

Estimating the Fiscal Impact of Lebanon's Environmental Tax under Decree No. 3214



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Contact Information

Jana Boumatar

jana.boumatar@blominvestbank.com

In June 2026, the Lebanese Ministry of Environment introduced Decree No. 3214, establishing an environmental tax on a broad range of imported products according to the quantity and environmental impact of waste generated throughout their manufacturing, consumption, or disposal. The decree was issued pursuant to the Environmental Protection Law No. 444 of 2002 and the amendments introduced by Law No. 38 of 2026 to the Integrated Solid Waste Management framework, incorporating the "polluter pays" and extended producer responsibility principles into Lebanon's environmental policy. Rather than imposing a uniform levy, the decree applies differentiated tax rates ranging from 1% to 3%, with lower rates imposed on essential goods and basic raw materials and progressively higher rates applied to products considered more polluting or more difficult to manage at the end of their life cycle. The measure was intended to establish a dedicated funding source for waste management while encouraging producers and importers to internalize part of the environmental costs associated with the products they place on the Lebanese market.

To estimate the potential fiscal impact of Decree No. 3214, the environmental tax rates specified in the decree were matched to their corresponding imported product categories. Annual import values for 2025 and cumulative import values for January-April 2026 were used as the tax base. For each product category, the estimated environmental tax revenue was calculated by multiplying the import value by the applicable environmental tax rate of 1%,

1.5%, 2%, 2.5%, or 3%, as prescribed in the decree¹. The estimated revenues generated across all product categories were subsequently aggregated to obtain the total estimated environmental tax revenue. Since complete import data for 2026 were unavailable at the time of the analysis, the January-April 2026 estimate was annualized by multiplying the four month revenue by three, assuming import activity remains broadly consistent throughout the remainder of the year. This approach provides an estimate of the decree's potential annual fiscal contribution rather than actual tax collections.

Tax rate	2025 import value	2025 revenue	Annualized 2026 import	Annualized 2026 revenue	2025 revenue share	2026 revenue share
1%	9,803	98.03	9,549	95.49	32.42%	31.33%
1.5%	4,947	74.21	5,097	76.46	24.54%	25.08%
2%	5,720	114.40	5,847	116.94	37.84%	38.37%
2.5%	498	12.45	507	12.68	4.12%	4.16%
3%	109	3.27	108	3.24	1.08%	1.06%

Source: Calculations based on Lebanese Customs Administration import data and the environmental tax rates stipulated under Decree No. 3214.

Applying the environmental tax rates to Lebanon's import structure suggests that Decree No. 3214 would have generated approximately \$302.36M had it been implemented throughout 2025. Using the latest available customs data, the same methodology estimates \$101.60M in revenue during the first four months of 2026. Annualizing this figure indicates that the decree could potentially generate around \$304.80M during 2026, assuming import patterns remain broadly unchanged for the remainder of the year. The close similarity between the 2025 estimate and the annualized 2026 forecast reflects the relative stability of Lebanon's import composition despite ongoing economic challenges, suggesting that the environmental tax could provide a relatively predictable and recurring source of government revenue if fully implemented.

¹ It imposes an environmental tax of 1% on essential goods and primary materials, including live animals, meats, dairy products, cereals, pharmaceutical products, and base metals such as aluminum, iron, nickel, and steel. Also, it levies an environmental tax of 1.5% on intermediate consumer products and processing goods, such as beverages, spirits, vinegar, paper, cardboard, glass, and electrical machinery. Further, it imposes environmental tax of 2% on heavier industrial materials and potential environmental pollutants, including cement, mineral fuels, mineral oils, organic chemicals, diverse plastics, and carpets. Moreover, it levies an environmental tax of 2.5% on high-impact chemical and industrial commodities, including animal or vegetable fats, inorganic chemicals, rubber, raw hides, skins, leather articles, travel goods, and stone or cement manufactures. Finally, it imposes an environment tax of 3% on hazardous, highly toxic, or heavily regulated materials, specifically tanning or dyeing extracts, explosives, pyrotechnic products, matches, arms and ammunition (Byblos Bank, Issue 915, June 22-27, 2026).

