



Renewable Energy Policy review Cyprus

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**CYPRUS INSTITUTE
OF ENERGY**

Cyprus Institute of Energy
Tel: +357 22 409385
Fax: +357 22 304759
e-mail:
ach.cie@cytanet.com.cy
<http://www.cie.org.cy>



**European Renewable
Energy Council**
26, rue du Trone
B-1000 Brussels

Tel.: (+32) 2 546 1936
Fax: (+32) 2 546 1934
www.erec-renewables.org
erec@erec-renewables.org

Policy Review for RES and RUE in Cyprus

Introduction

In an effort to fully align its RES policy with that of EU, the Ministry of Commerce, Industry and Tourism in 2001 proceeded with the formulation of an Action Plan for Renewable Energy Resources, which was approved by the Council of Ministers in May 2002. The Action Plan covers the period 2002-2010 and envisages doubling of RES contribution, from 4,5% in 1995 to 9% by 2010, in line with the Community White Paper for a Community Strategy for RES recommendation. It also envisages increase of RES contribution to Electricity production from the present almost zero level to 6% by 2010 in accordance with the provisions of Directive 2001/77/EC.

The above will be achieved through the provision of technical support, introduction of new legislation that regulate the production and sale of electricity produced from RES and the provision of investment and other incentives in conformity with the State Aid control Law of 2001. The Action Plan was approved by the Council of Ministers (May, 2002).

In order to help achieve the goals of the Action Plan a New Grants Scheme for the promotion of RES and Energy Conservation was prepared, which provides incentives for all RES Applications and Energy Conservation for the period 2004-2006.

Action Plan for Renewable Energy Sources (RES)

- **The meaning of RES for Cyprus**

The Renewable Energy Sources (RES) are the only domestic energy resources of Cyprus, capable of contributing to an important degree towards reducing the need of the country to import energy, raising the security of the energy supply and reducing environmental pollution. They can also contribute significantly to the creation of new jobs and to technology development in general. This is why the energy policy of Cyprus pays particular consideration to the development and the use of renewable energy technologies, and to use their advantages to the highest possible degree.

- **The situation today**

The contribution of RES in the energy balance of Cyprus is currently 4% and comes mostly from solar energy, which is used for the heating of water, and to a smaller degree from biomass utilisation (wood from the forest and agricultural wastes, olive kernels, almond husks, etc). Although Cyprus is a protagonist in the field of thermal application of solar energy and 92% of buildings and 53% of hotels have solar water heating systems, the contribution of the RES, as far as the energy balance of the country is concerned, could still be significantly raised.

- **Plan of Action for RES (2002-2010)**

In order to significantly increase the contribution of RES to the energy balance of the country and to harmonize the policies of Cyprus with EU policies, the Ministry of Commerce, Industry and Tourism has prepared a Plan of Action for the Promotion of RES. This Plan of Action covers the period 2002-2010. It is based on the conclusions and proposals of relevant studies that have been prepared with the help of experts on this topic in particular of the National Technical University of Athens. The basic goals of this Plan are:

- Determination of targets in order to raise the contribution both of RES in general and of different forms of RES in particular.
- Removal of obstacles for the development of RES.
- Introduction of mechanisms in order to support investments in RES.
- The duration of the Plan is 2002-2010.

The Plan for Action determines the following goals:

- A Doubling the contribution of RES to the total energy consumption of Cyprus from 4.5% in 1995 to 9% until 2010.**
- B Increasing the electricity production from RES from currently zero to 6% of the total electricity production until 2010.**

- **Removal of obstacles for the development of RES**

A The process of granting licenses for electricity production

It was realized that it is very important to set up simple and clear processes for the granting of licenses for electricity production. The complexity of the process and the absence of co-operation between the different public services that are involved in the process of granting the permission have been an obstacle for the development of RES in different countries, such as Greece for example. In order to accelerate these processes, the Energy Department of the Ministry of Commerce, Industry and Tourism acts as the central reference point for the administration of all applications regarding RES and Energy Conservation.

