



## Power to the People?

### Scrutinizing the U.S.-Arab Effort to Supply Energy to Lebanon via Syria

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Lebanon's compounding economic, security, and humanitarian crises have left the country teetering on the edge of disaster over the last two years, as pantry staples become prohibitively expensive and sectarian violence threatens to boil over in Beirut.<sup>1</sup> Amid the national swoon, rolling blackouts have become the norm, and access to electricity has dwindled to just a few hours a day.<sup>2</sup>

Lebanon's debt crisis and spiraling inflation have been worsened by the increasing influence of Hezbollah—a U.S.-designated terrorist group backed by Iran—in a country crippled by parochial politics, mismanagement, and

\* The authors would like to thank Washington Institute research assistant Calvin Wilder for contributing to this study.

Image: Beirut skyline during a power cut. Reuters/Shutterstock

corruption, all of which have precipitated a more than 90 percent collapse in the Lebanese lira's value versus the U.S. dollar over the past two years.<sup>3</sup> The corresponding local spike in imported fuel prices has limited consumer access and led to a near total collapse in electricity generation.

To close the energy gap and win hearts and minds, Hezbollah has launched efforts to import Iranian fuel and oil products from neighboring Syria. The United States and its Arab allies, in a competing and much more complicated scheme, are seeking to bring increased electricity and gas to Lebanon via electricity cables and pipelines running through Syria, an option that promises to be more sustainable for the country and the environment than the Hezbollah plan—and to keep Lebanon from moving any closer to state collapse and further into the Iranian orbit. Still uncertain, however, is how much energy in the form of electricity and gas will be involved, what infrastructure improvements will be required, and ultimately how the plan's benefits to Lebanon can be maximized while minimizing the benefits to Syria's Assad regime and its backers. This paper thus seeks to analyze how an energy assistance plan could benefit Lebanon without creating a windfall for the Assad regime.

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## Pumping Up the Volume

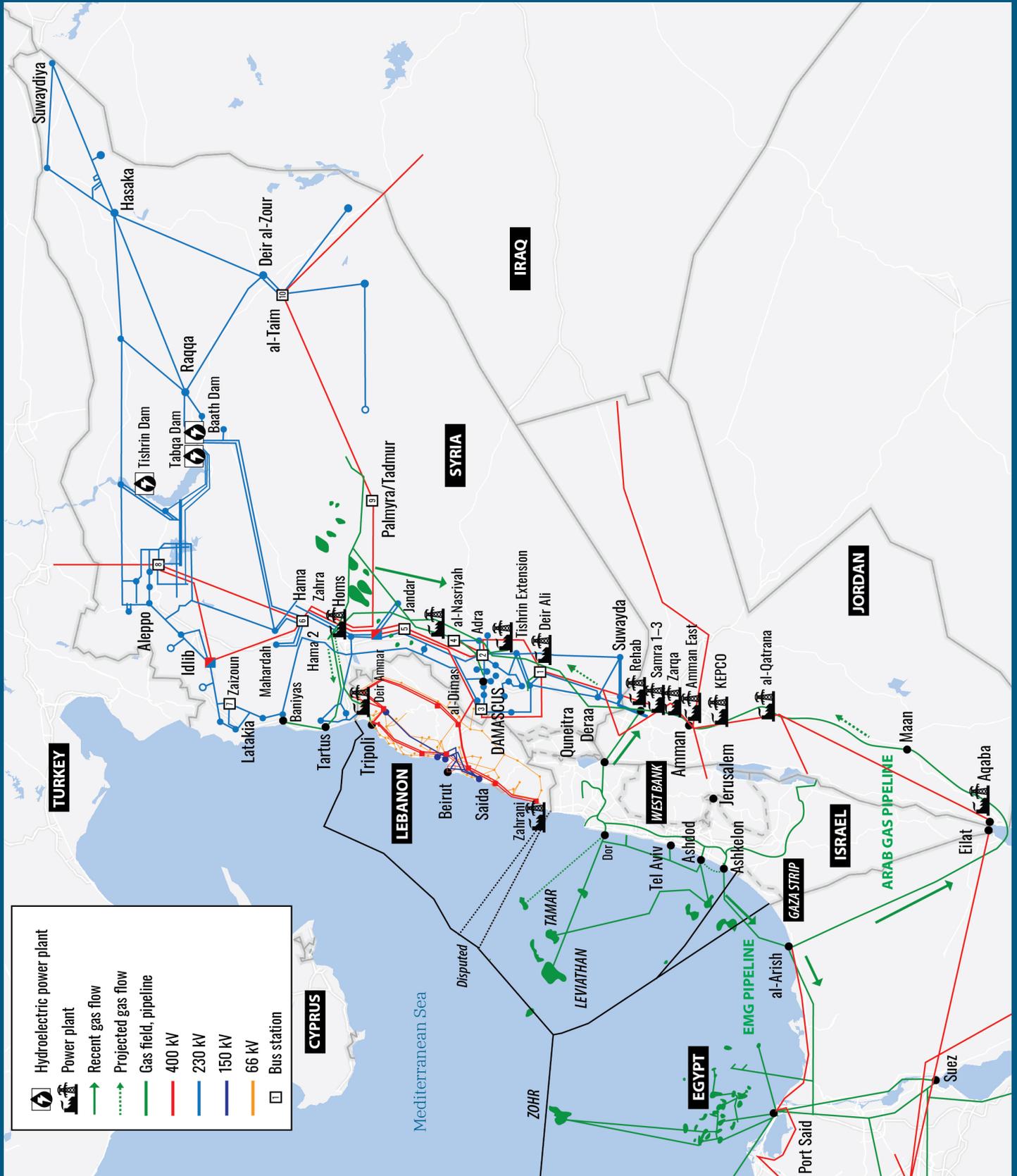
The U.S.-backed plan has two key components. The first involves Jordan generating and transmitting excess electricity to Lebanon via pylons running through Syria. The second component—still unpublished but widely reported—is the more logistically complicated, and involves sending natural gas through a pipeline from Egypt (and Israel) into Jordan, then Syria, and onward into Lebanon for use in its power plants. A third reported possibility is that the gas from Jordan would be used by Syria to generate electricity, freeing up Syrian gas to flow to northern Lebanon to produce electricity there.

