



# THE LEBANON CLIMATE ACT: ENGAGING THE PRIVATE SECTOR TO ENHANCE CLIMATE ACTION IN LEBANON

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**ACTION AREA:** Cross-cutting

**FOCUS AREA:** Engaging

**COUNTRY:** Lebanon

## SECTORS

**INVOLVED:** Cross-sectoral

**TIMEFRAME:** June 2016 – Ongoing

**CASE SUMMARY:** Lebanon is extremely vulnerable to the adverse impacts of climate change, which is expected to cause significant costs to the economy. The huge economic loss estimates have led the government to realise that the active involvement and support of the private sector will be crucial to build a climate resilient future for Lebanon and to meet the country's climate targets set out in its Nationally Determined Contribution (NDC). The idea to effectively engage the private sector was first put forth through the enactment of the Lebanon Climate Act in June 2016, which aims to address climate change in a way that maximises benefits for businesses and communities. To steer the process under this initiative, a guidebook has been prepared to enable and guide Lebanese businesses in understanding the climate impacts on their operations, creating strategies to mitigate these impacts, identifying key stakeholders for enabling action, and sharing their experiences with the wider stakeholder group and community. More than 100 companies and several non-governmental organisations (NGO) have been associated with the LCA in the initial two years, providing their critical inputs and insights and setting a strong precedent as climate leaders for other companies to follow.

The Lebanon Climate Act constitutes a good practice because of its robust stakeholder engagement, its ability to align climate change strategies with business objectives, business engagement and assistance platforms, and transparent monitoring, reporting and verification procedures.





**BACKGROUND:** ————— Lebanon faces several threats related to climate change: Temperatures will increase, leading to prolonged periods of drought and a substantial reduction of snow cover (Ministry of Environment, 2019). Sea levels will gradually rise, expected to cause massive damage to coastal infrastructure and associated economic losses. A report by the United States Agency for International Development (USAID) estimates losses of approximately USD 140 million by 2040 associated with the rising sea levels (USAID, 2016). Another report points out that the total costs of climate change on the Lebanese economy might equal USD 1,900 million in 2020 and could further rise to approximately USD 16,900 million by 2040 (Ministry of Environment, United Nations Development Programme and Green Environment Fund, 2015).

In September, 2015 Lebanon submitted its NDC to the United Nations Framework Convention on Climate Change (UNFCCC). The NDC highlights Lebanon's climate commitments and includes a target of reducing 15% GHG emissions by 2030 in an unconditional scenario and a conditional 30% GHG reduction, which is subject to domestic and international support through the provision of finance, technology and capacity building (Republic of Lebanon, 2015). The scale of required resources has led the government to realise that engagement and cooperation with the private sector is a pivotal component to achieving its climate goals.

The Lebanon Climate Act (LCA) was enacted in June 2016. It has been developed by the NGO Green Mind in partnership with the United Nations Development Program (UNDP) and the Banque Du Liban (the central bank of Lebanon), and in cooperation with the Federation of Chambers of Commerce, Industry and Agriculture in Lebanon as well as the Lebanese Ministry of Environment. The LCA has been established in line with Lebanon's NDC and has a threefold objective:

- i. to create a network of companies and institutions contributing to climate change efforts;
- ii. to involve and mobilise the private sector in the broader climate change community by giving this stakeholder group a space to showcase and support climate action through initiatives;
- iii. to build partnerships between businesses and non-governmental organisations in key sectors (UNDP, 2016).

The LCA is a pioneering initiative in the Arab world, encouraging and supporting companies to strive towards economic growth by integrating climate considerations into their long-term vision and strategy. As the initiative is entirely voluntary in nature, it does not obligate companies to achieve set climate targets, but provides them with flexibility to plan their proposed actions. A guidebook titled 'How to create value from climate change' (or LCA guidebook) has been prepared in the first year of the LCA to steer the process in cooperation with and with funding from the European Union ClimaSouth Project.