B Conditions for the transportation and distribution of electricity

The Electricity Authority of Cyprus (EAC) has committed itself to purchase all electricity that is produced by RES. Clear conditions of the connection between the RES producers and the electricity grid, have been defined.

- **Mechanisms of Supporting Investments in RES**

The most important factors in order to promote investments in RES are the existence of stable and clear market conditions, as well as the provision of satisfactory profits for investors. The system of support to RES includes the following components:

- Definition of the price of kWh in the market
- Provision of long-term contracts (15 years)
- Definition of financial incentives

- **Realization of the goals of the Plan**

The realization of the goals included in the Plan is being promoted by a series of measures, with the main objective of encouraging the utilisation of RES and promoting

energy efficiency, and the preparation of the necessary laws. For this purpose were prepared:

New Grant Scheme for Energy Conservation and the Promotion of the Use of RES.

This Grant Scheme was started in February 2004 and, according to the Law, a managing board of the Fund was created. The tax of 0.13 cents/KWh on every category of electricity consumption has been in force since 01.08.2003.

- Duration of the Scheme: three years (2004-2006)
- It includes the promotion of all forms of RES that exist in Cyprus and the promotion of energy efficiency
- To provide grants in order to encourage the use of RES
- To provide grants in order to save energy
- Details for the Grant Scheme are given in the Annex II
- The costs of the Scheme will be covered by the income of a special fund that was created under the (following) Law

«The Promotion and Encouragement of the Use of RES and of Energy Efficiency Law of 2003»

The purpose of this law was to introduce the necessary legislation that allows the Cypriot Government to apply programs in order to take advantage of RES and to promote energy conservation by means of harmonization with EU policies. More specifically allows Cyprus to comply with the Directive 2001/77/EC of the European Parliament and of the Council of 27th September 2001, with the goals of the White Paper on RES and the Directive 93/76/EEC (SAVE). The law foresees:

- a the creation of a special fund, whose income is going to be spent exclusively on the provision of financial assistance and which in this way will promote the utilisation of RES and of energy efficiency
- b the creation of a Board, which is going to have the responsibility, under the supervision and the instruction of the Ministry of Commerce, Industry and

Tourism, to manage this Fund and to decide, according to the instructions of the Ministry Board, on the beneficiaries of grants.

- c the electricity consumption tax, 0.13 cents/KWh (0.221 euros/KWh), the main source of this Fund, is going to be collected by the authorised electricity providers and transferred to this Fund.

The full text of the Law is given in Annex I.

Annex I

The Law for the Promotion and the Encouragement of the Use of Renewable Energy Sources and of Energy Efficiency of the year 2003 is published in the Official Newspaper of Republic of Cyprus, according to the Article 52 of the Constitution.

Number 33 (I) of the year 2003

THE LAW FOR THE PROMOTION AND THE ENCOURAGEMENT OF THE USE OF RENEWABLE ENERGY SOURCES AND OF ENERGY EFFICIENCY; THE CREATION OF A SPECIAL FUND FOR THE SUBSIDY OR FINANCING OF THESE AND OTHER RELEVANT ISSUES

The House of Representatives declares as follows:

1. The present law is going to be designated as the law of the year 2003 for the Promotion and the Encouragement of the Use of Renewable Energy Sources and of Energy Efficiency. In the present law and if another definition does not arise from the text,
 - “EAC” means the Electricity Authority of Cyprus, which was created under the law for Electricity Development, and includes every other subsequent successor organisation, to which are given and conveyed the authority and the responsibilities that for the time being are held by EAC
 - “Renewable Energy Sources” or “RES” means the non-fossil renewable energy sources (wind, solar and geothermal energy, wave energy, tidal energy, hydropower, biomass, gases which are produced by sanitary facilities, from installations of biological purification and biogases)
 - “Authorized provider” means the EAC or every other legally authorized person for the supply of electricity to consumers
 - “Committee” means the commission for the management of the Fund, which is established through article 4
 - “Consumer” means every person, legal or natural, whose property or installations are connected to the net for the supply of electricity through any authorized provider
 - “Co-generation of heat and electricity” means the simultaneous transformation of a primary energy source into mechanical or electrical energy and heat
 - “Programme” means every formed and published programme, which appears under the power of the article 9

