REPUBLIC OF LEBANON
MINISTRY OF FINANCE

Treasury transfers to Eléctricité du Liban

A Monthly Snapshot

March 2012

I. Treasury Transfers to EDL in 2012

- ***In March 2012,*** treasury transfers to EDL reached LL 272 billion, the totality to cover reimbursement of KPC and Sonatrach.
- ***In Q1 2012, treasury transfers to EDL reached LL 816 billion***, as follows:

⇒ Reimbursement of KPC and Sonatrach LL 797.8 billion

⇒ Debt service LL 17.7 billion

Table 1: Monthly Treasury transfers to EDL in 2012

(LL billion)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
EDL ***of which:***	**355**	**189**	**272**										**816**
Debt service, *of which:*	**3.7**	**14.1**	**0.0**										**17.7**
• C-*Loans* and Eurobonds, *of which:*	1.7	14.1	0.0										15.8
– *Principal payments*	*1.0*	*11.9*	*0.0*										*12.9*
– *Interest payments*	*0.7*	*2.2*	*0.0*										*2.9*
• BDL Guaranteed Loan payments	1.9	0.0	0.0										1.9
Reimbursement for purchase of gas and fuel	**351.0**	**175.1**	**271.7**										**797.8**
• KPC & SPC	351.0	175.1	271.7										797.8
• EGAS		-	-										0.0

Source: Ministry of Finance

II. Treasury transfers to EDL in Q1 2012 in comparison with Q1 2011

- ***Transfers to EDL in Q1 2012 were LL 312 billion higher than the Q1 2011 level***

Transfers in Q1 2012 were LL 312 billion higher than the amount in the same period of 2011, which stood at LL 504 billion, as a result of the following two factors:

⇒ Increase in payments to Kuwait Petroleum Corporation (KPC) and Algeria's Sonatrach for fuel oil and gas oil purchases, by LL 311 billion; and,

⇒ Increase in debt service, by LL 1 billion.

Table 2: Treasury transfers to EDL

(LL billion)	Mar 2011	Mar 2012	Q1 2011	Q1 2012	Change	% Change
EDL, *of which:*	**154**	**272**	**504**	**816**	**312**	**62%**
Debt Service, *of which:*	**1**	**0**	**17**	**18**	**1**	**6%**
• C-Loans and Eurobonds, *of which:*	1	0	17	16	-1	-6%
- *Principal Repayments*	*0*	*0*	*13*	*13*	*0*	*-3%*
- *Interest Payments*	*0*	*0*	*4*	*3*	*-1*	*-18%*
• BDL-Guaranteed Loan Payments	0	0	0	2	2	-
Reimbursement for purchase of gas and fuel	**154**	**272**	**487**	**798**	**311**	**64%**
• KPC & SPC	154	272	487	798	311	64%
• EGAS	0	0	0	0	0	-

Source: Ministry of Finance

- ***Payments to the two oil suppliers in Q1 2012 were LL 311 billion higher than the Q1 2011 level***

The component "Reimbursement of KPC and Sonatrach Agreements" reached LL 798 billion in Q1 2012, up from LL 487 billion in Q1 2011. This 64 percent increase was mainly driven by higher international oil prices at the time when the gas oil and fuel oil shipments were imported.

- From a quantity-effect viewpoint: the payments made in the first quarter of 2012 represent around 24[1] percent higher gas oil imports between May-October 2011 (which were paid in Q1 2012), compared to gas oil imports between June-September 2010 (paid in Q1 2011). This increase in gas oil imported between the comparative periods is due to the fact that over June-September 2010, natural gas from Egypt was still flowing, and hence the consumption of gas oil (a substitute for natural gas) was lower at that time. Since natural gas stopped flowing as of November 2010, EDL re-substituted this shortfall by importing gas oil, which reflected in higher quantities of imported gas oil during May-October 2011. In return, fuel oil quantities imported during July-October 2011, and paid for in the first quarter of 2012, dropped by 9 percent.
- From a price-effect viewpoint: the average oil price according to which the Q1 2012 payments were made is 48 percent higher than that pertaining to Q1 2011. This is due to the fact that 2012 payments reflect consumption over the period May-October 2011, where the weighted average crude oil prices were US$ 113.6 /barrel. The January-March 2011 payments reflect consumption over the period June-September 2010, where crude oil prices averaged US$ 76.8/barrel.