Announced by Jordan's minister of energy and natural resources after an October 28 meeting with his Lebanese and Syrian counterparts, the plan's first component would theoretically provide to Lebanon 400 megawatts of electricity a day (150 MW between 12 a.m. and 6 a.m., 250 MW for the remainder)—although a subsequent report suggested Jordan would only provide 250 MW/day.<sup>4</sup> Lebanon currently faces an estimated power shortage of 1,500 MW/day, so this plan would not solve the crisis entirely but would fill 15–30 percent of the existing power gap and increase Lebanon's current daily electricity supply by 35–60 percent.<sup>5</sup>

According to data from Jordan, the kingdom produced an electricity surplus of some 2,800 gigawatt/hour in 2020, translating to over 300 MW/day.<sup>6</sup> The target of 400 MW/day thus can mostly be provided by Jordan's existing surplus based on 2020 figures, although gas imports to Jordan would likely be required to provide the kingdom with spare capacity. For their part, Syrian officials have cited a \$5.5 million cost to repair the lines in Syria connecting it to Jordan's grid.

To make the 400 MW target sustainable, the plan would involve increasing the volumes of gas from Egypt to Jordan to compensate for Israeli gas that would ordinarily go to Jordan. The Israeli gas would then be diverted to Syria given the current orientation of the Arab Gas Pipeline (AGP)—a regional grid extending from Egypt's Sinai Peninsula, across Jordan, and through parts of Syria into northern Lebanon. How that gas might be diverted onward to Lebanon remains unclear because of the complicated status of existing gas connections between Syria and Lebanon, but a rumored deal may include the Israeli gas going to Syria in a swap for Syrian gas piped to Lebanon. A number of technical, logistical, and political challenges to these arrangements remain unresolved. But regardless of the details, the underlying premise that making extra power available at a generating station will translate into a substantial, sustainable increase for Lebanese consumers is highly optimistic, as the next section will explain.

Map 1. Regional Electric and Gas Grids



Sources: Sinan Hatahet and Karam Shaar, "Syria's Electricity Sector After a Decade of War: A Comprehensive Assessment," *Middle East Directions*, July 30, 2021, 11, <https://cadmus.eui.eu/bitstream/handle/1814/72182/QM-02-21-984-EN-N.pdf?sequence=1>; World Bank Group, <http://www.EnergyData.info>; MEES, *Weekly Energy, Economic & Geopolitical Outlook* 64, no. 38; Peter Stevenson, "Egypt-Lebanon Gas Deal: A Big Win for Syria's Assad," MEEES, September 24, 2021, <https://www.mees.com/2021/9/24/geopolitical-risk/egypt-lebanon-gas-deal-a-big-win-for-syrias-assad/0166cc00-1d34-11ec-9df9-b7aaea7ddb37>; and Republique Libanaise Electricite du Liban, 2001.

## Myths and Molecules

The last decade has seen many changes to the oil, gas, and electricity picture in the eastern Mediterranean. Egypt remains the largest player, with substantial oil and gas fields discovered or in production onshore and offshore. But Israel's own gas discoveries have given it energy independence and the surplus to export natural gas to both Jordan and Egypt. Before its civil war, Syria was a significant oil and natural gas producer but with only limited capacity for export. The chaos of fighting has substantially curtailed its potential.

This historical picture explains the AGP, which was originally built to export excess Egyptian gas to Jordan, and Syria, with a branch line to Lebanon, and a possible further extension to southern Turkey. This is the established infrastructure that can now be used to export Israeli gas to Jordan and Syria, and then Lebanon, while Egyptian gas is used domestically or exported as liquefied natural gas (LNG) on tankers to destinations across the world.

The Lebanese situation today is characterized by an utterly broken national infrastructure and a hopelessly inefficient electric power sector, with many consumers relying on private generators.<sup>7</sup> A 2019 IMF paper on Lebanon's electricity sector noted that thermal power plants belonging to the state power company, Electricite du Liban (EdL), have a capacity of 2,764 MW, while hydroelectric plants have 252.6 MW capacity.<sup>8</sup> In August 2020, however, EdL was reported to be producing only 680 MW in recent months, barely a quarter of this theoretical capacity. Total demand the previous year was estimated at around 4,500 MW.

The IMF report, describing the electricity sector as "highly inefficient," noted, even in 2019, that capacity was "well below" demand, "losses (technical, non-technical and non-collection)" were "very high," and "electricity tariffs [were] well below cost recovery."<sup>9</sup> In plain language, this means EdL's

power stations were not working properly, customers were not paying their bills—but probably were not being cut off as a consequence—and electricity was being sold too cheaply anyway.

Successive Lebanese governments have refused to address the country's energy crisis for various reasons. One is that certain parties have financial interests in the private generating systems on which so many Lebanese rely for electricity, and thus have every incentive to see the current system remain intact. Their efforts to preserve the status quo, and their incomes, will almost surely include preventing the flow of centrally generated electricity to consumers. Yet increasing electricity production at large power stations is just the very beginning of boosting electricity provision to Lebanese consumers. And getting them more electricity from EdL is a small part of solving Lebanon's electricity problem, since EdL generates only a small share of electricity for consumers, with the rest produced by private generators. A bitter related irony is that consumers are paying much more for electricity from private generators than they would if charged full cost from EdL. In every way, the Lebanese consumer is losing, and entrenched interests profiting from the current system are to blame.

News reports of plans to supply Lebanon with natural gas and electricity have generally accepted the official story that the gas specifically is "Egyptian." But this description is misleading. Egypt may be paying for the gas initially and therefore can be described as its owner, but most or all of it will be from Israel's offshore Leviathan field.<sup>10</sup>

A second myth is that the gas will come via the AGP, which was originally commissioned in 2003 and starts at the northern Sinai city of al-Arish, where lines from Egypt and Israel intersect. As originally planned, the pipeline had an annual capacity of around 10 billion cubic meters (BCM) and was intended to supply gas to a power station in the Jordanian port city of Aqaba, three power stations in Syria, and a power station in Lebanon. Yet industry insiders say the gas flowing to Jordan via the pipeline

originates in Israel or is at least a mixture of Israeli and Egyptian gas.

Over the past nearly two decades, political crises in Egypt, Syria, and Lebanon have forced interruptions in gas flows, prompting a rethink of the AGP. The most significant change has been Jordan's decision to rely on Israeli rather than Egyptian gas. Since 2020, when Israel's Leviathan field started production, 3 BCM a year of Israeli gas has flowed via a pipeline through Israel, crossing into Jordan just south of the Sea of Galilee before intersecting with the AGP. From there, the gas flows southward a few miles to Jordanian power stations north of Amman. (Jordanian sources insist the gas is supplied via a pipeline separate from the AGP, seemingly avoiding Israeli gas flows through the AGP, but the authors have been unable to verify this assertion.)