The calculations further indicate that the projected fiscal yield is driven primarily by the size of Lebanon's import bill rather than the tax rates themselves. While products subject to the highest environmental tax rates of 2.5% and 3% face larger proportional levies, these categories account for a comparatively limited share of total imports. Conversely, products taxed at 1% and 2% represent a much larger proportion of Lebanon's imports, resulting in significantly higher revenue generation despite the lower rates. In particular, mineral fuels and mineral oils constitute the single largest contributor to estimated environmental tax revenues because of Lebanon's heavy dependence on imported energy products combined with the applicable 2% environmental tax. Other major contributors include industrial chemicals, plastics, machinery and mechanical appliances, electrical equipment, iron and steel products, paper and paperboard, and various manufactured goods, reflecting the country's continued reliance on imported industrial inputs and consumer products. Consequently, the estimated annual revenue of approximately \$300M is derived from the breadth and value of the taxable import base rather than from imposing particularly high tax rates.

From an environmental perspective, the decree represents one of Lebanon's most significant attempts to integrate fiscal policy with environmental protection. By applying differentiated tax rates according to the expected environmental burden associated with imported products, the measure seeks to internalize part of the environmental costs generated throughout the products' life cycle while encouraging more sustainable production and consumption practices. At the same time, the estimated annual revenue exceeding \$300M could provide a substantial and dedicated source of financing for waste collection, recycling facilities, landfill rehabilitation, and broader environmental protection initiatives. In a country that has repeatedly experienced waste management crises and continues to operate under considerable fiscal constraints, such revenues could significantly strengthen the government's capacity to finance environmental infrastructure without relying exclusively on general budget allocations.

Nevertheless, despite its environmental objectives, the decree immediately generated widespread criticism from business associations, importers, manufacturers, and several political stakeholders. Opponents argued that the additional environmental tax would inevitably increase import costs and production expenses, with businesses ultimately passing

these costs on to consumers through higher retail prices. These concerns were particularly relevant given Lebanon's continued economic fragility, persistent inflationary pressures, weakened purchasing power, and the lingering effects of the recent conflict. Since the tax applies to numerous essential goods, industrial inputs, construction materials, and consumer products, many feared that it would contribute to a broader increase in the cost of living while reducing business competitiveness. These concerns ultimately prompted the government to suspend the implementation of the decree shortly after its entry into force while reassessing its broader economic and social implications.

Estimate	Revenue (USD million)
Estimated revenue based on 2025 imports	302.36
Estimated revenue (January-April 2026)	101.60
Annualized 2026 forecast	304.80

Source: Calculations based on Lebanese Customs Administration import data and the environmental tax rates stipulated under Decree No. 3214.

Overall, the analysis suggests that Decree No. 3214 possesses considerable fiscal potential, with estimated annual revenues exceeding \$300M under both the 2025 calculations and the annualized 2026 forecast. The findings indicate that the measure could become a meaningful and sustainable source of financing for Lebanon's waste management strategy while reinforcing internationally recognized environmental principles such as the "polluter pays" approach and extended producer responsibility. However, the controversy surrounding the decree also highlights the importance of balancing environmental objectives with economic realities. Moving forward, policymakers may need to consider phased implementation, targeted exemptions for essential goods, or complementary support measures that preserve the decree's environmental objectives while limiting inflationary pressures and protecting consumers. Achieving this balance will ultimately determine whether environmental taxation can become an effective and socially acceptable component of Lebanon's broader fiscal and environmental policy framework, keeping in mind that the tax itself is efficient and its imposition is sound from an economic viewpoint.

For your Queries:

BLOMINVEST BANK s.a.l.

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

Jana Boumatar

jana.boumatar@blominvestbank.com

Research Department

Tel: +961 1 991 784

research@blominvestbank.com

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