III. Contribution of EDL out of the total oil bill

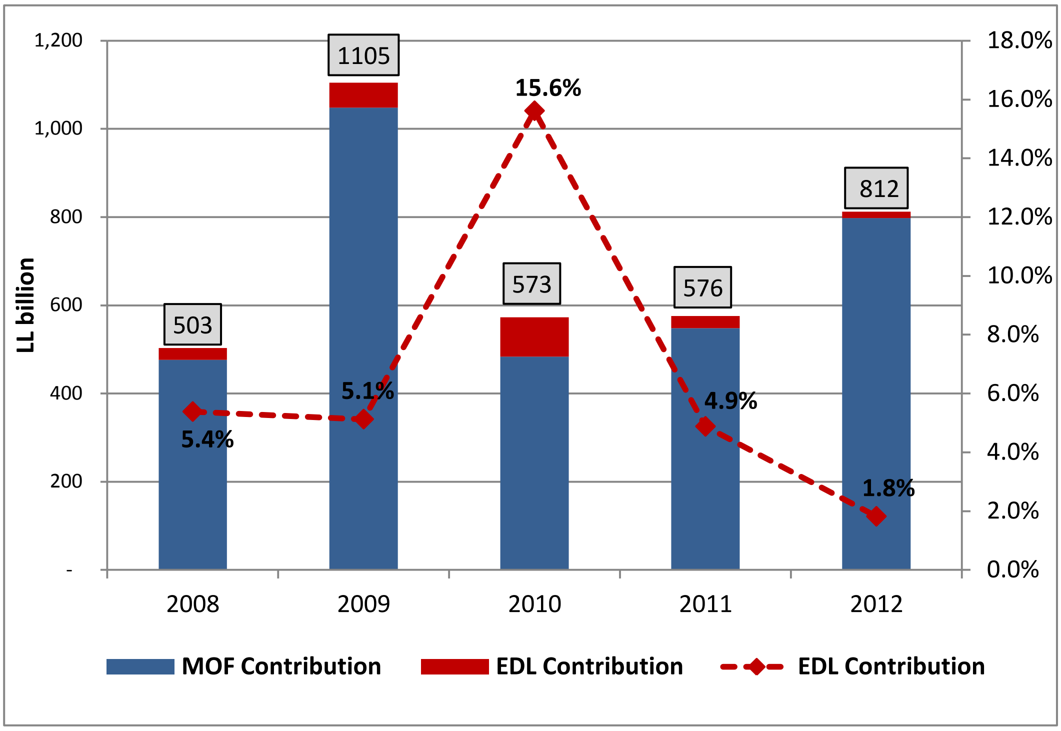
- ***EDL contributed 1.8 percent of the total oil bill in Q1 2012***

With a total oil bill of LL 812 billion paid in January-March 2012[2]of which a treasury payment of LL 798 billion for "Reimbursement of KPC and Sonatrach Agreements", EDL contributed 1.8 percent to repaying the two oil suppliers. This figure was higher at 4.9 percent in the same period of 2011, out of a smaller bill of LL 576 billion. In nominal terms, EDL paid higher contribution in Q1 2011, of LL 28 billion compared to LL 15 billion in the first quarter of this year. This represents a much lower contribution compared to that of 2010, which amounted to 15.6 percent out of a comparable oil bill to that of 2011, at LL 573 billion.

[1] Quantity figures are calculated based on Letters of Credit (LCs) sent by EDL to the Ministry of Finance.

[2] The Treasury transferred LL 816 billion to cover EDL's deficit in QI 2012. Out of this amount, LL 798 billion represented the Treasury transfer to purchase gas and oil (as shown in Table 2). However, the total oil bill for Q1 2012 summed up to LL 812 billion which is constituted of LL 798 billion of treasury transfers "plus" 15 billion of transfers made by EDL.

Figure 1: Contribution of EDL (Q1 2008-Q1 2012)



IV. Share of "Transfers to EDL" out of Expenditures

- *Transfers to EDL constituted 25 percent of primary expenditures in Q1 2012*

With primary expenditures at LL 3,255 billion in Q1 2012, the share of transfers to cover EDL's oil bill reached 25.1 percent, registering the highest share in the last three years. The share of transfers out of primary expenditures was much lower in Q1 2011, at 17.1 percent, due to a much lower amount of transfers to EDL.

Figure 2: Transfers to EDL out of primary expenditures (Q1 2010-Q1 2012)