It is the three power stations north of Amman that are being considered to generate the electricity for transmission by overhead lines to Syria and onward to Lebanon (see map 1). So, for the present, the idea of actual Israeli gas flowing northward into Syria for use by power stations there or in Lebanon remains theoretical, and therefore perhaps politically less sensitive in the short term. Eventually, Syria may accept the notion of Israeli gas passing through its territory. Also theoretically, extra volumes from Israel could be pumped to the AGP in northern Jordan, with some going south to Jordanian power stations and some going north into Syria. But for this to be a commercial arrangement, it would need to be viable within about a fifteen-year timeframe, whereas the current plan proposes more of a short-term fix to help Lebanon entice Syria away from Iran.

Politics aside, it is not clear how much additional installed electricity-generating capacity Jordan would have available to supply Syria and Lebanon. Given that power plants require periodic shutdowns for maintenance, theoretical power-generation capacity is seldom achieved. The condition of the transmission lines northward is also questionable. Even if functional, the installations remain vulnerable to war and sabotage, traversing territory where Israeli

aircraft and missiles are regularly active against Iranian or Syrian forces, and the Islamic State has demonstrated both a desire and an ability to strike Syrian energy infrastructure in recent months.<sup>11</sup> Current public debate about how to pay for necessary repairs and upgrades to the transmission lines suggest that the World Bank could provide funds. But this immediately prompts the question of who will pay for the electricity in Lebanon, with the state coffers currently empty and consumers cash-strapped—and burdened by a spotty track record of paying for domestic supplies even in better times. Without satisfactory answers to these questions, the World Bank would not have necessary reassurance that the project would be commercially viable.

The finance question also extends to payment for the gas. Chevron and the Israeli companies, which own production rights for the Leviathan field, will not supply gas without payment, in the first instance from Egypt. Cairo will not want to fund Lebanese domestic users who have little or no intention of paying their electricity bills. And those Lebanese households that do pay will be doing so in increasingly worthless Lebanese pounds, which EdL would have to convert into hard currency to pay gas suppliers or loans. Jordan's National Electric Power Company would also need to be paid for generating the electricity—a key motivation for the chronically indebted state-owned corporation. The notion that the World Bank would pay out-of-pocket for the electricity sent northward or the gas destined for Lebanon is highly unlikely.

A possible option, at least until the late 2021 diplomatic crisis between Saudi Arabia and Lebanon—which may now be over thanks to French intervention—has been that a rich Gulf Arab state would provide the funding, at least initially. Support expressed by several Gulf states for Saudi Arabia previously suggested this possibility may be in jeopardy.<sup>12</sup> When framed as an Egyptian deal to supply gas via Jordan and Syria, accelerating Emirati rapprochement with the Assad regime could make the UAE a potential funder. Another option might

be Qatar, which is reportedly in discussions with Lebanon to supply LNG via a terminal at Aqaba.<sup>13</sup> Still, the fact that Qatar shares a major gas field with Iran means it is unlikely to want to undermine Iranian influence so obviously, or help normalize relations with Assad in the process, given Qatari support for Turkey in the Syrian war.

Unless the electricity option can be realized, further consideration of the other option seems more far-fetched still: gas actually being transferred to Syria, for export to Lebanon—be it directly or via reported swaps for Syrian gas. At least from a technical point of view, just as until October 2021 Turkish power ships anchored off the Lebanese coast provided electricity to some parts of the country, gas could also be imported in liquid form, as LNG. But this would require a floating regasification facility moored close to the shore, which is expensive, as is the LNG itself. That LNG could come from anywhere in the world, although Egypt would be a logical supplier, perhaps using gas piped to one of its LNG plants from Israel.<sup>14</sup>

From Israel's perspective, agreeing to such a supply of Israeli gas to Syria and Lebanon would no doubt be a conditional or hoped-for benefit in terms of political relations. At the very least, it would help fend off the state collapse that would benefit Hezbollah and Iran. Currently, much of Israel is threatened by Hezbollah rocket launchers in Lebanon, and Iran's encroachment into southern Syria means that the trilateral border area is essentially a combat zone. Lebanon and Israel have also been unable to reach a compromise on their mutual maritime border, mainly because of competing claims for hydrocarbon reserves.

Other theoretical short-term solutions include the importation of fuel oil to feed power plants—or, more realistically, to fuel private generators—although while trying to avoid Iran as the supplier. The use of offshore electricity-generating power ships supplied by Turkey could also be expanded. Currently, two Lebanese power stations can use natural gas as a feedstock, and these could theoretically be supplied

by stationing offshore a ship to convert the LNG into gas, or eventually by building an LNG off-loading terminal on the coast. (Israel has such a facility at Hadera for use in case supplies from its offshore fields are disrupted.)

The attractiveness of fuel delivery by sea is that it becomes a simple bilateral transaction rather than one involving the multiple sovereign players involved in possible arrangements, in this case via Egypt, Jordan, and Syria.

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## The Gulf-Hezbollah Spat

The recent public disagreement between a number of Arab Gulf countries and the Lebanese government has significantly complicated the nascent electricity and gas schemes.<sup>15</sup> In early November 2021, Saudi Arabia, the United Arab Emirates, Kuwait, and Bahrain all shuttered their embassies in Beirut and expelled Lebanese ambassadors from their territory after the Lebanese minister of information expressed anti-Saudi sentiments. The Gulf Cooperation Council has, in turn, lobbied Egypt and Jordan to follow suit, or at least implement some kind of pressure on the Lebanese government. Even given the recent mediation by Paris, the French-Saudi statement regarding the need to limit arms to legitimate state institutions, implement comprehensive reforms, and prevent Lebanon from being a platform for regional destabilization and drug trafficking suggests the spat will persist until Hezbollah stops perpetuating this status quo.<sup>16</sup>

Egypt and Jordan have not bowed to the Gulf pressure, but their energy deals with the Lebanese government could be jeopardized—or put on hold—until mediation efforts between Lebanon and Saudi Arabia result in a resolution. Unlike other humanitarian aid programs in Lebanon, which are channeled through the Lebanese army or international NGOs, this one goes directly through the government, and requires ministerial

involvement. Accordingly, it could be indirectly used by political parties to boost their political clout ahead of the March 2022 elections.

But the fact that the plan requires government involvement also adds to the challenges. The government headed by Lebanese prime minister Najib Mikati stopped convening after ministers from Hezbollah and Amal, the country's two main Shia parties, declared they would not attend sessions if Judge Tarek Bitar—who is investigating the Beirut port explosion of August 2020—was not replaced. The ensuing Tayouneh street clashes complicated matters further, and Mikati appears to be blocked from calling for a government meeting any time soon because he cannot replace Bitar, for both political and legal reasons.<sup>17</sup> Without the cabinet sessions, all decisions, including the gas and electricity deals and the implementation process, will be stalled.