**ACTIVITIES:** ————— Specific activities in the context of the implementation of the LCA include:

- **ORGANISING AWARENESS-RAISING AND CAPACITY BUILDING EVENTS IN THE FORM OF BUSINESS KNOWLEDGE PLATFORMS (BKP):** About five BKPs involving almost 40 companies have been organised to this date. The initial sessions focussed on building the interest of private players by making them aware of climate change impacts. They also focussed on seeking inputs from participants to devise an assistive training manual for scaling up the initiative to other companies. Further, the BKP's also helped to validate the approach foreseen for the LCA guidebook and to test some draft material published in the guidebook in the form of training exercises.
- **PREPARING THE GUIDEBOOK:** The LCA guidebook helps Lebanese businesses understand the processes put forward in the LCA and offers them practical steps to develop their own climate change strategy. The guidebook constitutes an aid both for companies that aim to be a part of the climate change initiative and for those who are already taking climate actions but want to strategically align them with their stakeholder's requirements and governmental commitments (Ntili and Massoud, 2017). The lessons learnt during the awareness-raising and capacity-building events with the companies were used to design the LCA guidebook. The process of bringing the firms on board and building their internal capacities to understand and plan for addressing climate risks was facilitated through a planned list of activities stated in the guidebook as follows (Ntili and Massoud, 2017):
  - A) IDENTIFYING CLIMATE CHAMPIONS:** A first strategic step for businesses is to designate one or several climate champions, who are self-driven employees within companies able to lead and inspire other employees to develop climate change solutions, communicate the risks and opportunities of climate change and integrate climate change priorities as defined by the company across all areas of business operations and strategy. An integral task of the climate champion is to coordinate the implementation of climate change initiatives and actions across the company.
  - B) IDENTIFYING STAKEHOLDERS:** According to Step 2 of the guidebook, the designated climate champions within a firm start identifying and prioritising stakeholder groups and subgroups that should be involved in the business action on climate change, leading to a detailed stakeholder engagement plan.
  - C) DEVELOPING A CLIMATE VISION OR POLICY:** Step 3 of the guidebook supports businesses in identifying and realising their vision and the associated climate change policy, providing them with concrete steps and actions to that end.
  - D) DETERMINING THE IMPACT OF CLIMATE CHANGE ON THE COMPANY:** The fourth step of the guideline outlines how to identify risks and opportunities arising from climate change for companies and how to prioritise actions on this matter.
  - E) MEASUREMENT OF CARBON FOOTPRINT** helps to understand the sources in the company that contribute to climate change.
  - F) DETERMINING A STRATEGY AND CLIMATE ACTION PLAN:** At this stage of the guidebook, companies are ready to prepare their climate strategy – including adaptation and mitigation actions – and map their action plan.
  - G) EVALUATING AND IMPROVING THE PLAN:** Step 7 gives companies guidance on how to monitor and evaluate progress made towards the goals highlighted under their climate action plans.



**H) COMMUNICATING CLIMATE ACTION:** The last step of the guidebook conveys potential ways to communicate activities and progress to internal and external stakeholder in order to manage expectations.

• **REPORTING CARBON EMISSIONS:** As a result of the actions proposed by the LCA guidebook, businesses are starting to submit their carbon footprints to the Ministry of Environment. These reports enable the capturing of progress of any emission reduction activity that companies are implementing. In 2019, almost 30 companies have submitted their footprints to the Ministry, upon which they receive a certificate of acknowledgment from the Minister (MoE and UNDP, 2019).

#### **INSTITUTIONS**

##### **INVOLVED:**

• **GREEN MIND:** The NGO aims to promote sustainability practices in Middle East and North Africa, and is responsible for establishing and coordinating the activities under this initiative.

• **UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP):** Contributed to the development of the guidebook and the establishment of the Business Knowledge Platform.

• **BANQUE DU LIBAN:** The central bank of Lebanon is funding and supporting Green Mind to cover its expenses for activities under the Lebanon Climate Act. It is further supporting the initiative by providing subsidised loans for mitigation projects to the private sector.

##### **COOPERATION WITH:**

— The LCA is supported by The Ministry of Environment in cooperation with the Federation of Chambers of Commerce, Industry and Agriculture in Lebanon, which helped to launch the Lebanon Climate Act.

##### **FINANCE:**

— The Lebanon Climate Act received a temporary funding of EUR 50,000 (~USD 56,872, conversion rate: EUR 1= USD 1.14 (information obtained through interviews)) from the European Union's ClimaSouth Project to prepare the guidebook and conduct the trainings during the first year. The project supported climate change mitigation and adaptation actions in nine south Mediterranean countries including Lebanon. The initiative is now being supported financially by the Banque du Liban.

