, regulatory and market framework necessary to implement the restructuring of the electricity sector in accordance with Law No. 462/2002 and Law No. 318/2023. It provides the policy foundation for the corporatization and restructuring of Électricité du Liban (EDL), the operationalization of the Electricity Regulatory

[1] This Policy Note has been developed following consultation with a broad range of stakeholders, including public and private sector entities, international financial institutions and development partners, academic institutions, and civil society organisations.

Authority (ERA), the progressive unbundling of the electricity sector, and the transition towards a competitive, sustainable and resilient electricity market.

This Policy Note is intended to be implemented primarily within the framework of Law No. 462/2002 and Law No. 318/2023 as currently in force. Any future legislative amendments that may be required to support the transition to a fully liberalised electricity market shall be assessed separately and pursued through the appropriate legislative process.

The corporatisation and restructuring of Électricité du Liban (EDL) shall be implemented in accordance with Law No. 462/2002, including the possibility of establishing one or more joint-stock companies to assume the activities currently undertaken by EDL, in accordance with the implementation arrangements to be approved by the Council of Ministers. The policy note sets out the technical and regulatory framework for the transition from a vertically integrated model to an unbundled and competitive sector structure.

The Policy Note further integrates Lebanon's national clean energy objectives under the National Renewable Energy Action Plan (NREAP) 2025–2030 and the country's Nationally Determined Contributions (NDCs) under the Paris Agreement.

2 Where the sector is today

This section provides a high-level assessment of the current electricity sector, including the applicable legal and institutional framework, the principal sector stakeholders, operational and financial performance indicators, and the existing arrangements for electricity supply and service delivery.

Lebanon's electricity sector is structured today as a vertically integrated public monopoly centered on Électricité du Liban (EDL), which controls more than 90% of generation and distribution assets. EDL supplies only 8–10 hours per day at best, against demand close to three times that level; technical and non-technical losses run at approximately 40% of throughput, collection rates remain at around 60%, and delays in billing issuance and revenue recovery continue to weaken the financial sustainability of the sector. EDL also carries extensive public service obligations, universal supply across the Lebanon, and uninterrupted service to essential public facilities, that are not matched by cost-reflective tariffs and has been financed largely through treasury transfers, making them a significant driver of the sector's fiscal burden.

Historically, the Ministry has led sector policy, fuel procurement and tariff proposals, with relevant decisions subject to Council of Ministers approval where required. Following the operationalisation of ERA, regulatory competences are exercised in accordance with Law No. 462/2002.

ERA, established pursuant to Law No. 462/2002, became operational following the appointment of its Board in September 2025 and has since initiated the establishment of its institutional, regulatory and operational framework pending completion of its staffing and administrative arrangements.

Alongside EDL, a large parallel electricity supply market operating outside a dedicated legal and regulatory framework has emerged, with private diesel generators meeting an estimated two-thirds of Lebanon's electricity demand through approximately 7,500 local generator operators. In parallel, around 1,500 MW of behind-the-meter solar capacity has been deployed, largely in response to supply shortages and in anticipation of the regulatory framework introduced by Law No. 318/2023, although a portion of these installations remains to be fully regularised through the applicable implementation mechanisms. Figure 1 illustrates the legacy operational structure of the sector. While the ERA has recently become operational, the figure reflects the structure that existed prior to the implementation of the reforms proposed in this Policy Note.

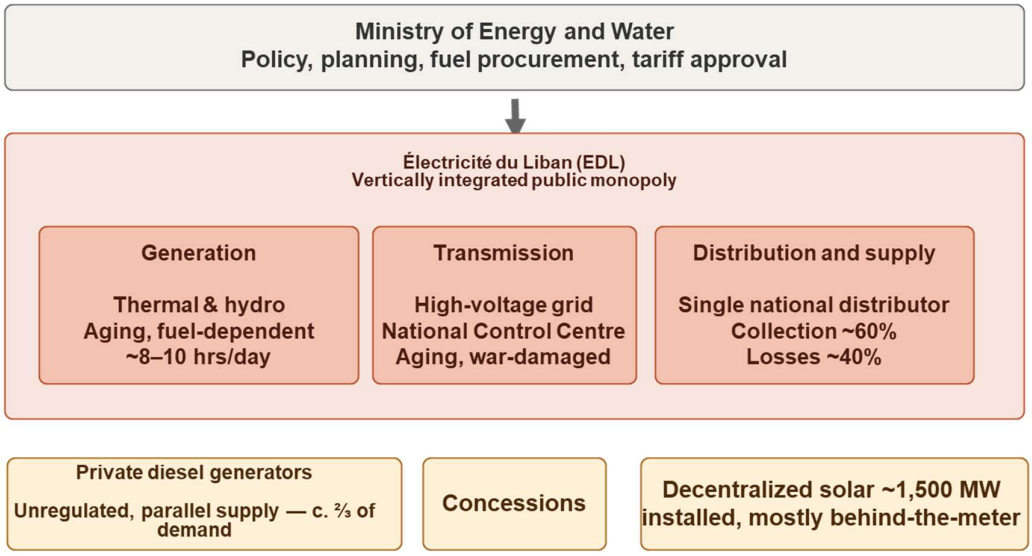


Figure 1 — Current sector: EDL as vertically integrated monopoly, parallel unregulated supply

Note: Distribution service provision currently includes DSP/service-provider arrangements operating under contracts with EDL. During the transitional period, enhanced DSP arrangements shall support immediate improvements in metering, billing and collection, loss reduction and operational performance, while preparing the transition towards fully licensed regional DSOs.