- “Fund” means every special fund, which is established under the power of the article 3
 - “Minister” means the Minister of the Ministry of Commerce, Industry and Tourism.
2. (1) For purposes of encouragement, in order to take advantage of the renewable energy sources, and of the promotion of energy efficiency, a special fund is created, which from now on is going to be mentioned as “Fund” and is going to be under the management and the administration of the Committee and by which it is possible to subsidize or finance the following:
 - (a) The production or, according to the situation, the purchase of electricity which is produced by RES
 - (b) The installations, equipments and other activities of energy efficiency
 - (c) Programmes of RES promotion, energy efficiency, including the co-generation of heat and electricity, and of public awareness building
 - (d) The expenses for the Fund’s management
 - (e) Every other relevant expense, which according to the Committee is important.
 - (2) The resources of the Fund are coming from:
 - (f) The imposition and the collecting of the tax on energy consumption, which is described in article 8
 - (g) Every grant or contribution to the Fund, which is approved by the government
 - (h) Every other income, donation, interest coming from deposits or investments of the Fund’s money.
 3. (1) A committee for the Fund management is established, consisting of:
 - (a) The Director-General of the Ministry for Commerce, Industry, and Tourism or a representative as the President of the Committee
 - (b) The Director-General of the Ministry of Economy or a representative
 - (c) The Director-General of the Planning Bureau or a representative
 - (d) The Director of Commerce and Industry, responsible for energy issues, of the Ministry for Commerce Industry and Tourism or a representative
 - (e) The General Accountant of the Republic or a representative and
 - (f) A Representative of the Scientific Technical Chamber of Cyprus (STCC).
 - (2) The President and the other three members of the Committee constitute a quorum. In case of absence of the President, a senior member of the government takes his place.
 - (3) According to the paragraph 2, the Committee can, as far as the rest is concerned, regulate the internal procedure.
 4. (1) The Fund is a separate entity with its own resources and, while being under the authority of the Committee, is under the protection of the General Accountant, who

keeps up the necessary accounts, draws the necessary receipts and undertakes every collecting or saving up of money that is approved by the Committee, always according to the law for the management of the income and the expenses and of the accountancy of the Republic of Cyprus of the year 2002.

- (2) The accounts of the Fund are ready the latest until the 30th April of the next financial year and during this time are reported and controlled by the General Inspector.
 - (3) The Committee sends to the Minister of Economy a copy of the situation of the accounts of the year, which are already controlled and the report of the General Inspector about these accounts.
 - (4) A copy of the situation of the accounts of the year, which are already controlled and the report of the General Inspector about these accounts are given by the Minister of Economy to the Parliament of the Representatives and are published in the official newspaper of the Republic of Cyprus.
5. (1) The Fund has its own budget, which is defined every year by the Committee and it depends on the approval of the Minister Board and the House of Representatives.
- (2) The budget covers the financial program of the Fund for every financial year, which starts on the 1st of January and ends on the 31st of December.
6. (1) Under the general supervision of the Minister and his instructions, the Committee has the authority and the duty to manage the money that is deposited and flows into the Fund, in order to achieve the goals of this law.
- (2) More specifically and without being influenced by the generality of the paragraph (1), the Committee has the power:
- a. To finance or to subsidize, always according to the conditions and the prerequisites that are defined by the programmes, different activities, which have as a goal to encourage the use of RES or the promotion of energy efficiency, including the co-generation of heat and electricity
 - b. To examine, value and approve applications and to subsidy or to finance the ones that are reported in (a)
 - c. To make every necessary expense, relevant to the goals of the Fund
 - d. To invest the possible deposit of the Fund in a way that the Minister defines with the approval of the Minister of Economy
 - e. To develop, either alone or in co-operation with any legal or natural person, every other complementary or helpful activity, in order to achieve the goals of the Fund.
- (3). Independently from the arrangements of the paragraphs (1) und (2) mentioned here, the annual amount that the Committee is allowed to spend from the income that