Even if the above two challenges are resolved, this initiative does not come without its own pitfalls. Besides involving the Assad regime—which has distinguished itself for brutality, duplicity, and self-preservation at the highest cost to the Syrian people—the United States, Jordan, and Egypt will also have to work through a government in which Hezbollah and its allies still enjoy the so-called blocking third veto in the cabinet. Ironically, the current plan to provide electricity to Lebanon may further disincentivize the implementation of critical reforms in the state, covering anti-corruption, transparent governance, border control, and the neutralization of Hezbollah itself. After all, unless some conditionality is adopted, why would ministers buy the cow when they get the proverbial milk for free?

In any event, little evidence suggests that Lebanese cabinet ministers involved in energy are committed to reform. Take, for example, Minister of Water and Energy Walid Fayad, who is responsible for coordinating this initiative from the Lebanese side. Fayad, who was appointed by Hezbollah ally President Michel Aoun, recently settled out of court in a civil lawsuit brought by his previous employer

Booz Allen Hamilton, which fired him for financial misconduct, citing “a continuous pattern of illicit activities.”<sup>18</sup>

Another challenge to the initiative is Hezbollah's campaign to undermine it, while trying to benefit from Arab reengagement with the Assad regime. Hezbollah has upped its criticism and campaigns against the United States and its interests in Lebanon, but its priorities are elsewhere—that is, in bringing Iranian fuel to Lebanon without hindrance or competition from the United States, Israel, or regional players. In aspiring to be a main fuel cartel in Lebanon, it wants to thwart all challengers. While gas and electricity coming via Syria would benefit Bashar al-Assad, a Hezbollah patron, it could diminish the group's own profits.

Since Hezbollah's first announcement that it had transported Iranian diesel to Lebanon via Syria to help overcome the Lebanese energy crisis, three tankers have arrived at the port of Baniyas, Syria, and transported their product to Lebanon, and another with a gasoline shipment is expected before the end of the year. Despite Hezbollah's rhetoric emphasizing humanitarian assistance and donating the fuel to people and institutions in need, the group is clearly exploiting the crisis to make money.

Meanwhile, on September 17, 2021, only a day after the first Iranian shipment of fuel arrived in Lebanon, the Lebanese central bank lifted subsidies on fuel, leading to a sudden, sharp rise in the price of fuel products.<sup>19</sup> According to reports, Hezbollah is selling the Iranian fuel at its own al-Amana gas stations, which are under U.S. sanctions, slightly below black market prices. With each ship carrying some 33,000 tons of diesel, priced at a minimum of US\$550 a ton, the haul would appear to be some \$18 million. Despite Hezbollah's claims it has spent \$10 million on the scheme, it would appear poised to rake in a tidy profit, even accounting for shipment costs and charity distributions.<sup>20</sup>

In its current efforts, Hezbollah did not secure a permit from the Ministry of Energy and Water, and

because it is selling its product below market rate, the group will become a serious competitor on the black market. This is a necessary course for Hezbollah now that it can no longer smuggle subsidized Lebanese fuel into Syria.

From the Iranian side, when Foreign Minister Hossein Amir-Abdollahian visited Lebanese officials in Beirut on October 8, he expressed the Iranian aim to continue sending fuel products to Lebanon and his hopes for an associated bilateral agreement.<sup>21</sup> He also said Iran is ready to build two power plants in Lebanon, one at the site currently housing the Golf Club of Lebanon, adjacent to Hezbollah's stronghold in Beirut's southern suburbs, and the other in the south, over a period of eighteen months. Although an ambitious plan considering the government's hesitancy and the complicated political scene, the prospect of a continuous supply of Iranian fuel to Lebanon is not far-fetched, particularly if Washington takes no steps to interdict these sanctions-violating vessels.

And the fuel will continue to be sold at black market prices under the rhetoric of humanitarian assistance and breaking the "U.S. siege on Lebanon." This approach, however, will face challenges. First, it cannot cover Lebanon's diesel needs, which are estimated at two million tons per month. Second, the average Lebanese still cannot afford the cost of fuel, as provided by Hezbollah, and criticism is mounting against the group for benefiting from the crisis. Third, this approach cannot be sustained over time because it averts the deep state reforms needed for sufficient, fair energy provision. For international actors invested in Lebanon's recovery, exposing these issues to the Lebanese people will be essential as Hezbollah struggles to regain trust ahead of March 2022 elections.

As the United States and its partners proceed with their energy plan, they will need to set up a mechanism to ensure that the current Lebanese government and discredited political elites cannot leverage energy assistance for votes during the elections. The risk is real that if funds go through

Lebanese state institutions, as expected, political parties will give handouts to voters in an attempt to prop up the corrupt, dysfunctional status quo. This would mirror misuse of previous humanitarian assistance.

The United States should also keep up the pressure on Lebanon to enact reforms, the only sustainable solution for the energy sector, applying pressure tools such as sanctions on corrupt officials involved in the energy dossier. These reforms have been delineated by various international actors and the Capital Investment Plan created by the 2018 French-sponsored CEDRE donor conference.<sup>22</sup> They reportedly include appointing a regulator, modernizing the transmission grid, adding gas-fired fuel stations, changing fuel stock to natural gas, and raising prices for the first time since the 1990s.<sup>23</sup> Without reforms, EdL, which suffered losses of up to \$2 billion in 2018, cannot serve its basic function.<sup>24</sup> These reforms will benefit Lebanese electricity consumers, while dealing a setback to those who corruptly benefit from the current reliance on private generators.

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## Crossing the Syrian Divide

The energy scheme for Lebanon set forth by the United States and its Arab allies faces substantial technical and political obstacles, as the previous section outlined. Yet even if it overcomes them, the plan may have a greater impact on attempts to end the Syrian war than it will on the near-term provision of Lebanese energy.

Eleven years after the war in Syria started, a combination of fatigue and economic pragmatism is fueling a growing inclination among Arab states to rehabilitate the Assad regime and normalize relations with Syria. Among these states, Jordan, Egypt, and the United Arab Emirates have been the most enthusiastic and forward leaning. The initiative

is not new; the UAE reopened its embassy in Damascus—shuttered since 2011—in 2018; Jordan posted a chargé d'affaires to its sparsely staffed embassy there in 2019. Lately, however, Jordan, Egypt, and the UAE appear to be intensifying efforts to reintegrate Syria and the Assad regime into the region. While each state has its own rationale, the energy plan, if successful, will further erode what remains of efforts not only to press Damascus to implement UN Security Council Resolution 2254—the 2015 statement calling for a ceasefire and political solution to the Syrian crisis—but also to hold the Assad regime accountable for the atrocities it perpetrated during the war.