##### **IMPACT OF ACTIVITIES:**

— As of today, about 126 members from various industries, commercial groups, banking firms, municipalities and 23 non-governmental organisations have associated with the Lebanon Climate Act (information obtained through interviews). Being a part of the LCA is expected to enhance the company's ability to address climate risks, which can help them comply with environmental regulations and increase market competitiveness in the long term. A shift to sustainable actions will also help them to enhance resource efficiency of business operations that can save the operational costs and create cost-efficient supply chains. Greening the supply chains and establishing new eco-friendly product lines might as well help in building and retaining a large customer base that can open avenues for business growth in the future. The learning-by-doing process of designing the guidebook has led to the creation of a comprehensive yet systematic process for companies to engage in climate action.

## WHY IS IT

### GOOD PRACTICE:

- **STAKEHOLDER ENGAGEMENT:** The Lebanon Climate Act guidebook puts huge emphasis on the need for frequent engagement with relevant stakeholders in order to maximise impact. The exercise taking place in the training sessions assists companies to effectively manage their stakeholders in practice. In accordance with the guidebook, the stakeholder engagement exercise is structured into three key activities, namely: i) identification of stakeholders groups which might affect or get affected by the company's decisions; ii) prioritisation of stakeholders who are capable of generating the maximum output, which is essential to allocate the limited resources available within an organisation; and iii) development of stakeholder engagement plan that is essential for a purposeful engagement with stakeholders. The final stakeholder engagement plan is prepared keeping in mind the role, objective, benefits and risks associated with a potential stakeholder. The plan lays out engagement strategies which are tailored to the company's specific needs, thereby promising an effective support of stakeholders.
- **STRATEGIC SELECTION OF CLIMATE ACTIONS TO INCREASE BUSINESS VALUE:** A climate vision and policy offers a clear framework for a company's operations. The process of designing the climate policy and the suggested actions involves a thoughtful consideration of its alignment with risks and opportunities, stakeholder needs, available resources and time and policy linkages. For example, the rank and prioritisation of climate risks and opportunities at the company-level is based on the rating of external pressures and internal benefits associated with it. The selection of climate actions holistically considers environmental, social, workplace and market components, which is an intelligent way to mainstream climate change with economic and developmental benefits. Such a mainstreaming eventually increases the impact of an intervention and helps to gain broader consensus among stakeholders. Furthermore, it establishes a strong case of business sustainability since the activities not just mitigate the climate risks, but also align strongly to business operations in a way that generates economic value and profit. Figure 1 below lists some of the climate change risks and opportunities for the private sector. For instance, the risk of rise in electricity bills driven by a huge energy demand can be addressed by introducing energy efficient devices in the company operations. The use of energy efficient devices will mitigate climate change by lowering greenhouse gas emissions and also create opportunities for firms to increase their monetary savings on the running costs of the company.



#### **CLIMATE CHANGE RISKS FOR THE PRIVATE SECTOR:**

- **REDUCTION IN PRODUCTIVITY DUE TO:**
  - Reduction of working hours due to extreme weather events
  - Stresses related to the increase of living costs
  - Increase in sickness leaves
  - Decrease in employees' retention
- **INCREASE IN RUNNING COSTS DUE TO:**
  - Increase of electricity bills due to running AC
  - Increase of electrical shortages due to the high demand on electricity
  - Increase of water costs, due to its scarcity
  - Increase of raw material prices (cotton, agriculture products ...)
  - Increase in shipment costs (higher insurance costs and longer distances to ship products)
- **INCREASE IN INSURANCES' PRICES, REDUCTION IN LOANS IN HIGH-RISK LOCATIONS**
- **INCREASE IN RISKS OF FLOODS, FIRES, EARTHQUAKES**
- **LOSS OF TOURISTIC SCENES**
- **DETERIORATION OF QUALITIES AND QUANTITIES IN THE AGRICULTURAL SECTOR**
- **DIVERGE INVESTMENTS TOWARDS OTHER CORPORATE ENTITIES**

