

# **LEBANON: DOOR OPEN FOR IRANIAN INVESTMENTS IN THE ENERGY SECTOR?**

Lebanon was most likely a marginal topic on the sideline of nuclear discussions in Vienna, but the nuclear agreement between Iran and the P5+1 group is expected to have direct implications on local Lebanese politics. Since the deadlock in Lebanon is largely a reflection of regional deadlock, it would be reasonable to expect a possible regional appeasement to contribute to unlocking the situation in Lebanon. The immediate post-Iran deal period is expected to be a period of hesitation and testing until the time is ripe for broad arrangements. While the overall regional balance will tip in favor of the Iranians, in Lebanon, arrangements between Iranian-backed factions and Saudi-backed factions are inevitable, both at the political and business levels.

While the world prepares for investments in Iran, we take a more Lebanese-centered approach and look at how the deal could free up Iranian investments in Lebanon, particularly in the energy sector, long limited by sanctions, and a certain reluctance from certain Lebanese sides.

In the past, Iran expressed repeated interest in the Lebanese energy sector. Tehran offered to rehabilitate the country's two refineries (currently inactive and used for storage only), build a power plant under favorable terms, and proposed to supply Lebanon with oil and natural gas. These projects faced a number of challenges, and their feasibility was not always ensured. Now that sanctions are lifted, these, and other projects, are expected to be reactivated. It is going to be much harder now to justify rejecting cooperation with Iran. Just like some Lebanese understandably seek cooperation with Gulf countries, and their companies, (the head of the Parliament's Energy Committee and Future Movement MP Mohammad Qabbani insist on organizing a second prequalification round ahead of proceeding with the offshore tender, to allow companies "from Kuwait, Saudi Arabia and Qatar" to participate in the tender and "help us exploit our resources") others will be actively seeking to associate Iran and Iranian companies in the energy sector.

Today, the lifting of sanctions removes an important obstacle, but many other questions are left unanswered. Backed by an extensive and influential network of Lebanese-Iranian businessmen, Iran perceives Lebanon as a platform for developing its (business) presence in the Eastern Mediterranean, a region of rising strategic importance for Tehran.

In this 2650-word analysis (reserved for its clients), MESP identifies possible areas of cooperation between Lebanon and Iran, particularly in the energy sector. We evaluate the ability of the Lebanese business community to accompany Iranian interest in the sector and a possible

Iranian involvement in future oil and gas exploration activity. Finally, we conclude with a word on the possible implications of a U.S.-Iran “rapprochement” on the discussions regarding the maritime border dispute between Lebanon and Israel.