The Biden administration inherited from its predecessor what was in many ways an ambitious Syria policy, which sought to pressure the Assad regime and its allies to embrace a negotiated settlement to the war. As Ambassador James Jeffrey, the Special Representative for Syria Engagement, described it to the U.S. House Foreign Affairs Committee in 2018:

There will be no U.S. reconstruction assistance in Syria, nor U.S. support for such assistance from other nations, absent a credible political process in Geneva within the context of the 2254 process that leads unalterably to a new constitution, free and fair UN supervised elections, and a political transition that reflects the will of the Syrian people...While we maintain a presence in Syria to ensure the lasting defeat of ISIS, we are also committed to the strategic goal of the withdrawal of all Iranian-commanded forces from the entirety of Syria.<sup>25</sup>

Under this policy, the United States not only discouraged the reconstruction of Syria, it also dissuaded capitals from establishing closer diplomatic ties with Damascus in an effort to keep Assad politically isolated. These measures, as well as a raft of U.S. and European Union economic sanctions targeting the regime—including measures in the U.S. Caesar Syria Civilian Protection Act, which came into force in June 2020—constituted the crux of

nonmilitary pressure against the regime.

The U.S. policy may have been coherent, but it was not particularly successful. To be sure, Assad remained largely isolated during the Trump administration, but the regime, with Russian backing, was able to withstand international pressures and freeze any meaningful progress on UNSCR 2254. Along the way, as already noted, several Arab states took incremental steps to upgrade ties with Syria, defying Washington's wishes.

Much of the recent flurry of regional engagement with the Assad regime has been focused on the U.S.-backed energy scheme for Lebanon as an alternative to Iranian provision. The two plans on the table, one to transmit Jordanian electricity via Syrian pylons and the second to transport Egyptian (or Israeli) gas via a pipeline through Jordan and Syria, would both economically benefit the Assad regime. Nonetheless, the Biden administration backs the endeavors. But the vision for Syria and the Assad regime held by Jordan, Egypt, and the UAE goes well beyond the Lebanon energy gambit. These states believe Assad has prevailed in his military campaign and that, notwithstanding the mass atrocities perpetrated by the regime, the time has come to return him to the "Arab fold."

Lately, Jordan has taken some of the most notable steps to normalize with Syria, hosting several meetings with senior Syrian officials and conveying its view to Western audiences that, for economic and resource-related reasons, Jordan cannot afford to ignore its close neighbor and that the 650,000-plus Syrian refugees in the Hashemite Kingdom constitute a unique burden that requires more active engagement with the Assad regime. In addition to a multi-lateral meeting about energy convened in Amman on September 8, Jordanian officials have gathered multiple times with their Syrian counterparts, including defense officials, and King Abdullah talked with President Assad on October 3. The Jordanians also appear to be making efforts to improve the relationship's dynamics. In April 2021, for example, Jordan abstained from a referendum stripping

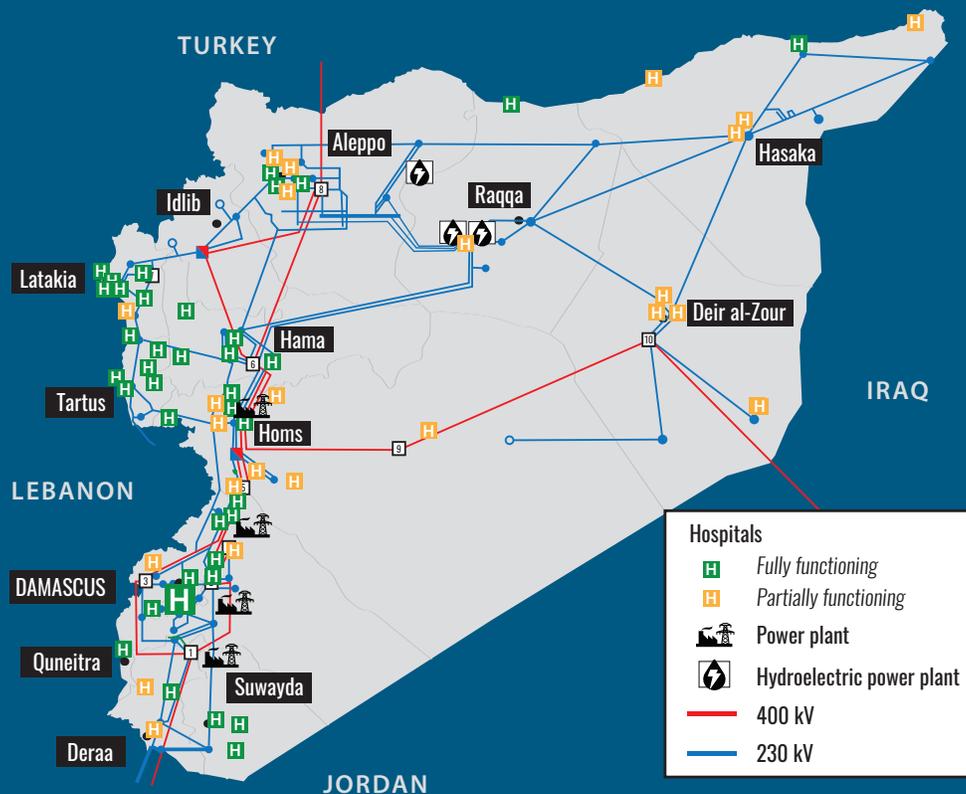
## Energizing Lebanon Without Empowering Assad?

For the United States, the immediate policy question is whether electricity, and perhaps natural gas, can be moved across Syrian territory without violating U.S. sanctions on the Assad regime for its wartime conduct, including Caesar Act sanctions for mass atrocities against detainees. Electricity is moved throughout the region via the Eight Countries Electric Interconnection Project, which includes Jordan, Egypt, Iraq, Syria, Lebanon, the Palestinian territories, Libya, and Turkey.\* Rather than involving separate transmission lines, however, this group encompasses an interconnection of national grids (see map 1). The Syrian electricity grid, for instance, powers a slew of civilian and security facilities throughout the country. So while electricity entering

Syria from Jordan could in theory be allocated to hospitals or other humanitarian sites along the western spine of the country (see map 2), the grid directly feeds myriad detention facilities targeted in both letter and spirit by the Caesar legislation (see map 3). The Syrian electricity grid, as illustrated by an overlay, also would appear to power Assad-regime air and helicopter bases, as well as chemical weapons facilities (see map 4).