This structure has contributed to chronic supply shortages, financial imbalances, limited investment, and an inability to deliver cost-reflective service. It is also incompatible with institutional and structural reform principles established under Law No. 462/2002, including sector unbundling. The policy proposes a managed, phased transition rather than an immediate jump to a liberalized market, because the sector currently lacks the institutional, technical, and financial prerequisites for full competition.

LEBANESE REPUBLIC
MINISTRY OF ENERGY AND WATER

3 The transitional sector model

The electricity sector reform shall be implemented progressively through a phased transition designed to ensure continuity of electricity supply while establishing the institutional and commercial arrangements required to implement Law No. 462/2002. Throughout the transitional period, the reform will proceed through two successive phases:

- Phase 1, involving the establishment of Public SAL as the corporatised successor to EDL, and
- Phase 2, involving the establishment of the separate sector entities in line with the defined sector structure.

The transitional sector model provides the institutional, commercial and regulatory arrangements necessary to ensure continuity of electricity supply while preparing the sector for the long-term competitive market model described in this Policy Note. For the purposes of this Policy Note, the following terminology shall be used consistently throughout:

- “Single Buyer” refers to the wholesale electricity procurement function, initially established as a dedicated department within Public SAL during Phase 1 and subsequently established as a separate legal entity under Phase 2 of the transitional market model, in accordance with the applicable legal framework and implementing decrees;
- "TRANSCO" refers to the Transmission System Operator responsible for the ownership, operation and development of the transmission network;
- "Distribution System Operator (DSO)" refers to the licensed entity responsible for the operation, maintenance and development of the distribution network and, during the transitional phase, the associated supply and aggregation functions;
- "Aggregator" refers to the licensed entity responsible, where applicable, for carrying out the supply and aggregation function under the transitional market model.
- "Billing and Collection Agent" refers to a licensed entity authorized by ERA to perform billing and collection activities on behalf of a DSO or Aggregator in accordance with applicable regulatory requirements.

Phase 1 consists of the establishment of Public SAL as the successor to Électricité du Liban (EDL). Public SAL shall operate as a single electricity company responsible for the generation, transmission and distribution activities currently undertaken by EDL. During this phase, Public SAL shall continue to own and operate the existing generation, transmission and distribution assets, within the policy and strategic framework established by the Government and under the independent regulatory oversight of the Electricity Regulatory Authority (ERA). The transmission function shall incorporate a dedicated Single Buyer

Department responsible for preparing and progressively developing the wholesale procurement function.

As shown in Figure 2, in parallel with Public SAL, electricity generation may continue to be provided by existing Independent Power Producers (IPPs), distributed generation, rooftop solar installations and other generation resources operating under the applicable legal and regulatory framework. These resources shall continue to complement the electricity supplied by Public SAL during the transition.

