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POWERING RECOVERY

Reform, Reconstruction,
and Renewables in
Conflict-Affected States *in*
the Arab World

Foreword by
Jon B. Alterman

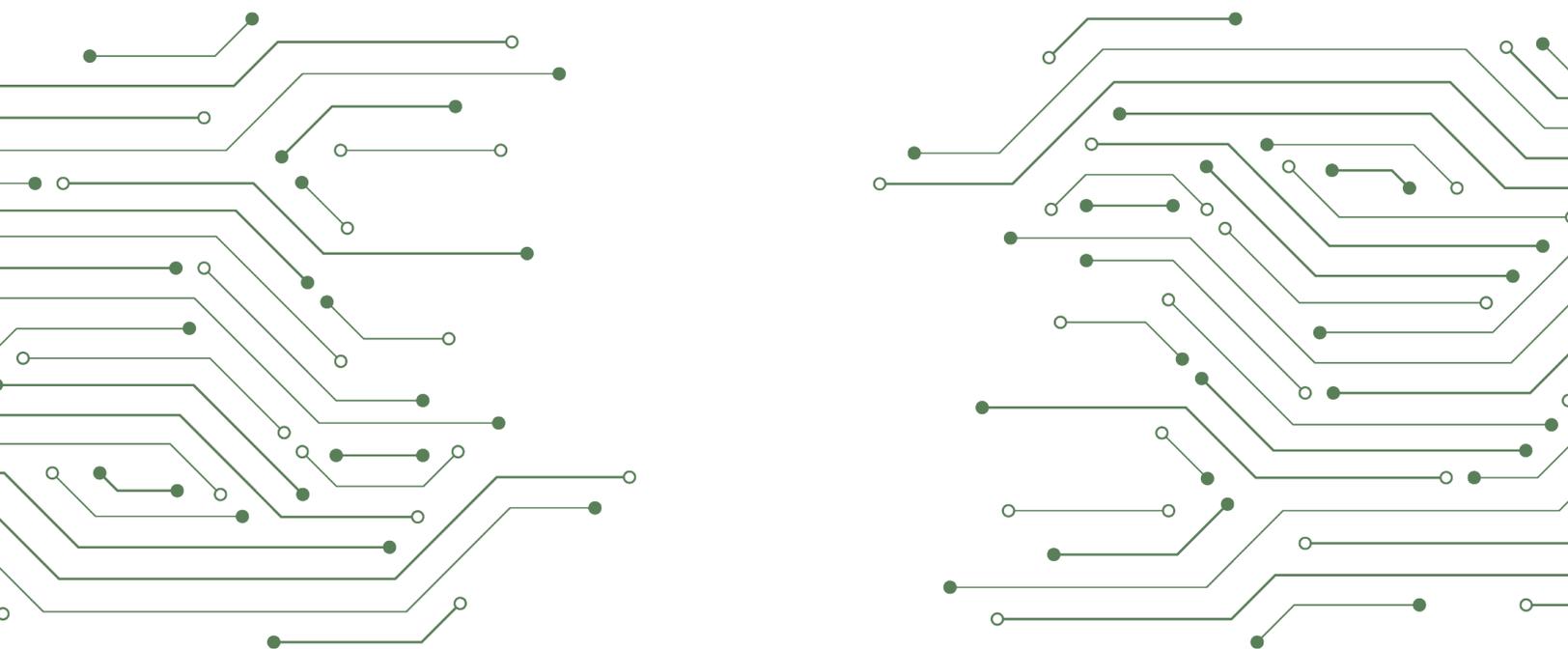
AUTHOR
Will Todman

CONTRIBUTING AUTHOR
Lubna Yousef

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EXECUTIVE SUMMARY

Donor efforts to tackle electricity crises in conflict-affected states in the Middle East have failed. Despite billions of dollars of international support for electricity infrastructure in Iraq, Lebanon, Libya, and Yemen, their electricity crises worsen year on year.

Multimillion-dollar thermal power stations created major and ongoing opportunities for graft and corruption, produced dangerous single points of electricity sector failure, and tied societies to future hydrocarbon use, undermining the energy transition. Many of these stations do not operate today.

Meanwhile, local political elites have successfully resisted reform demands from donors, the other traditional pillar of their electricity sector strategies. Donors often fail to appreciate that deficiencies in electricity provision in conflict-affected environments serve some elites' interests. When power outages are common, elites can secure the loyalty of key constituencies by providing them with preferential access to state power. Similarly, elites can profit by forcing communities to rely on expensive informal systems of electricity provision. These actors have a deep-seated interest in prolonging dysfunction in the electricity sector so that they can continue to profit, reward allies, and undermine rivals.

To tackle electricity crises in conflict-affected states, donors must take inspiration from local adaptations, think more politically, and act more quickly.

Advances in renewable energy technology are creating unprecedented opportunities. When national grids collapse during conflict, many communities turn to renewables as their primary alternative. Distributed systems of renewable electricity generation are not only better for the natural environment, but they also have specific advantages for fragile contexts.

To begin with, the consequences of destruction or debilitation of infrastructure are more contained in a distributed system, as outages affect a smaller area. Distributed systems also generate electricity closer to where it is consumed, and shorter transmission lines are more secure and reduce losses. The incorporation of renewable technologies into these systems reduces reliance on imports of fuel, which can often be disrupted during conflicts. Small-scale systems such as mini-grids can also be constructed more quickly than large-scale infrastructure.

Even more importantly, distributed systems of renewable electricity generation reduce opportunities for aspiring monopolists to gain business and influence. Decentralized systems have distributed ownership and involve smaller investments, making them a less attractive target for those seeking to profit from large aid contracts.

The danger is in waiting too long, as the experiences of Lebanon and Iraq highlight. Political elites in both countries have worked together to obstruct reforms that would limit their profits. For decades, the political classes in these countries have spent billions of dollars on electricity subsidies and conducted minimal tariff collection to prevent the entry of competitors into the electricity sector.

These experiences suggest that donors must act in the early recovery phase to advance an alternative system of electricity provision that can foster recovery

and broader economic development. Distributed renewable energy technologies facilitate earlier donor interventions, which can yield much better longer-term outcomes. To seize advantage of a short-lived window of opportunity to deploy renewables, they must assess the capacity of local authorities and find ways to circumvent, co-opt, and coerce actors who benefit from the status quo. This assessment will determine the feasibility of interventions at the central and local levels.

At the central level, international donors should:

- condition support for central electricity infrastructure on reforms, such as establishing a legal framework for utility-scale and distributed renewable energy, an independent electricity regulator, and a tariff reform plan.
- support utility-scale renewable projects in more stable areas.
- avoid temporary fixes in the electricity sector that create new streams of income for aspiring monopolists, which could become permanent.

At the local level, donors should:

- assess local communities' openness and ability to partner with international actors.
- identify effective local adaptations that integrate renewable technologies and assess the reasons for their success and the feasibility of scaling them up.
- experiment with alternative systems of local electricity provision, including establishing mini-grids for rural communities and hybridizing preexisting neighborhood grids with solar panels.
- encourage private sector collaboration with local authorities, institutions, and communities to replicate and expand these systems.
- release feasibility studies and business models from successful initiatives.
- spread awareness of successful local initiatives nationally and with potential private sector investors.