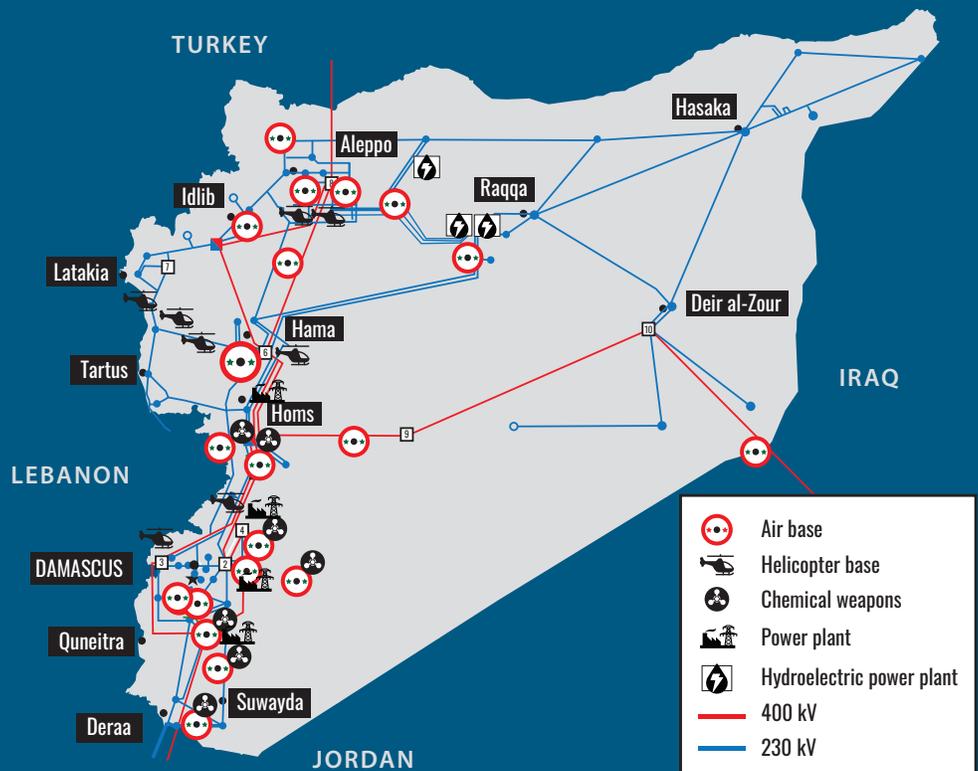
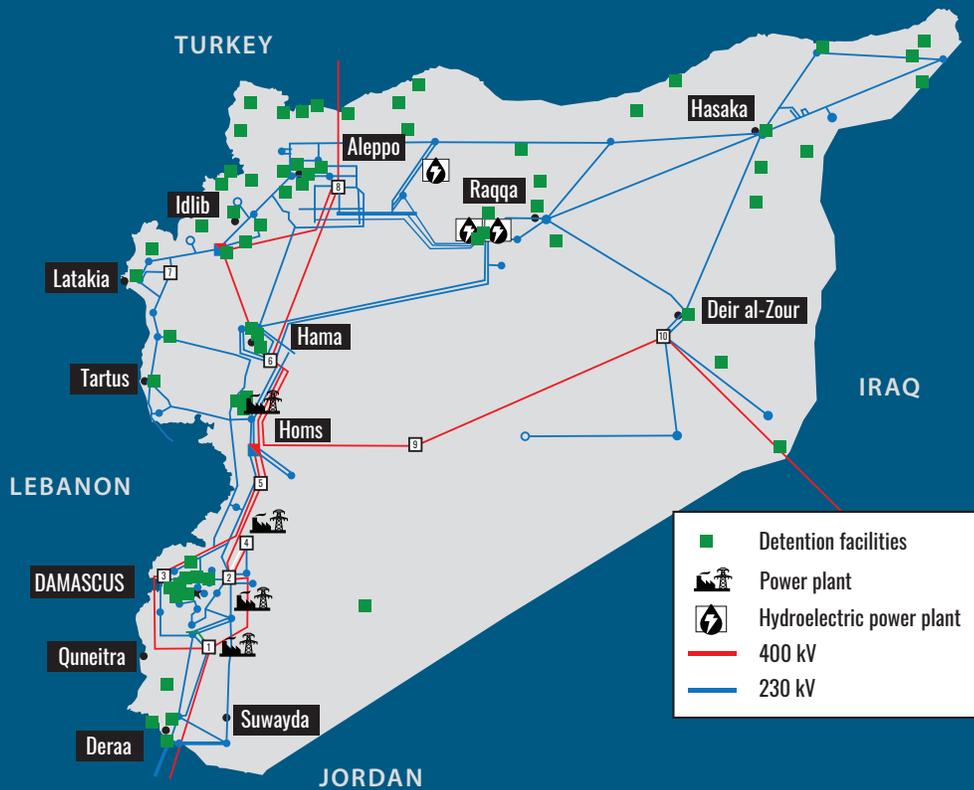
Even if required infrastructure upgrades and initial flows of electricity and gas are permitted under humanitarian and other sanctions exemptions, the ability to ensure humanitarian benefits and mitigate regime gains will be profoundly limited.

Map 2. Hospitals in Syria



\*"Jordan, Egypt Agree to Double Electricity Capacity, Expand Regional Reach," *Jordan Times*, November 28, 2021, <http://www.jordantimes.com/news/local/jordan-egypt-agree-double-electricity-capacity-expand-regional-reach>.

Maps 3 and 4. Detention Facilities and Military Bases in Syria



Sources: Sinan Hatahet and Karam Shaar, "Syria's Electricity Sector After a Decade of War: A Comprehensive Assessment," *Middle East Directions*, July 30, 2021, 11, <https://cadmus.eui.eu/bitstream/handle/1814/72182/QM-02-21-984-EN-N.pdf?sequence=1>; World Health Organization, "HeRAMS Summary Report," July 2018, COPub\_SYR\_pub\_hospitals\_2st\_q\_2018\_EN\_20471.pdf; Office of the UN High Commissioner for Human Rights, "Arbitrary Imprisonment and Detention—Report of the Commission of Inquiry of the Syrian Arab Republic," March 1, 2021, 28, <https://www.ohchr.org/EN/HRBodies/HRC/IICISyria/Pages/Detention-report.aspx>; and Tobias Schneider, Emma Bapt, and Karam Shoumali, "Assad's Long Reach," GPPi, April 2021, <https://chemicalweapons.gppi.net/analysis/assads-long-reach-syaaf-pt-2/>.