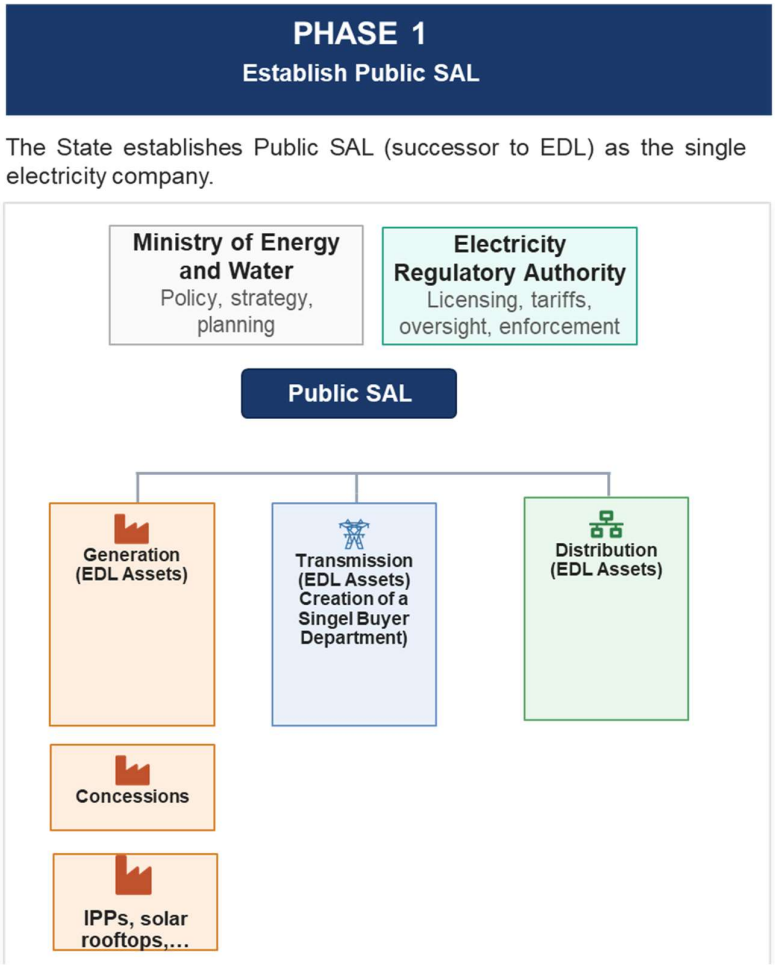


Figure 2 — Transitional Sector Model: Phase 1 (Public SAL)

Phase 2 implements the institutional structure required for the implementation of Law No. 462/2002 through the creation of independent Generation Companies (GENCOs), the establishment of the Single Buyer as a separate legal entity, the establishment of TRANSCO as the independent Transmission System Operator, and the progressive organization of regional Distribution System Operators (DSOs). Assets, contracts, liabilities and personnel shall be allocated among the newly established entities in accordance with the applicable implementation decrees and restructuring plan.

The Single Buyer is adopted as a transitional market arrangement rather than a permanent market design. It is intended to facilitate coordinated procurement, investment and system planning, financial settlement and sector financial stabilisation, while enabling the progressive introduction of competitive market mechanisms as institutional and market conditions mature.

Throughout the transitional model, the Single Buyer shall remain the primary wholesale procurement mechanism for transmission-connected generation. Nevertheless, ERA may progressively authorize regulated bilateral procurement arrangements (regulated bypass) for eligible consumers where justified by objective market-readiness criteria and in accordance with the applicable regulatory framework. Such arrangements shall remain subject to ERA approval, non-discriminatory access to the transmission and distribution networks, payment of applicable Transmission and Distribution Use-of-System Charges (TUoS and DUoS), balancing and settlement arrangements, consumer protection requirements, and any other market rules established by ERA. The scope of regulated bilateral procurement may be expanded progressively following ERA's periodic assessment of market readiness, security of supply, institutional maturity and the effective operation of the electricity market, without compromising the integrity or financial sustainability of the transitional Single Buyer model.

Regional DSOs shall perform both the regulated network function and the supply and aggregation function during the transitional period. They shall procure electricity from the Single Buyer, may procure distributed generation and ancillary services in accordance with the regulatory framework established by ERA, and shall remain responsible for customer service, billing and collection, including through licensed Billing and Collection Agents where appropriate. Pending the establishment and licensing of regional DSOs, the existing DSP arrangements shall be progressively strengthened through an enhanced operational model aimed at improving distribution performance and preparing the operational transition towards fully licensed regional DSOs, as further described in Section 3.3.

Distributed generation, prosumers, captive generation, microgrids, peer-to-peer arrangements and regulated bilateral procurement shall be developed in accordance with Law No. 318/2023 and the regulatory instruments adopted by ERA, thereby complementing the transitional market structure while supporting security of supply, renewable energy deployment and improved system resilience.