#### **CLIMATE CHANGE OPPORTUNITIES FOR THE PRIVATE SECTOR:**

- **ENGAGE EMPLOYEES IN SOCIAL/TEAMWORK BY DEVELOPING ADEQUATE ADAPTATION STRATEGIES:**
  - Recycling and up-cycling in-house activities
  - Environmental activities like planting trees
  - Competitions to reduce their household emissions
  - Flexible working hours
- **REDUCING RUNNING COSTS VIA:**
  - Energy efficiency
  - Increased dependency on renewable resources
  - Increased dependency on recycled and treated water
  - Creating/innovating new raw materials
  - Improving and shifting local resources of raw material
  - Restructuring shipments in less risky seasons
- **INCREASE MARKET PENETRATION, BY OPENING NEW MARKETS, OR COMMUNICATING WITH ENVIRONMENTAL FRIENDLY CUSTOMERS**
- **COMPLY WITH INTERNATIONAL REGULATIONS**
- **PUT YOUR BUSINESS IN PAR WITH REGIONAL AND MULTINATIONAL ORGANISATIONS EXTRA EXPOSURE VIA GREEN ACTIVITIES**
- **DEVELOP NEW PARTNERSHIPS WITH NGOS, GOVERNMENTAL BODIES, ENVIRONMENTAL CONSCIOUS COMPANIES**
- **ATTRACT INVESTMENTS**

Figure 1: How to create value from climate change (Ntili and Massoud, 2017)

• **TRANSPARENCY:** The evaluation process of a company’s climate action goals includes the linking of goals to business policy objectives in order to track progress, frequent internal discussions to understand delayed action and redefinition of the goals based on discussions. The LCA guidebook contains an exercise to test if the goals are ‘specific, measurable, achievable, realistic and time-sensitive (SMART)’ to ensure these are easy to implement and measure and achievable with the capacities of the firm (see Figure 2). A similar ‘SMART’ approach has been suggested to design indicators that can help in quantifying the progress of the goals. These goals and indicators are revisited on a routine basis. An equally important strategy highlighted in the guidebook is to communicate the success of corporate action both internally within employees and externally with local community or media. The exercise helps the company to understand stakeholder expectations and accordingly plan the timing, channel and frequency of communication to be effective.

