

# LEBANON

## WHAT HAPPENED IN JUNE?

Following parliamentary elections in May, President Michel Aoun invited incumbent Prime Minister Najib Mikati to form the next government, **kickstarting political negotiations** over its composition. Meanwhile, tensions rose with Israel over the disputed maritime border in the eastern Mediterranean.

## WHY DOES IT MATTER?

Negotiations to form a new cabinet, which is crucial for carrying out reforms to unlock international financing, could become drawn-out and **lead to sectarian violence**. The maritime dispute could become another flashpoint with Israel and also be politicised at home.

## MAY TRENDS

Parliamentary elections held on 15 May resulted in no clear winner, as reformist candidates expanded their share of seats, and Hezbollah and its allies lost their majority. On the economic front, the currency crisis continued to **jeopardise critical imports**.

### 1 → Political talks to form next government began

President Aoun on 23 June tasked Prime Minister Mikati with forming a government after Mikati secured the support of 54 of 128 MPs – the lowest total for any prime minister-designate **since the civil war ended in 1990**.

Mikati will find it challenging to form a cabinet with enough parliamentary support to advance substantial reforms. Negotiations among Christian, Shiite and Sunni factions over government posts could become prolonged and tense, raising the prospect of sectarian street violence should no compromise be found.

### 2 ↘ Tensions rose with Israel over maritime dispute

On 5 June, a vessel operated by the energy company Energean arrived near the Israel-Lebanon maritime border to prepare to extract gas from the Karish field, which the company acquired in 2016 with Israel's authorisation. Since November 2020, Lebanon has advanced maritime claims that include parts of Karish.

Hezbollah warned Energean against extraction activities on 9 June, calling upon all political forces to unite in defence of Lebanon's maritime resources and **threatening it may act unilaterally** if they do not.

### 3 → International appeal launched for the most vulnerable

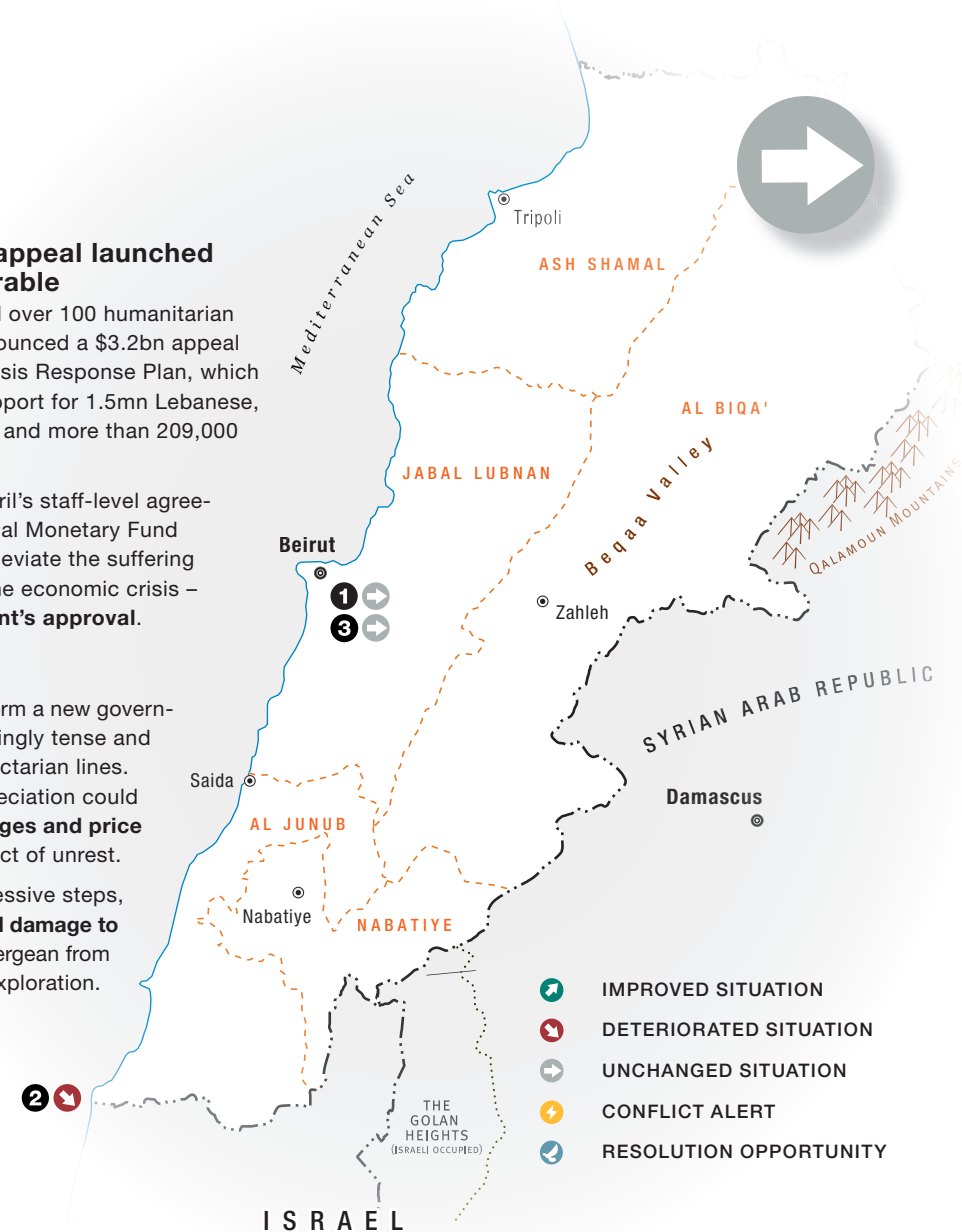
The government, UN and over 100 humanitarian partners on 20 June announced a \$3.2bn appeal for the 2022 Lebanon Crisis Response Plan, which is aimed at providing support for 1.5mn Lebanese, 1.5mn displaced Syrians and more than 209,000 Palestinian refugees.

The 2022 budget and April's staff-level agreement with the International Monetary Fund – measures that could alleviate the suffering of those hardest hit by the economic crisis – **await the new parliament's approval**.

## WHAT TO WATCH

Political negotiations to form a new government could grow increasingly tense and lead to violence along sectarian lines. The Lebanese lira's depreciation could cause **worsening shortages and price hikes**, raising the prospect of unrest.

Hezbollah may take aggressive steps, including causing **physical damage to installations**, to deter Energean from moving ahead with gas exploration.



## TRENDS TIMELINE