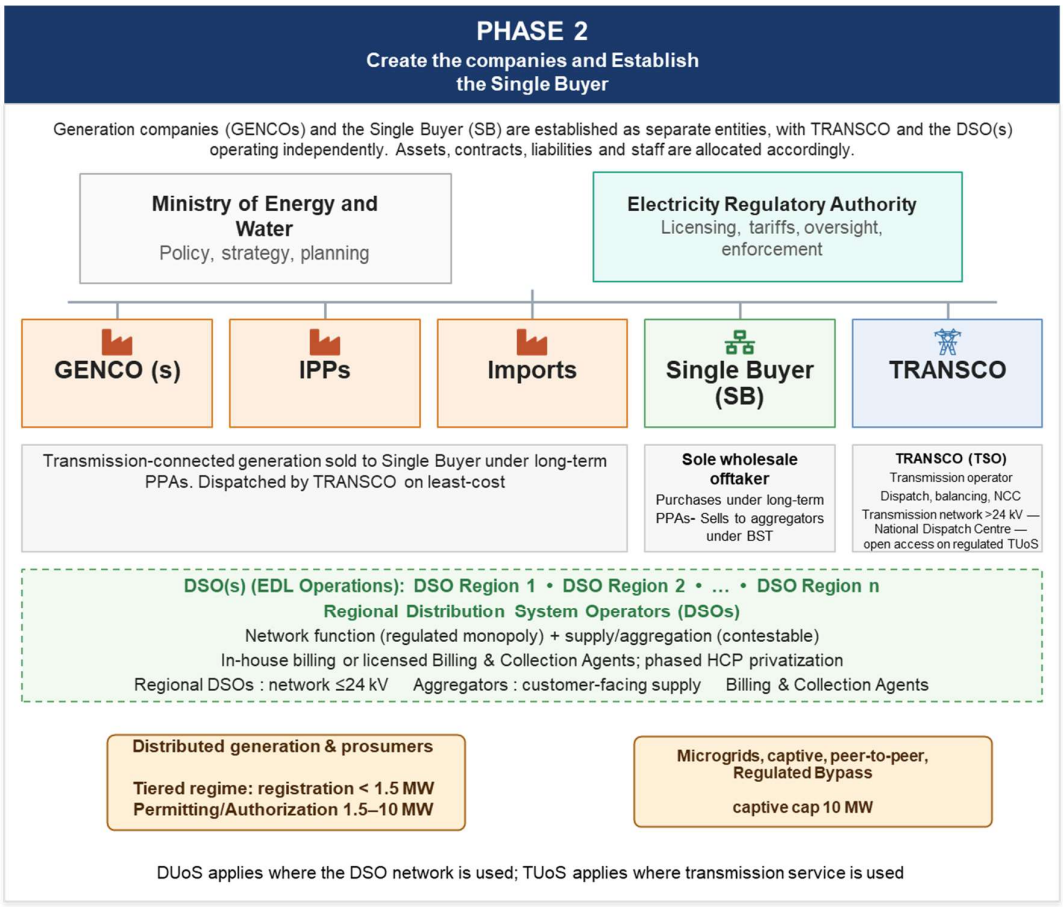


Figure 3 — Transitional Sector Model: Phase 2 (Establishment of the Sector Entities)

3.1 Institutional architecture

The respective responsibilities of the Ministry, ERA and other public authorities shall be exercised in accordance with Law No. 462/2002 and the applicable implementing legislation. The Ministry retains responsibility for sector policy and strategic planning within the framework approved by the Council of Ministers.

ERA exercises the regulatory powers assigned to it under Law No. 462/2002, within the policy framework set by the Government — licensing, tariff methodologies, technical codes, consumer protection, compliance and enforcement, and acts as the custodian of the transition.

Public SAL, established as the corporatised successor to Électricité du Liban (EDL) as described in Phase 1, serves as the transitional institutional platform from which the future sector entities are progressively established. Initially, during Phase 1, it operates as the single electricity company responsible for generation, transmission and distribution

activities, while preparing the institutional restructuring required under Law No. 462/2002. Then, during Phase 2, its assets, contracts, liabilities and personnel are progressively allocated to the newly established GENCO(s), TRANSCO, the Single Buyer and regional DSOs in accordance with the applicable implementation decrees.

The High Council for Privatization and Partnerships (HCPP) shall play a central role in the preparation, structuring and implementation of privatization and public-private partnership (PPP) transactions in the electricity sector, in accordance with the PPP Law and other applicable legislation. HCPP shall work in close coordination with the Ministry of Energy and Water, ERA, the Ministry of Finance and other competent authorities to ensure that project structuring, procurement, contractual arrangements and risk allocation are aligned with the Government's electricity sector reform objectives, while preserving ERA's independent regulatory functions under Law No. 462/2002.

3.2 Generation, transmission and the Single Buyer

During the transitional period, electricity generation is provided by the generation assets of Public SAL together with Independent Power Producers (IPPs), imported electricity and distributed energy resources operating under the applicable legal and regulatory framework. Upon implementation of Phase 2, Public SAL's generation assets are transferred to one or more Generation Companies (GENCOs) established pursuant to the applicable implementation decrees.

Imported electricity constitutes a distinct source of wholesale electricity supply within the transitional market structure, including electricity supplied under intergovernmental agreements, regional cooperation arrangements or other lawful import mechanisms.

Electricity generated by GENCOs and Independent Power Producers (IPPs), together with imported electricity, shall participate in the transitional wholesale market in accordance with the applicable legal and regulatory framework. Independent Power Producers may be selected through transparent and competitive procurement processes undertaken by the Single Buyer, HCPP, ERA, or any other competent public authority, as provided under the applicable legal framework.

The Single Buyer will act as the primary wholesale offtaker and may enter into long-term Power Purchase Agreements and other wholesale supply arrangements, where applicable and in accordance with the approvals required by law, while TRANSCO shall independently operate the transmission network, undertake system dispatch and balancing, and provide non-discriminatory access to the transmission system.

The Single Buyer is the primary wholesale offtaker for transmission-connected generation during the transitional phase and shall be established as a State-owned entity in Phase 2 of the transitional phase or such other ownership structure as may be determined by the applicable legal framework and implementing decrees. The Single Buyer is proposed as a transitional wholesale coordination mechanism intended to support the implementation of

Law No. 462/2002 during the transition phase. It procures generation under long-term Power Purchase Agreements (PPAs) and sells in bulk to supply/aggregation entities under Bulk Supply Agreements (BSAs).

PPAs and BSAs are structured to be bankable under Lebanon's sovereign credit constraints: long-term (typically 15–20 years), take-or-pay or availability-based, with appropriate indexation, change-in-law protection, step-in rights, arbitration, and credit-enhancement mechanisms (escrow, payment waterfalls, letters of credit, multilateral risk mitigation).