Syria—which has used chemical weapons against its own civilians—of voting rights in the Organisation for the Prohibition of Chemical Weapons. More recently, employees of Amman-based organizations focused on human rights in Syria have reported harassment, for the first time, at the hands of Jordan’s General Intelligence Directorate.<sup>26</sup>

While some of the official Amman-Damascus engagements were devoted to security, the vast majority were focused on economic matters. And for good reason. According to the World Bank, unemployment in the kingdom has reached nearly 25 percent, with youth unemployment spiking to an “unprecedented”—and unsustainable—50 percent. Meanwhile, the kingdom is still dealing with the economic fallout of the Covid pandemic, with the country’s GDP having shrunk by 1.5 percent in 2020.<sup>27</sup> For Jordan, restoring economic ties with Syria represents significant economic potential, in terms of both trade and transit of goods to Turkey and Europe. So far, reopening Jordan’s border with Syria has had a limited impact on trade: with stringent sanctions still in place, Jordanian businesspeople have expressed a reluctance to restore prewar economic ties.<sup>28</sup> Medium- to long-term reconstruction of Syria, however, could have a significant impact on the kingdom.

Egypt’s rationale for reintegrating Syria appears to be more political than economic. In spring 2021, on multiple occasions, Egyptian foreign minister Sameh Shoukry called for ending the 2011 freeze on Syria’s membership in the Arab League, and for the return of Damascus to what he described as the “Arab incubator.” Shoukry’s repeated insistence that Syria “return to its Arab environment” embodies Cairo’s belief that the readmission of the pariah state to the Arab League would, over time, result in the reassertion of Syria’s “Arabism” and its distancing from “Persian” Iran. It is not clear why or how—after more than forty years of strategic partnership with Iran, whose assistance saved the regime—Assad would break with Tehran. Still, this thinking seems to underpin Cairo’s policy.

Turkey also figures in Egypt’s keenness to rehabilitate Assad. At an Arab League meeting in March, Egyptian foreign minister Shoukry sharply criticized Turkey’s intervention in Syria and called for the withdrawal of Turkish troops from the country.<sup>29</sup> Conversely, a reunited, Arab-backed Syria—according to Shoukry’s logic—might be emboldened to effectively push back against Ankara, which not coincidentally is a regional rival of Cairo.

Even as Egypt gestures toward reintegrating Assad into the region, the country’s Foreign Ministry continues giving lip service to the principles of Security Council Resolution 2254. For example, in April—before the fraudulent Syrian presidential elections in which Assad was handed another seven-year term—Shoukry suggested that the faux balloting would allow the Syrian people to “choose their future...and form a government that represents them.”<sup>30</sup> More recently, in late September, when Shoukry met with Syrian foreign minister Faisal Mekdad on the sidelines of the UN General Assembly—the first such meeting in a decade—Shoukry said, “What concerns us now is reaching a solution to the Syrian crisis, and this solution requires compliance with the UN Security Council resolutions.” It was a remarkable statement, given that UNSCR 2254 itself mandated a political transition, which has not occurred and has even less chance of ever occurring in the aftermath of Assad’s rehabilitation.

While the UAE has not been as vocal or as active as Jordan or Egypt regarding the reintegration of Syria, normalizing with the Emirates would constitute a real prize for the Assad regime, given the Emirati resources at stake. The UAE and specifically Foreign Minister Abdullah bin Zayed have been agitating for some time to end the restrictions mandated by the U.S. Caesar Act. AbZ, as he is known, argues correctly that this U.S. law impedes the reconstruction of Syria—an endeavor that the UAE presumably wants to underwrite or otherwise participate in. Reconstruction itself may currently be off the table, but Abu Dhabi is studying other

opportunities to develop trade with Damascus. In October, after one senior-level meeting, the UAE Ministry of Economy announced that it had agreed to enhance ties with Syria and “explore new sectors.”<sup>31</sup> Indeed, AbZ visited Syria in early November, followed by a reported deal between Emirati companies and the Assad regime to build a solar power station in a Damascus suburb.<sup>32</sup>

Nothing indicates that the UAE diplomatic reengagement with Syria and its longstanding support for Damascus’s return to the Arab League is driven by the hope of potentially driving a wedge between Damascus and Tehran. Perhaps the Emiratis judge that Assad has won the war, see political and economic opportunity in reconstruction, and understand that a revitalized Syria can better check Turkey’s regional ambitions than a marginalized one. To sweeten prospects for ending Assad’s pariah status in the West, according to Israeli sources, Abu Dhabi is floating a prospective plan to resolve the conflict between Lebanon and Syria over the disputed Shebaa Farms area, involving the brokering of a trial border demarcation and the possible deployment of UN forces.

On the energy question, at least in their rhetoric, both Jordan and Egypt have framed their support for the export plan to Lebanon via Syria in mostly altruistic terms. This past summer, King Abdullah spoke about averting a “humanitarian catastrophe” in Lebanon that could spark another refugee crisis, while Jordan’s prime minister said the kingdom would “respond with all we can for our brothers in Lebanon.”<sup>33</sup> Along these lines, in September, Egyptian petroleum minister Tarek al-Molla articulated Egypt’s “keenness to ease the burdens of the Lebanese people and to contribute to Lebanon’s support and stability.”<sup>34</sup> To date, neither Egypt nor Jordan has indicated that its interest in supporting the U.S.-led energy initiative is related to blunting further Iranian inroads into the Levant.

All told, to date, the steps taken by Jordan, Egypt, and the UAE toward ending the decade-long

isolation of Syria’s Assad regime have been relatively modest. Taken together, however, they represent an unmistakable trend. Absent opposition from Washington and other key international actors, Assad will continue to consolidate his economic and political power.