is collected through the tax on electricity consumption (article 8) for different purposes than the production of the electricity does not exceed the 20% of the income that is collected through this tax.

7. (1) From the date that the Board of Ministers is going to define through a notification in the Official Newspaper of the Republic of Cyprus, every electricity consumer that is provided by any authorized provider, independently from the category or the fixed price of the electricity that the provider defines, has to pay to the Fund the tax of 0.13 c/kWh, which is estimated over the bill or the invoice for the electricity consumption that is supplied by the provider.
 - (2) Independently from the arrangements of any other law, every authorized electricity provider has the responsibility to register, to charge and to collect this tax through the bills or the invoices for electricity consumption, which are drawn and sent to his customers.
 - (3) Without influencing the application of any other legal means to contest this, in case that the consumer does not pay this tax, the authorized electricity provider has to stop supplying electricity, until the consumer complies with his obligation, according to the rules that regulate the re-connection of the electricity supply after disconnection.
 - (4) The money that is collected by any authorized electricity provider is deposited, according to the Minister's instructions, in the Fund the latest until the end of the month that comes after the month of collecting the money and until this money is collected, it is assumed that this money belongs to the Fund.
 - (5) The Minister has the authority to give instructions as far as the way of the imposition and the collecting of the tax and the supervision and the control of the imposition, collecting and depositing of the tax to the Fund is concerned.
8. (1) The Board of Ministers, after the Minister's proposal and according to the arrangements of the laws of the years 2001-2002 for the Control of Public Re-Enforcements, can publish in the Official Newspaper of the Democracy of Cyprus plans for the subsidy or the financing through the Fund's motivations or activities which have as a goal to encourage the use of energy forms that are more friendly to the environment and the promotion of energy efficiency, including the co-generation of heat and electricity.
 - (2) These plans are going to include details as far as the qualifications, the conditions or the preconditions that the subsidy or financing applicants have to fulfil and the way, the time or the procedure of receiving the money is concerned.

9. (1) Every subsidy or financing through the Fund is provided by the Committee only after the approval of the application, which has to be submitted formally and textual according to the demands of every relevant plan, which is in force.
- (2) In case of approval for subsidy, according to the approved by the Committee contract for the purchase of electricity from RES, the Fund is supposed to guarantee to the applicants the stability of the subsidy of this purchase during the period of time that is stated on the contract and to any possible and agreed tariffs for the purchase of electricity.
10. The payment of the approved subsidies from the Fund's money to the entitled is made in the way and in the particular periods of time that are defined by the plan of the specific subsidy.
11. (1) With the reserve of the arrangements of paragraph (3), the Board of Ministers can decide the dissolution of the Fund through notification in the Official Newspaper of the Republic of Cyprus.
- (2) From the date of the notification of the dissolution of the Fund and onwards the Committee exists no more and the obligation of paying the tax to the Fund does not apply any more and any other money that there is in the Fund goes to the fixed Fund of the Republic of Cyprus.
- (3) Although the Fund is dissolved, the Republic of Cyprus through its fixed Fund assumes the responsibility for all the obligations that the Fund had until this dissolution, including the possible possessed rights to subsidies that third persons have against the Fund, until these are completely expired.

Annex II
GRANT SCHEME
for Energy Conservation and
the Promotion of Renewable Energy Sources (RES) Utilization