Procurement of generation capacity, imported electricity, fuel supply arrangements and associated contractual structures shall be undertaken by the competent public authority in accordance with Law No. 462/2002, the Public Procurement Law, the PPP Law where applicable, and any other applicable legislation. The allocation of procurement responsibilities shall be determined by the applicable legal framework governing the relevant procurement process.

The structuring of electricity sector PPP transactions and other long-term contractual arrangements shall include the identification, assessment, allocation and management of contingent liabilities in accordance with the applicable public financial management framework. Project risks shall be allocated to the parties best placed to manage them, while safeguarding fiscal sustainability and ensuring the long-term viability of the electricity sector.

Where necessary to ensure the bankability of strategic electricity sector investments and attract private sector participation, appropriate credit enhancement and payment security mechanisms may be provided in accordance with the applicable legal framework, including sovereign guarantees, payment security arrangements, escrow mechanisms, letters of credit, multilateral guarantee instruments or other risk mitigation mechanisms, subject to the approvals required by law.

ERA shall exercise regulatory and oversight functions assigned to it under Law No. 462/2002 and the applicable implementing decrees, including licensing, regulatory methodologies, technical requirements, compliance monitoring and market oversight. Where procurement results in the award of a Power Purchase Agreement, the Single Buyer shall execute the resulting agreement in accordance with the applicable legal framework.

The exercise by ERA of its regulatory functions under this Policy Note, including licensing, tariff methodologies, market oversight and compliance monitoring, shall be without prejudice to the powers and responsibilities assigned to other competent authorities under the applicable legal framework.

TRANSCO is established through the transfer of the transmission function of Public SAL into a dedicated Transmission System Operator owned by the Lebanese State in accordance with the applicable restructuring arrangements. It owns and operates all transmission assets above 24 kV, performs system dispatch and real-time balancing through

the National Control Centre, and provides non-discriminatory access to all licensed market participants. TRANSCO does not engage in commercial energy procurement; the Single Buyer does not own transmission assets. The two functions remain institutionally separate to avoid conflicts of interest and to prepare the sector for progressive liberalization. This separation preserves operational independence and facilitates the future evolution towards competitive wholesale market arrangements.

3.3 Distribution, supply and billing

Under Phase 2, the distribution function and related assets of Public SAL are progressively allocated to a number of regional DSOs, each operating under an ERA licence within a defined geographic area. Each DSO performs two functions: the network function (operation, maintenance, planning, connections, metering, loss reduction, and non-discriminatory third-party access), regulated as a natural monopoly, and the supply and aggregation function (bulk purchase from the Single Buyer, purchase from distribution-connected Distributed Generators, billing and collection, and settlement of prosumer arrangements), which is held by the DSO under the transitional model and is to be unbundled from the network function and opened to competition under the long-term model.

Where a DSO performs both functions, ERA imposes accounting separation, prohibition of cross-subsidy, non-discriminatory network access to third-party suppliers, an information firewall on customer and metering data, functional management separation, and a threshold established by ERA through the applicable regulatory framework, above which the supply and aggregation function shall be carried out through a separate legal entity. Billing and collection may be performed in-house or through licensed Billing and Collection Agents acting on behalf of the DSO/Aggregator, with ERA-approved service standards and fees. DSOs are progressively prepared for private participation under HCPP-led transactions in coordination with ERA. During the transitional phase, the accounting, functional and governance separation requirements applicable to DSOs shall constitute interim safeguards to ensure transparency, prevent cross-subsidisation, avoid conflicts of interest and facilitate effective regulatory oversight. These measures are intended to support the orderly transition towards the long-term market model, under which the regulated network function and the competitive supply and aggregation function shall be legally separated in accordance with Law No. 462/2002 and the applicable implementing decrees.

Pending the establishment and licensing of regional Distribution System Operators (DSOs), it is intended to strengthen the existing Distribution Service Provider (DSP) arrangements through an enhanced operational model. The enhanced DSP model shall expand the operational responsibilities, delegated functions and performance obligations of the existing DSPs, while remaining under Public SAL supervision and within the applicable contractual and legal framework.

While the preferred long-term approach remains the establishment of licensed regional DSOs in accordance with the implementation roadmap, the enhanced DSP model provides an interim mechanism for accelerating performance improvements pending completion of the institutional restructuring.

The enhanced DSP model is intended to improve commercial and operational performance through enhanced customer management, wider deployment of smart and prepaid metering, advanced metering infrastructure (AMI), improved billing and collection systems, systematic reduction of non-technical losses, strengthened theft detection and enforcement mechanisms, improved outage management, digitalisation of field operations, and enhanced performance monitoring through measurable service indicators. These measures are expected to significantly increase collection rates, reduce commercial losses, improve service quality and prepare the operational environment for the establishment of regional DSOs.

Upon their establishment, regional DSOs shall assume and further develop the operational improvements introduced under the enhanced model, including advanced metering, digital customer management, loss reduction programmes, enhanced billing and collection systems, network planning and asset management.

