

## I. Transfers to EDL in 2010

► In November 2010, treasury transfers to EDL reached LL 72 billion, as follows:

- ⇒ Reimbursement of KPC and Sonatrach LL 70.5 billion
- ⇒ Debt service LL 1.6 billion

► In 2010, treasury transfers to EDL reached LL 1,598 billion, as follows:

- ⇒ Reimbursement of KPC and Sonatrach LL 1,502 billion
- ⇒ Debt service LL 96 billion

Table 1: Monthly transfers to EDL in 2010

(LL billion)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>EDL of which:</b>	<b>94</b>	<b>264</b>	<b>147</b>	<b>145</b>	<b>155</b>	<b>43</b>	<b>232</b>	<b>46</b>	<b>124</b>	<b>275</b>	<b>72</b>		<b>1,598</b>
Debt service, of which:	0.4	8.0	13.3	11.0	0.0	8.5	19.6	4.1	11.1	18.3	1.6		95.9
• C-Loans and Eurobonds, of which:	0.4	8.0	13.3	1.0	0.0	8.5	13.5	4.1	11.1	1.0	1.6		62.5
– Principal payments	0.0	7.6	10.3	0.9	0.0	7.8	11.2	3.3	8.3	0.9	1.3		51.5
– Interest payments	0.4	0.4	3.0	0.1	0.0	0.7	2.3	0.8	2.8	0.1	0.3		11.0
• BDL Guaranteed Loan payments	0.0	0.0	0.0	10.1	0.0	0.0	6.1	0.0	0.0	17.3	0.0		33.5
<b>Reimbursement of KPC and Sonatrach</b>	<b>93.3</b>	<b>255.8</b>	<b>134.1</b>	<b>134.2</b>	<b>155.2</b>	<b>34.7</b>	<b>212.2</b>	<b>41.5</b>	<b>113.2</b>	<b>257.1</b>	<b>70.5</b>		<b>1,501.9</b>

Source: Ministry of Finance

## II. Transfers to EDL in 2010 in comparison with 2009

► Transfers to EDL in 2010 were LL 459 billion lower than the 2009 level

Transfers in 2010 registered a level that is LL 459 billion below that of the same period of 2009, which stood at LL 2,057 billion, as a result of the following two factors:

- ⇒ decrease in payments to Kuwait Petroleum Corporation (KPC) and Algeria's Sonatrach for fuel and gas oil purchases by LL 436 billion
- ⇒ decrease in debt service by LL 23 billion

Table 2: Transfers to EDL

(LL billion)	Nov 2009	Nov 2010	2009	2010	Change	% Change
<b>EDL, of which:</b>	<b>113</b>	<b>72</b>	<b>2,057</b>	<b>1,598</b>	<b>(459)</b>	<b>-22%</b>
Debt Service, of which:	2	2	119	96	(23)	-19%
• C-Loans and Eurobonds, of which:	2	2	85	62	(22)	-26%
– Principal Repayments	1	1	71	52	(19)	-27%
– Interest Payments	0	0	14	11	(3)	-22%
• BDL-Guaranteed Loan Payments	0	-	34	33	(0)	-1%
<b>Reimbursement of KPC and Sonatrach Agreements</b>	<b>111</b>	<b>70</b>	<b>1,938</b>	<b>1,502</b>	<b>(436)</b>	<b>-23%</b>

Source: Ministry of Finance

► Payments to the two oil suppliers in 2010 were LL 436 billion lower than their 2009 level

The component “Reimbursement of KPC and Sonatrach Agreements” reached LL 1,502 billion in 2010, down from LL 1,938 billion in 2009. The registered 23 percent downward change is rooted in both a quantity and a price effect, as follows.

- ⇒ Quantity Effect: on one hand, payments to gas oil suppliers in Jan-Nov 2010, as compared to Jan-Nov 2009, pertain to around 27<sup>1</sup> percent lower quantity, and on the other, EDL consumption of fuel oil increased by 16 percent over the same period. The decline in gas oil quantities is partially attributed to the fact that natural gas, a substitute for gasoil, started flowing from Egypt, to the Deir Amar/Beddawi power plant in early September 2009, although during the past few months, the flow of natural gas has not been as regular. As of November 5<sup>th</sup>, 2010, the provision of natural gas stopped.
- ⇒ Price Effect: the payments made for fuel oil and gas oil during Jan-Nov 2010 pertain to consumption (and thus prices) made 6 to 9 months earlier. In this respect, analysing the prices when the LCs were opened – and thus consumption made – shows that the amounts payable during this period of 2010 refer to oil prices higher than that prevailed during the first 11 months of 2009<sup>2</sup>. In fact, the high international oil prices that prevailed during QII and QIII 2008 were offset by low prices registered during QIV 2008 and QI 2009. Starting, QII 2009 oil prices resumed their contained, yet continuous, hike.

It is worth noting that, until end-November 2010, the received quantities of natural gas have not been paid for, given that only until December 2010 did the Council of Ministers issue a mandate authorizing the payment of natural gas invoices by the Ministry of Finance.

### III. Contribution of EDL out of the total oil bill

#### ► *EDL contributed to 12 percent of the total oil bill in 2010*

With a total oil bill of LL 1,711 billion paid in January-November 2010, of which a treasury payment of LL 1,502 billion for “Reimbursement of KPC and Sonatrach Agreements”, EDL contributed by 12.2 percent to repaying the two oil suppliers. It is worth mentioning that this figure was lower at around 7.2 percent in 2009, out of a larger oil bill of LL 2,095 billion.

<sup>1</sup> The quantities of gas oil and fuel oil are calculated based on the Letters of Credit (LCs) that are opened at the Central Bank.

<sup>2</sup> Given the lagged terms of payment (six months for Sonatrach and nine months for KPC), “Reimbursement of KPC and Sonatrach Agreements” stands for the settlement of gas oil and fuel oil bills during a certain period. The actual payment pertains to consumption made during the same year, as well as the previous year, depending on the date of purchase. For further details on the difference between quantities consumed and quantities paid, kindly refer to “*Electricité du Liban: A Fiscal Perspective*” (April 2010) available on [www.finance.gov.lb](http://www.finance.gov.lb).