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## Consistency with U.S. Sanctions

Although Jordan and Egypt have reportedly received letters from the United States regarding the measures required to avoid triggering U.S. sanctions, a close spotlight on financing as well as the specific Syrian entities involved will be important in determining whether existing sanctions exemptions are sufficient.<sup>35</sup> To the extent that World Bank financing is involved, any such proposal would be reviewed and voted on by the bank’s U.S. executive director, allowing U.S. departments and agencies—e.g., the Office of Foreign Assets Control—to make such a determination. At the time of publication, however, public reporting indicates that the World Bank would only finance Lebanese purchases of Egyptian gas, leaving details related to the transit and payment of associated fees—as well as any repairs required to operate the pipeline—to be governed by a commercial agreement between the parties. If the gas deal involves a swap, this would raise questions about whether the importation of Syrian gas to Lebanon would be covered by existing exemptions or require a new waiver or license. As detailed below, humanitarian-related sanctions exemptions only apply to activity carried out in Syria—from a sanctions perspective, the humanitarian benefit of providing gas to Lebanon is not strictly relevant. The nature of any in-kind payment would also need to be determined: humanitarian goods such as agricultural commodities would likely be allowed, while energy provision might not be.

Beyond humanitarian exemptions that apply to food and medicine, U.S. sanctions on Syria were conceived as being targeted in nature, reflecting concerns that cutting off the country from the global economy amid a civil war could have drastic humanitarian consequences. In fall of 2011, for instance, sanctions on the Assad regime targeted only Syrian oil exports and not imports.<sup>36</sup> (Iranian oil exports to Syria, for their part, are prohibited based on anti-Iran, not anti-Syria, sanctions.) Nonetheless, the predominance of Syrian state energy agencies in the sector has complicated imports. For example, in September 2018, the Trump administration sanctioned a fuel procurement network that worked “with the Government of Syria to evade sanctions and import crude oil and petroleum products to Syrian ports.” Four entities and two individuals, including a “probable agent of the Syrian General Intelligence Directorate,” were sanctioned under Executive Order 13582 for providing financial, material, or technological support to the Syrian government.<sup>37</sup>

Furthermore, transactions and activities involving the United Nations and its sub-agencies—which include the World Bank—and the Syrian government are broadly authorized under the Syrian sanctions regulations.<sup>38</sup> Separately, NGOs are allowed to engage with the Syrian government for transactions necessary to implement humanitarian projects, including those that support “basic human needs” and “non-commercial development projects” for the benefit of the Syrian people, as well as transactions with the Syrian government “including, but not limited to, payment of taxes, fees, and import duties to, and purchase or receipt of permits, licenses, or public utility services from, the Government of Syria.”<sup>39</sup> These provisions may apply to the rehabilitation of the Syrian electricity grid and pipeline connections to the extent that this work improves energy provision, whether carried out by the UN, World Bank, or an NGO—as long as it still meets the definition of “non-commercial development projects.” Finally, the export of food, medicine, and medical devices, including to the Syrian government, is allowed.

Determining whether and how electricity and gas transit through Syria will benefit the Assad regime is less clear and, as detailed above, not solely a matter of cash versus payment in-kind to Assad or other regime elements. Setting aside the benefits of regional reintegration of the regime, involvement in even an in-kind transaction by the Syrian General Petroleum Company—a government entity under U.S. sanctions—should raise concerns about whether resources will serve humanitarian needs, or be siphoned to support projects led by regime cronies in areas of Syria with greatest fealty to Assad. Regardless of whether existing sanctions exemptions apply to such transactions, the question remains of whether benefits to the Assad regime can be limited—financial or otherwise—or a quid pro quo imposed that would incentivize the regime not to divert resources from those in need. Any assurances from the Assad regime should not be regarded as credible given its record of human rights abuses. A more likely possibility would be extracting concessions on longtime humanitarian-related requests, such as allowing additional entries for cross-border aid.

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## Policy Recommendations

Washington and its regional allies are now expressing serious, justifiable concerns about Lebanese state collapse and the implications of the lights staying off for the Lebanese people, for Hezbollah’s continued prospects as a national power broker, and for regional security. In order to ensure the current U.S.- and Arab-sponsored scheme benefits the Lebanese people without creating a windfall for the Assad regime, the United States should do the following:

- Require the Lebanese government to enact comprehensive energy sector reforms in line with the recommendations of the 2018 CEDRE conference, in return for Washington’s support for World Bank financing. These reforms would,

at a minimum, help ensure that the Lebanese people and state benefit from any additional power shipments or improvements, at the expense of Hezbollah.

- Along with participating regional countries, determine in advance a reasonable discrepancy between the amount of energy entering Syria and the amount arriving in Lebanon, and under what conditions, if any, Syria will be allowed to divert electricity or gas as an in-kind payment for transit or under a swap deal.
- In cases where Syria is supplied with electricity or gas as payment for energy transit across its territory, press international players involved with rehabilitation of the country’s electricity and gas infrastructure to develop measures to mitigate the diversion or delivery of energy to Assad-regime military, intelligence, or detention facilities, as well as its militia allies, where possible. Given that the current proposal appears to rely on interconnected national electric grids, and prisons and military facilities that are interspersed with hospitals and schools, this will be a challenge. New, separate pylons bypassing the Syrian grid for transmission to Lebanon should be required for future phases.
- In order to address Jordan’s economic motivations for selling surplus energy, encourage and help facilitate existing plans to expand the Jordan-Iraq electrical connection. Jordan’s electricity production would not likely be sufficient to support both exports to Lebanon via Syria and to Iraq at the same time.
- To measure the degree to which policy carrots can lead Damascus toward different policies, ask regional allies to clearly stake out concessions from Assad in return for electricity and gas transmission through Syrian territory, as well as

broader rapprochement. These include long-term approval of cross-border humanitarian access, greater “cross-line” humanitarian access from Assad’s territory into opposition-held areas, release of detainees, and progress on the political process outlined under UN Security Council Resolution 2254 and the degree of Iran’s presence or influence in Syria.

- Limit the scope of sanctions exemptions concerning the project in favor of sanctions licenses or waivers, which can be switched on and off in keeping with policy developments.
- To potentially remove Syria from the equation entirely, encourage the international community to facilitate the finance and sale to Lebanon of a regasification plant on the northern Lebanese coast so that LNG tankers can offload natural gas for use in the Deir Ammar power station. The installation would reduce or even remove Lebanon’s dependence on gas arriving by pipeline from Syria. If successful, the option could be extended to other power stations if and when they are equipped to use gas as a fuel—provided the energy generated does not benefit Hezbollah and its political allies.
- Given the complexity of the existing U.S.-Arab scheme, as well as its vulnerability to political and military risk, work with allies to have the World Bank conduct a feasibility study about rapid delivery of renewable energy resources to Lebanon. These could include solar panels, inverters, bidirectional meters, wind turbines, as well as micro-grid and geothermal technology.<sup>40</sup> This would be far more consistent with U.S. and European clean energy policy, and far more sustainable in a Lebanon unlikely to have a functioning state any time soon. Pending the results of such a study, the United States and its allies should explore funding such a project. ❖

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