Together, the enhanced DSP model and the subsequent establishment of regional DSOs are expected to substantially improve revenue collection, reduce non-technical losses, strengthen commercial discipline, improve customer service, increase network efficiency, and contribute significantly to the financial sustainability of the electricity sector.

3.4 Demand-side participation and decentralised supply

Renewable energy constitutes a fundamental pillar of both the transitional reform programme and the long-term electricity market, supporting least-cost generation expansion, reducing dependence on imported fuels, improving energy security and facilitating compliance with Lebanon's NREAP and NDC commitments.

Demand-side participation enabled under Law No. 462/2002 and Law No. 318/2023, including distributed generation, captive generation, prosumers, net metering, peer-to-peer arrangements, regulated bilateral procurement arrangements, demand response, energy efficiency and microgrids, constitutes an integral component of the transitional electricity market model. These resources are intended to complement, rather than replace, investment in utility-scale generation, transmission and distribution infrastructure, while contributing to improving security of supply, reducing load shedding, enhancing system resilience, accelerating renewable energy deployment and supporting the progressive modernisation of the electricity sector under ERA oversight.

ERA regulates distributed generation through a tiered capacity-based regime: registration only below 1.5 MW; ERA authorization/permit for installations between 1.5 MW and 10 MW;

utility-scale licensing above 10 MW. Captive generation projects up to 10 MW are subject to ERA authorization/permit and may operate only in the following regulated capacities: self-supply (including multi-site self-supply through regulated wheeling), provision of ancillary services, and regulated sale of surplus electricity.

Microgrids are localized electricity systems combining generation, storage and demand management within defined geographic or functional boundaries. They are capable of operating either interconnected with, independently from, or in islanded mode from the public distribution network, and supply electricity to a defined group of consumers through on-site generation and, where applicable, storage.

Microgrids shall be subject to an ERA non-objection decision, in accordance with the eligibility criteria and regulatory requirements established under the applicable regulatory framework. Should legislative clarifications prove necessary, the appropriate process shall be initiated. ERA may issue such non-objection decision where objective technical, economic and public-interest criteria demonstrate that a microgrid constitutes the most appropriate solution to improve service reliability, resilience, electrification or least-cost electricity supply, particularly where the relevant DSO is unable to provide an adequate level of service within a reasonable timeframe.

The non-objection decision of a microgrid shall not prejudice the future expansion of the public distribution network or relieve the relevant DSO of its long-term service obligations within its licensed service area. The legal, technical, commercial and consumer-protection requirements applicable to microgrids shall be established through the relevant regulatory instruments. Microgrids will be considered under a dedicated category, with parallel territorial networks prohibited (unless DSO network is unavailable or technically infeasible) and coordination with DSOs required. Microgrids shall be designed and operated with clean generation as the dominant source of supply, supported by storage and other technologies as required to ensure reliability, in line with Lebanon's national clean energy targets.

Microgrid arrangements are open to qualified operators (including municipalities, cooperatives, and private developers) on the basis of objective eligibility and technical criteria set by ERA, and are available only where the relevant DSO is unable to provide service of adequate availability and quality within a reasonable timeframe, as determined by ERA against a published test.

ERA shall set the rules governing the coexistence of microgrids and DSO networks, including interconnection rights and obligations, standby and exit charges, the treatment of microgrid non-objection decision upon subsequent extension of DSO service, consumer protection and tariff oversight within microgrids, and safeguards to preserve DSO financial viability and service. A non-objection decision of a microgrid shall be issued subject to the condition that, upon the extension of the distribution network to the relevant service area, the microgrid shall integrate with the DSO in accordance with the regulatory framework

established by ERA. Such integration shall not, in itself, create any obligation for the Government or ERA.

DSOs/aggregators may procure the energy output and ancillary services of distributed generation, captive generation or microgrids, subject to economic purchase requirements set by ERA. ERA does not itself procure such output or services; it sets the requirements for, and may manage, the tendering process by which DSOs/aggregators procure them, including the applicable procurement method.

Procurement by DSOs or aggregators shall be conducted in accordance with transparent, objective and non-discriminatory procedures established by ERA. ERA shall regulate the applicable procurement framework, evaluation criteria and contracting principles but shall not become a contractual counterparty unless expressly provided by the applicable legal framework.

3.5 Tariff architecture, consumer protection and compliance

The tariff architecture comprises a Bulk Supply Tariff (BST) from the Single Buyer to supply and aggregation entities; Transmission and Distribution Use-of-System Charges (TUoS and DUoS) applied on a transparent and non-discriminatory basis to all network users (including prosumers and exporting captive generators); purchase tariffs for distributed and captive generators under the applicable regulatory framework; billing and collection tariffs; and end-user retail tariffs differentiated by consumer category, including fuel-adjustment mechanisms and lifeline tariffs for vulnerable consumers.