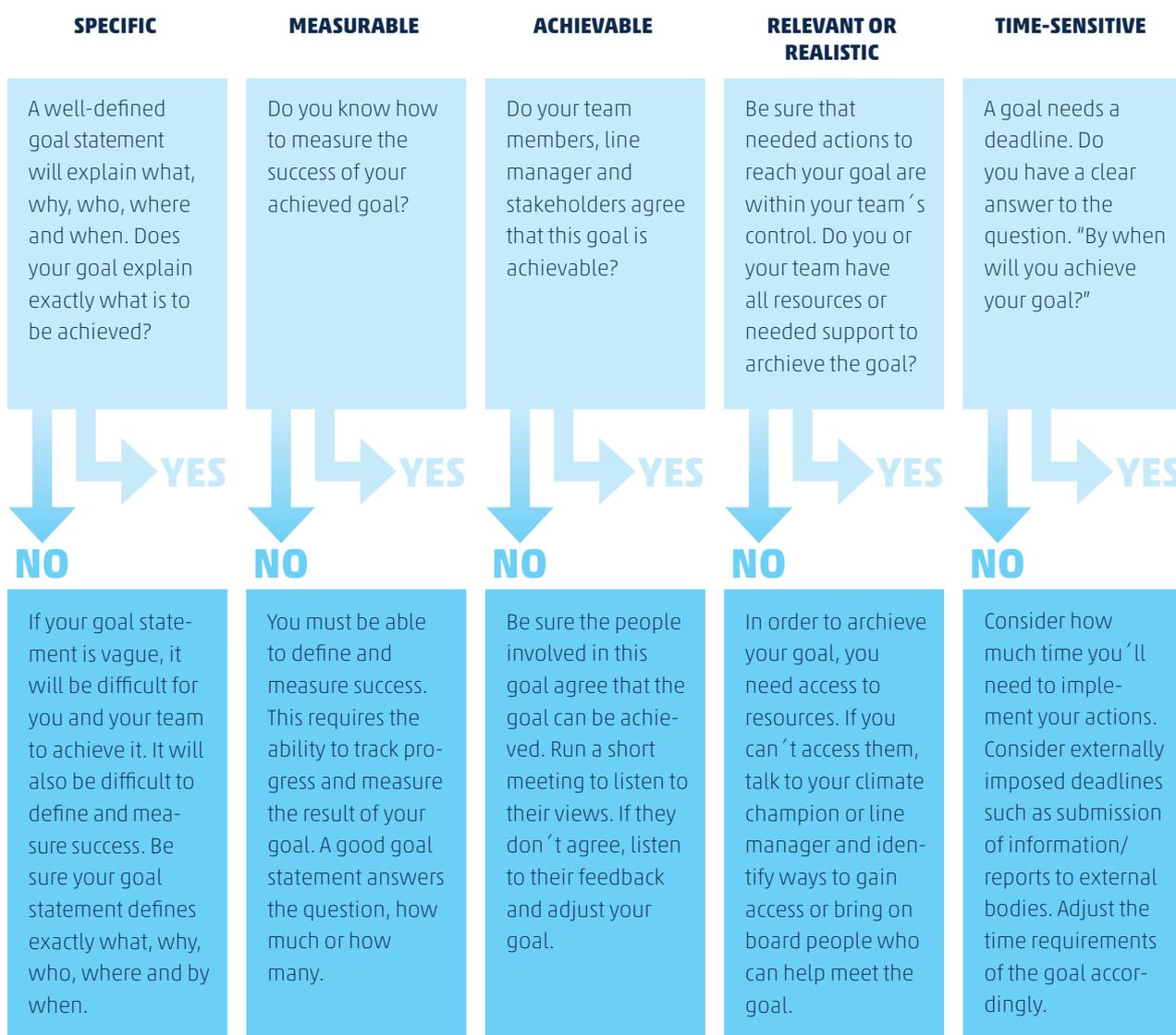


Figure 2: The SMART test for climate goals (Ntili and Massoud, 2017)



• **REPLICABILITY:** The Lebanon Climate Act holds tremendous potential to be replicated in other countries. This is especially true for the developing nations that are presently dependent on limited public resources for climate action, which are often inadequate to tackle the risks associated with climate change. The approach can help developing countries to build public-private partnerships as well as channel the limited public money available towards leveraging additional private finance. Therefore, the LCA framework can provide a clear and comprehensive framework for countries to follow and build on in order to engage private actors in increasing the momentum of global climate action.

**SUCCESS FACTORS:**

• **ESTABLISHING MEANINGFUL PARTNERSHIPS TO EXPEDITE CLIMATE ACTION:** The enactment of the LCA clearly emphasises the need for the private sector to engage with the public sector and vice versa in order to ramp up climate initiatives. Lebanese companies from multiple sectors (such as energy, water or transport) have taken up actions to reduce their carbon footprint as well as to build their adaptive capacity to respond to climate stresses. These companies were provided assistance to create multi-stakeholder partnerships to address the issue of inadequate resources. The LCA guidebook provides a comprehensive exercise to identify potential partners that can meaningfully help businesses in implementing their actions. It helps building a thorough understanding of scope and outcomes anticipated from a partnership, efficient and collective utilisation of resources and skills, thus taking forward a shared climate agenda. For instance, an example of a successful partnership is the one between the climate change unit at the Ministry of Environment and The Notre Dame University (a private university). The ministry is currently mentoring a group of students to design a carbon footprint calculator for universities as well as a tracking tool to capture the mitigation and adaptation measures implemented by the educational system.

• **MOTIVATING BUSINESSES TO PARTICIPATE IN MULTIPLE WAYS, INCLUDING THROUGH PEER-EXCHANGE AND FINANCIAL ASSISTANCE:** A Business Knowledge Platform, launched on 4th October, 2016, serves as a platform for companies to showcase successful multi-stakeholder driven climate efforts and provide inspiration to other firms that regard climate change as a potential concern. This platform is hosted by a team of professional international experts that constantly guide and assist businesses to design credible climate action plans which are realistic and achievable by integrating these into future strategy building and investment decisions. The sessions have also supported businesses in monitoring the progress of their actions by developing monitoring frameworks tailored to specific needs of the firm that use appropriate environmental and economic indicators. The platform helps to foster climate leadership and encourage firms to participate not only through the assistance-based and knowledge sharing activities but also by acknowledging credible climate efforts. The efforts of 22 successful companies (as gathered from interviews) have gained recognition and been awarded as 'climate champion company'. Further, support to the private sector for implementing climate actions is also being extended by the Banque du Liban which is providing subsidised loans (through commercial banks) to implement energy efficiency and renewable energy projects.

