

Energy Development Perspectives for the Republic of Cyprus

Introduction

Based on EUROSTAT's researches, the Republic of Cyprus disposes a very promising feedback from the energy saving and the renewable energy schemes, as more and more people apply for the available funding.

The Energy System of Cyprus is an isolated energy system without oil or gas pipelines interconnecting or electricity interconnections almost depended on imported fuels with other countries with large increase rates of energy consumption. (7% annual increase in electricity consumption for the period 1996-2006). Transport and buildings are the largest energy consuming sector of the Republic. On the other hand, Cyprus disposes a significant potential of renewable sources.

The Cyprus Energy System is also characterised by seasonal fluctuations in energy demand, high cost of imported primary energy and high increase rate of energy demand. It is largely depended on imported Fossil Fuel, nevertheless, it disposes a considerable potential of renewable energy sources and of energy saving.

Due to the high level of the rates of energy consumption in the last decade, as a result of the high rates of economic and social growth and the high influx of tourists, a number of measures have been set to face the energy needs.

National Programme of Cyprus and targets in the energy sector

In the National Reform Programme of Cyprus 2011 regarding the strategy of Europe 2020 for "Smart, Sustainable and Inclusive Growth", during the decade 2000-2010, the final energy and electricity consumption increased by 1,7% and 6% at an average annual basis respectively, while during the same period the GDP showed an average annual increase of 3,2%. Moreover, due to the climate conditions and the fact that Cyprus is a touristic destination, energy demand in summer, doubles compared to that in winter.

Energy policy and targets

The energy policy of Cyprus should be fully harmonised with the energy policy of the European Union. Towards this objective, Cyprus should concentrate the main axis of its energy policy to the safeguarding of a healthy competition in the market, the security of the supply of energy and the fulfilment of the energy demands of the country.

The implementation of the above policy is formulated by:

- The promotion of oil products and other sources of energy friendly to the environment such as natural gas
- The implementation of development programmes related to the utilisation of RES

- The liberalisation of the electricity market by abolishing the monopoly of the electricity Authority of Cyprus (EAC) on the generation and supply of electricity through a 35% market allowance to free competition

Cyprus Renewable Energy policy

Policy Background

The EU is working to reduce the effects of climate change and establish a common energy policy. As part of this policy, European Heads of State or Government agreed in March 2007 on binding targets to increase the share of renewable energy. By 2020, renewable energy should account for 20% of the EU's final energy consumption. To meet this common target, each Member State needs to increase its production and use of renewable energy in electricity, heating and cooling and transport.

Targets

The renewable targets are calculated as the share of renewable consumption to gross fuel energy consumption. Renewable consumption comprises the direct use of renewable (eg. biofuels) plus the part of electricity produced from renewables. (eg. wind, hydro) while final energy consumption is the energy that households, industry, services, agriculture and the transport sector use. The Cyprus target is 13% (2005:2.9%).

The national targets and trajectories for Cyprus can be summarised in three:

-Energy efficiency: achieve an increased 14.3% (463 ktoe) in energy savings in the projected primary energy consumption of the year 2020. Greenhouse Gases Emissions: Reduce greenhouse gas emissions by 21% in the installations included in the Emissions Trading System (ETS) and by 5% for the sectors that are not included in the ETS (transport, waste, agriculture by 2020). Renewable Energy Sources: Increase of the contribution of Renewable Energy Sources (RES) to 13% of the total energy consumption by the year 2020.

The key measures to achieve the national targets may be regrouped to categories: Measures to promote energy efficiency; Measures to promote the utilisation of RES and Energy Conservation; Measures to reduce CO₂ emissions; Measures to promote environmental sustainability; Measures to promote sustainable consumption and production

Specifically, the promotion of energy efficiency can be achieved with the introduction of natural gas and the combined cycle technology in power generation and the implementation and transposal of the 3rd Internal market energy package of the Directives 2009/73/EC and 2009/72/EC to national law, by making appropriate use of the relevant derogations and exemptions for the "small and isolated system" and "emergent and isolated market". Senior role disposes also the implementation of energy performance of buildings directive, the National Energy Efficiency Action

Plan (NEEAP) and describes the programmes, actions and schemes related to energy efficiency and the exploitation of the economic potential for combined heat and power technology on compliance to the Directive 2004/8/EC and specification of the sectors where co-generation can be applied with an economically efficient way (eg. Cement industry).