ERA shall develop, publish and periodically review tariff methodologies applicable to regulated electricity activities in accordance with Law No. 462/2002 following an appropriate stakeholder consultation process. Such methodologies shall be transparent, objective, non-discriminatory and consistently applied, and shall promote cost reflectivity, economic efficiency, financial sustainability of regulated entities, quality of service, affordability for vulnerable consumers, consumer protection and the efficient integration of renewable and distributed energy resources, while taking into account social policy objectives established by Government.

Any socially targeted subsidy, exemption, or tariff reduction shall be explicit, on-budget, transparent, fully funded through direct Government transfers, and neutral to licensed entities' revenue requirements.

ERA acts as the primary consumer protection authority and exercises the compliance, information, inspection and enforcement powers assigned to it under Law No. 462/2002, including the issuance of binding corrective orders, the imposition of administrative sanctions and fines, and the suspension, amendment or revocation of licences and authorizations/permits and non-objection decisions, where provided by law. Such powers shall be exercised in accordance with the principles of due process, transparency, proportionality and non-discrimination. Prior to the adoption of any enforcement measure adversely affecting a regulated entity, ERA shall provide the concerned party with notice of

the alleged non-compliance, a reasonable opportunity to present its observations, and a reasoned decision. ERA's enforcement decisions shall be subject to the rights of appeal and judicial review available under the applicable Lebanese legal framework.

3.6 Existing concessions

Existing concessions and contractual arrangements shall continue to be governed by the applicable laws, decrees, concession agreements and regulatory decisions. Nothing in this Policy Note shall be construed as modifying or impairing the rights and obligations arising under existing concession agreements, except as may be provided by law or agreed by the relevant parties. Existing concessionaires shall remain subject to the regulatory oversight and jurisdiction of the Electricity Regulatory Authority (ERA) in accordance with Law No. 462/2002, including the applicable licensing, technical, economic, consumer protection and compliance requirements, while taking due account of the rights and obligations established under their respective concession agreements until the expiry, renewal, amendment or lawful termination of such agreements.

The licensing and regulatory arrangements applicable to existing concessionaires shall be adapted, where necessary, to ensure consistency with Law No. 462/2002 and the future sector structure, while preserving legal certainty, continuity of service and the legitimate rights and obligations arising under existing concession agreements.

3.7 Durations of licences, authorizations/permits and non-objection decisions

The duration of licences, authorizations/permits and non-objection decisions shall be determined in accordance with the applicable legal and regulatory framework, taking into account the nature of the activity, investment requirements and public-interest considerations. Network licences for TRANSCO and DSOs may be granted for durations of up to fifty (50) years as per Law 462/2002; generation licences shall take into account the duration of the relevant PPA or other applicable project arrangements; microgrid non-objection decision may be location-specific and time-bound; captive generation authorizations/permits may be open-ended, subject to ERA revocation; and the duration of registrations, authorizations and licences applicable to prosumers, billing and collection agents and distribution-connected generators shall be determined by ERA in accordance with the applicable regulatory framework.

4 The long-term sector model

The transitional market model established under this Policy Note is intended to facilitate the progressive evolution towards a competitive and liberalized electricity market in accordance with the principles of Law No. 462/2002. The transition to the long-term market model shall not be determined by predetermined timelines, but by the achievement of objective technical, financial, regulatory and institutional conditions demonstrating that the electricity

sector is capable of supporting effective competition while maintaining security, reliability and financial sustainability.

ERA shall periodically assess market readiness taking into account, inter alia, security and adequacy of electricity supply, the financial sustainability of sector entities, implementation of cost-reflective tariffs, operational independence and performance of the Single Buyer, TRANSCO and DSOs, availability of reliable metering, balancing and settlement systems, effective regulatory and institutional capacity, and the existence of sufficient market participants to support effective competition. Where ERA determines that these conditions have been achieved, it shall issue a reasoned market-readiness determination and recommend the progressive implementation of the subsequent stages of market liberalization in accordance with the applicable legal framework.

