

LEBANON

AE: UNDP/IFI



GREEN
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FUND

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CONFERENCE

Project title				
Fuel Efficient Cars in Land Transport Sector				
Result areas	Sector	Total financing, USD	GCF financing, USD	Financial instrument
[Transport]	Public/Private	[USD 45 M]	[USD 40 M]	Grant/Loan /Guarantee/Equity
Description of specific climate change problem and how the project will address it	<p>The transport sector in Lebanon is the second major sector contributing to GHG emissions (24%), with most of the transport emissions (around 96 per cent (%)) arising from road transport. A sustainable and efficient transport system, including effective public transport options, is currently missing, but a Bus Rapid Transit (BRT) is under negotiations. As a result, the road transport sector is heavily reliant on private cars. This, in combination with a very old and fuel intensive car fleet, leads to road significant negative social and environmental impacts. Nonetheless, Lebanon has committed under to the Paris Agreement (ratified in March 2019) to increase the share of fuel-efficient vehicles by 20% by 2030. As part of its commitment, Lebanon has also adopted a new law (article 55 of Law 79, dated 18/04/2018, renewed in 2019) on the customs tax and registration fee exemption/reduction for hybrid and electric vehicles (for hybrid cars: 80% and 100% customs reduction for private and taxi cars respectively, in addition to 100% registration fee exemption for taxis; for electric cars: 100% customs and registration fee exemption for both private and taxi).</p>			
Alignment with key country priorities and stakeholders engaged	<p>Lebanon's NDC includes a transport target (among others) of introducing 20% fuel efficient vehicles by 2030. The project has received the endorsement of the Council of Ministers (October 2017), which is the result of the engagement of the various government departments (specifically, Ministry of Environment, Ministry of Public Works and Transport, Ministry of Finance), in addition to the Association of New Car Importers.</p>			

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Activities

The proposed project has been designed to accelerate the transformation of the road transport sector to achieve the conditional target of the NDC. The main building blocks of the are:

- The implementation of a car scrappage and replacement program to replace old and fuel intensive vehicles with new and fuel-efficient vehicles. Taxi cars (red plates (RP)) will be targeted during Phase 1 (2021-2023) considering its role as public transport and economic disadvantage of taxi drivers. In Phase 2 (2024-2030), private cars (white plates) would be also eligible;
- Setting up and operate an institutional framework for managing and operating the Project;
- Establishing the necessary legal and regulatory framework for car owners to switch to FEVs such as an incentive scheme and its national financing mechanism (e.g. additional fuel tax);
- Ensure the promotion of and awareness building for FEVs.

Expected outcomes

- Phase 1 (2021-2023): GHG reduction potential of Phase 1 is 36,764 tCO₂-eq.
- Phase 2 (2024-2030): GHG reduction of Phase 2 is 5,441,317 tCO₂-eq.

Paradigm shift potential

- *The government has removed customs and excise fees and registration fees of electric cars, and reduced the customs and excise fees for the hybrid cars (taxis willing to buy hybrid cars are exempt of customs and registration fees). However, the market is still very small and needs a boost to demonstrate the efficacy of these technologies and provide support to the taxi drivers (which are from a lower socioeconomic strata). It will also establish the market for these technologies by providing further subsidies.*