Regarding the measures to promote the utilisation of RES and Energy Conservation, the NREAP sets the national targets for the share of energy from renewable sources consumed in transport, electricity and heating/cooling in 2020. According to the NREAP the distribution of RES electricity production between 2011-2012 is expected to come mainly from wind power (3.27%), biomass (0.87%) and photovoltaic systems (0.28%). The first Wind Park of 82MW has been successfully comm and five other projects of a total capacity of 75.5MW have signed the subsidy agreement with the special fund and are at the stage of implementation. In Parallel, for the years 2009-2013, approximately 85 wind power generators are expected to be installed in several parts in Cyprus with a total capacity of 165 MW.

Further, the acceleration of RES investments is promoted via accelerating the whole procedure for the submission and evaluation of the applications and the securing of the necessary licence and permits through “One Stop Shop” procedure and a Ministerial Committee, set up to examine and resolve problems and promote RES Investments.

Funding opportunities to support the energy sector

A number of Europe – wide sources of funding are available to help businesses comply with environmental legislation. The European Commission administers some sources of funding directly, but more often they are channelled through national or local authorities.

The grants dedicated to this sector for SMEs are:

The LIFE + programme

-Regional policy: Cohesion+ Structural Funds

-ERDF

-The Competitiveness and Innovation Framework Programme (CIP)

-FP7

-Eurostars

On the other hand, the instruments of the European Investment Bank identified to support financially these measures for SME are:

-Intermediated loans

-Venture Capital

-Guarantees

-JEREMIE

-Risk Sharing Finance Facility (RSFF)

There is also a number of funds allocated by the European Union to support less developed regions (Structured Funds) and help the Integrating of European infrastructure (Cohesion Fund).

Both mechanisms, in particular the Structural Funds, allow for substantial investments, in environmental protection, especially for SMEs to promote environmentally friendly products in two of the Four Structural Funds, the European Regional Development Fund and the European Social Fund.

Most of this EU funding is paid via national and regional authorities. Therefore Member States should allocate substantial and sufficient resources to their objectives in their programming documents and in their applications for EU Structural Funds for the period 2007-2013.

The Cohesion Fund is aimed at Member States whose Gross National Income per inhabitant is less than 90% of the EU average. For the 2007-2013 period, the Cohesion Fund concerns also Cyprus and Financial activities to improve the environment related to energy or transport. Examples of projects eligible for funding are those supporting energy efficiency, renewable energy or transports.

Further, the competitiveness and Innovation framework programme has a strong emphasis on SMEs, as the amount of €430 million is allocated for investments in eco-innovation activities. The Intelligent Energy Europe sub-programme included €727 million for energy efficiency and renewable energy projects.

EU-Russia initiatives in the Energy Sector

Cooperation between Russia and the European Union in the field of energy is aimed at insuring security of energy supply and solving the tasks provided by the Road Map of the Russia – European Common Economic Space. The Road Map focuses on maintaining reliable, sustainable and continuous energy production, distribution and transportation including energy efficiency, energy saving and renewable energy sources.

Within the framework of the energy dialogue, a mechanism of consultations between the two parties has been established under three thematic groups: energy strategies, forecasts and scenarios; Energy markets development and Energy efficiency.

The activities of these groups focus on the research on energy markets development through a comparative analysis of energy strategies and development of scenarios for the energy sector of Russia - EU.

Further, the implementation of the EU-Russia Energy Efficiency Initiative aims at increasing Energy Efficiency and primary energy savings through the use of renewable energy sources.

Through the strategic partnership established between the European Union and Russia in the field of energy give the potential to both markets to develop and to promote partnerships which can take the forms of joint ventures or even Public Private Partnerships (PPPs).

Moreover, the EU-Russia cooperation in the area of energy policy contributes to the evaluation of the impact of the new regulations on the EU-Russia markets, the impact of the financial crisis, aiming in parallel at achieving a certain stability and predictability of world crisis on energy resources in the future.

Concretely, new funding opportunities have been established in order to promote and boost this transnational cooperation through a number of programs. The EU's 7th Framework Programme for Research (FP7), prioritises environmental projects and aims to strengthen the innovation capacity of SMEs. In order to ensure the European added value of FP7 projects, most actions have a transnational character.

Conclusion

Lately, Cyprus suffered by the disastrous accident at the naval base at Mari which cost in human lives and a serious mass destruction of the power generating station nearby. Despite the negative consequences of the disaster occurred, it is highly time for the Republic of Cyprus to restore the energy supply by using all those means offered as a full Member State of the European Union. The realisation of the objective is able to be accomplished through innovative actions with the implementation of the adequate programs to finance a new era in the field of energy of the country.

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