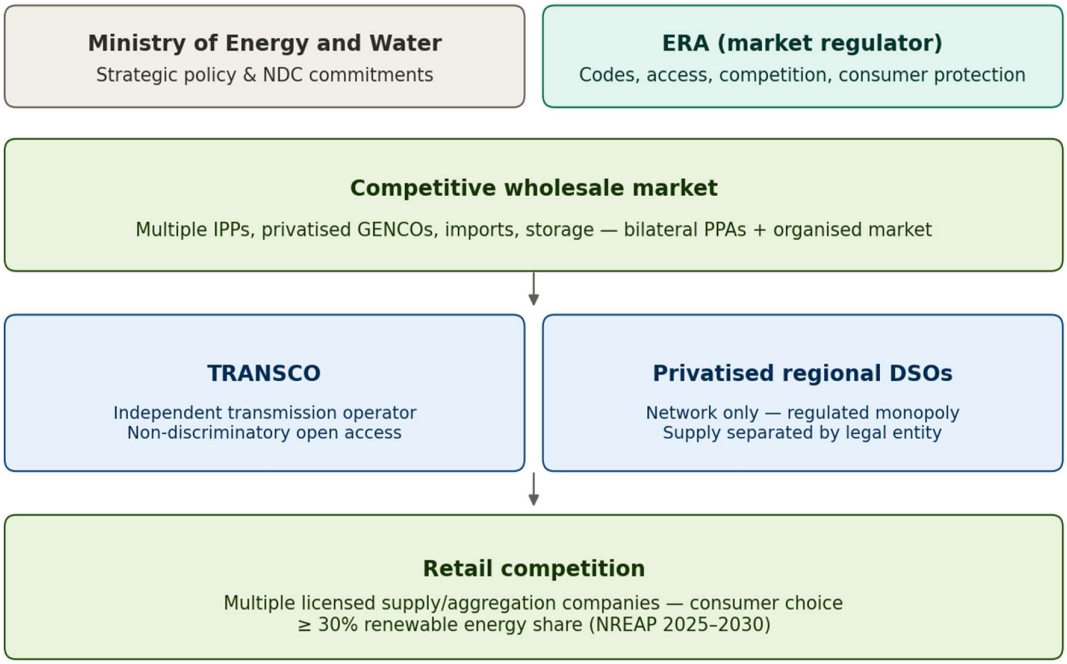


Figure 4 — Long-term liberalized market: competitive wholesale, neutral regulated networks, retail choice, ≥ 30% renewable energy share

In the long-term model, generation is fully competitive across multiple privatized participants. TRANSCO operates as a neutral, independent transmission system operator. DSOs operate as regulated network monopolies, with the supply and aggregation function legally separated and opened to multiple licensed supply/aggregation entities competing at retail. The Single Buyer is either phased out or transformed into a market operator. ERA's role evolves accordingly from regulation of the transitional market arrangements to regulation of the liberalized electricity market.

LEBANESE REPUBLIC
MINISTRY OF ENERGY AND WATER

5 Implementation roadmap and forward plan

This policy is implemented through the decrees, regulatory instruments, licences, codes, methodologies and other implementation measures adopted by the competent authorities pursuant to Law No. 462/2002 and Law No. 318/2023. The forward plan proceeds through three sequenced implementation steps:

1) **Step 1 - Adoption of the unbundling and EDL corporatization decrees:** The Council of Ministers adopts (i) the decree defining the sector structure and unbundling the electricity sector activities into the separate generation, transmission, wholesale procurement, distribution, and supply and aggregation activities and (ii) the decree corporatizing Électricité du Liban (EDL) into Public SAL as the transitional successor entity. A comprehensive valuation of EDL's assets and liabilities shall be carried out under the supervision of the Ministry of Finance, HCPP and ERA. Public SAL shall prepare and submit to ERA, within six months of its incorporation, an organisational restructuring and separation plan for the allocation of activities, assets, contracts, liabilities and personnel to the future sector entities. Pending completion of the asset allocation and transfers under Step 2, Public SAL shall operate under transitional licence(s) issued by ERA covering each of the regulated activities it performs, on terms, including ring-fencing, accounting separation and reporting requirements, determined by ERA.
2) **Step 2 - Asset allocation, licensing, and transfers:** the Government approves the allocation of assets, contracts, liabilities, and staff to the unbundled companies, and ERA issues full licences and approves operational plans and cost structures, and determines the applicable tariffs in accordance with the tariff methodologies established under Law No. 462/2002.
3) **Step 3 - Privatization:** HCPP shall lead the preparation, structuring and implementation of the privatization and public-private partnership transactions for the newly established State-owned electricity companies, in coordination with the Ministry of Energy and Water, ERA and other competent authorities, through modalities and timing to be determined by the Council of Ministers.

In parallel, ERA shall issue the regulatory instruments required to operationalize this policy: licensing, authorization and non-objection frameworks, as applicable, for utility-scale, distributed and captive generation; transmission; distribution; supply and aggregation; microgrids; and billing and collection agents; the Grid Code, the Distribution Code, the Distributed Energy Code, and market rules; tariff methodologies (BST, TUoS, DUoS, feed-in/net-billing, retail); consumer-protection and dispute-resolution rules; compliance, information, and enforcement procedures; and the registration, planning and data-reporting framework for demand-side resources; and the demand forecasting, generation adequacy and new-capacity assessment framework.

LEBANESE REPUBLIC
MINISTRY OF ENERGY AND WATER

6 Conclusion

This policy establishes a clear and structured pathway for the reform of Lebanon's electricity sector. It reaffirms the relevance of Law 462/2002 and Law 318/2023 and provides the missing link between the existing legal framework and its practical implementation. By distinguishing between a necessary transitional phase and a defined long-term objective, the Government ensures that reform is both realistic and forward-looking. The approach balances urgency with institutional capacity and provides a credible basis for restoring confidence in the sector, attracting investment, and delivering Lebanon's national clean energy targets.

The Council of Ministers is invited to endorse this policy as the reference roadmap and vision for sector reform. The Ministry and ERA will jointly publish a consolidated forward plan setting out the sequencing, indicative timelines, and inter-institutional coordination arrangements for the secondary legislation required to unbundle the sector and to restructure EDL.