• **BUILDING CAPACITY AND CREDIBILITY ACROSS MULTI-STAKEHOLDERS GROUPS:** The strategies designed to address climate change under the LCA adopt a blend of both top-down and bottom-up approaches. This has helped organisations to align climate actions with national and international climate commitments, as well as with diverse stakeholder requirements at the grassroots level. The trainings under the Business Knowledge Platform have followed a sequential process of creating awareness about climate change, helping companies to understand the risks and opportunities, acting towards the cause and monitoring the progress routinely. The process and regular frequency of such engagement sessions has helped in addressing various concerns of businesses that had previously made them reluctant to participate in the LCA. Awarding climate champion

companies that have successfully prepared climate action plans has helped to inspire and pave the way for future climate champions to follow. Further, communicating successful climate actions has built the confidence of stakeholders – both within and outside the firms – and proved how businesses can extract value from climate change risks

**OVERCOMING BARRIERS / CHALLENGES:** \_\_\_\_\_

**WHAT WERE THE MAIN BARRIERS / CHALLENGES TO DELIVERY?**

**CAPACITY:**

The insufficient capacity of Lebanese businesses to understand climate risks and prioritise actions renders the development of concrete action plans and the subsequent measurement of impacts difficult for them.

**INFORMATIONAL:**

The government lacks data and information from the private sector, which hinders the process of tracking Lebanon’s progress toward its NDC objectives.

**HOW WERE THESE BARRIERS / CHALLENGES OVERCOME?**

A number of training programmes have been organised under LCA to educate businesses about Lebanon’s NDC targets under the Paris Agreement. They have also been made aware about the way in which their contribution to enhance climate action can help to meet the national and global climate targets. The trainings have significantly supported the firms to structure their climate action plans within the available resources and capacity. Efforts have also been made to create custom-tailored monitoring products for a few organisations that help them to evaluate their progress towards the set objectives.

Being a part of the initiative, private companies have to report their baseline GHG emissions calculated using the Ministry of Environment’s carbon footprint calculator. The carbon footprint is then certified by a third party auditor, prior to which the company receives a ‘GHG letter of acknowledgement’ by the ministry. This has ensured that the government receives credible data from private companies that can subsequently help in keeping track of emission reductions.

**LESSONS LEARNED:** \_\_\_\_\_

- **DRIVE BUSINESS ACTION WITH THE SUPPORT OF CLIMATE CHAMPIONS:** Climate champions can play an important role in identifying and building a business understanding of climate change risks and opportunities. The involvement of these champions can inspire other employees to contribute to internal climate initiatives in ways that align with the company’s concerns, thus constituting a lever for ambitious business action on climate change.
- **SPUR EFFECTIVE CLIMATE COMMUNICATION:** A strong way to build a successful climate change culture among a company’s employees is to communicate the evidence of impacts, key messages and success stories on climate change both inside and outside the organisation.

**HOW TO REPLICATE**

**THIS PRACTICE:** \_\_\_\_\_

- **DEVELOP A CLEAR UNDERSTANDING OF THE IMPACTS OF CLIMATE CHANGE ON BUSINESSES:** In order to take action, businesses should be able to identify the impacts that climate change is having on their operations and services, but also the opportunities that can help them achieve long term benefits as a result of business models that are adapted to changing climatic conditions.



- **CREATE AN ENABLING ENVIRONMENT FOR PARTNERSHIPS:** It is important to make people understand that climate change and development goals can only be realised through collective action driven by multi-stakeholder partnerships. Encouraging frequent dialogues with potential partners and addressing stakeholder concerns can help to create such partnerships.
- **REVISIT YOUR CLIMATE GOALS PERIODICALLY:** In order for businesses to stay on track with their climate goals, it is vital to monitor and revisit actions to reach set goals in fixed intervals, keeping in mind the changing business dynamics and circumstances.

#### CONTACT FOR

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#### FURTHER KEY

**RESOURCES:** —————

- Ntili, A., Massoud, R. (2017). Lebanon Climate Act. Guidebook on How to create value from climate change. A guidebook for your company in Lebanon. Available at: <http://climatechange.moe.gov.lb/viewfile.aspx?id=260>
- Republic of Lebanon (2015). Lebanon's Intended Nationally Determined Contribution. Available at: <http://climatechange.moe.gov.lb/viewfile.aspx?id=232>

#### WEBSITES:

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- Lebanon Climate Act: <https://www.lebanonclimateact.com/>
- Training Material under Lebanon Climate Act: <https://www.dropbox.com/sh/dp815xo4ld651d4/AADvgKW5pyJFr4-XHt4Apijka?dl=0>

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