

CYPRUS - Progress report under article 6.3 of Directive 2004/8/EC on the promotion of cogeneration.

I. Transposition of the legal text of Directive 2004/8/EC

1. Has your country already sent in notifications of transposition to the Commission?

Please indicate which document you sent on which date, and which Article was transposed in this way, and where it can be found in the document.

(background: there are Member States which transpose (parts of) Articles in a general energy law of many pages, making it hardly possible to do a check or specific translation)

1) Cyprus has already sent Notifications of transposition to the Commission.

Three legislative instruments have been enacted so far to comply with the provisions of the directive.

- A) Primary legislation (Law of 2006 for the promotion of combined heat and power)
- B) Ammending the Law for the regulation of the electricity market (in compliance with dir. 2003/54/EC) in order to comply with article 9 of the directive (administrative procedures)
- C) Ammending Regulations for Boilers (dir. 92/42/EC) in order to comply with article 16 of the directive.

The notifications of transposition are done by the Cyprus office of the harmonization and the relevant details are attached.

2. What is the timeline for the remaining parts of the transposition of the Directive? Please indicate how this will take place (revision of a general energy law, a specific law, decree, regulation,), at what stage in the legislative process your country is for this part, what the expected reasonable timeline until adoption will be, and what the obstacles are, if any.

2) Secondary legislation will be adopted in order to transpose and implement fully the provisions of the directive.

Ministerial orders published in the official journal of the Cyprus Republic will be issued for the following provisions/requirements of the directive:

- A) Calculation methodology for annex II, III
- B) Harmonized efficiency reference values

- C) Threshold values when necessary for the application of annex II, III. Particularly the threshold value for high efficiency cogeneration (annex III) for small/micro scale has not been determined yet and will be included in the Ministerial order. The analysis of the national potential will recommend the optimum threshold for the investments to be cost effective.

The timeline for the secondary legislation to be adopted depends on the progress and finalization of the Commission's guidelines for the implementation of the directive. A reasonable deadline for the complete transposition (secondary legislation) will be by the end of 2007. The obstacle as identified by the CHP committee is the complexity of the calculation methodologies and the delay for the adoption of the reference values.

3. Will your country use any option that is described in Article 12? If so, which one?

3) Cyprus will not use any provisions of article 12.

4. Will (parts of) the transposition be done by regions? If so, which parts? And by which regions?

4) No transposition will be done by regions.

II. Transposition of Commission Decision 2007/74/EC on harmonized efficiency reference values and related issues.

1. What is the timeline for the transposition of the Commission Decision of 21.12.06? Please indicate how this will take place (revision of a general energy law, a specific law, decree, regulation,..).

1) The timeline for the transposition of Commission Decision depends on the finalization of the guidelines for implementation. In case the guidelines are adopted at the latest six months after the Commission Decision then a Ministerial Order will be issued to cover both the methodologies (annex II, III) and the reference values otherwise if the guidelines are still pending the Decision will be transposed with a separate Ministerial order before 21/6/2007. The purpose is that for simplicity, applicability and consistency is better both the methodologies (annex II, III) and efficiency reference values to be included in the same legal text.

2. Article 5 requires Member States to ensure that accurate and reliable guarantees of origin can be issued according to objective, transparent and non-discriminatory criteria not later than 6 months after the adoption of the

harmonised efficiency reference values. Please indicate how your country is making progress towards meeting this deadline. Can you already indicate which will be the "one or more competent bodies" mentioned in Article 5.2?

2) The provisions to comply with article 5 of the directive have been included in the primary legislation which has been enacted. The guarantee of origin system in Cyprus includes the Transmission System Operator as issuer of the guarantee of origin (independent) and the Cyprus Regulatory Energy Authority (established under directive 2003/54/EC for the regulation of the electricity/gas market) as supervising the issue of the guarantee of origin.

3. *Is it already known if your country will adopt the model developed by the Commission and the European Association of Issuing Bodies?*

If not:

-Is the national scheme similar enough to allow a transition to this model in the coming years?

-Can you indicate how the national scheme is matching the safeguards of fraud-resistance, accuracy and reliability that are provided by the Commission model?

3) It is not already decided if the Commission's/AIB model will be adopted. However the national scheme include appropriate mechanisms and measures to ensure the accuracy and reliability of the guarantee system considering also the national circumstances of a small energy market and very few CHP autoproducers with only one exporting to the national grid.

4. *Will (parts of) the transposition be done by regions? If so, which parts? And by which regions?*

4) No transposition will be done by regions.

III. Reporting obligations (article 10).

Article 10 of Directive 2004/8/EC requires Member States to submit various reports. Article 10.1 suggests that there could be one big overall report. Due to the developments in the CHP Committee it could be argued that there might be a reason to have a delay in the report mentioned in Article 5.3 but this can not be a justification for a delay in the analysis and evaluations carried out in accordance with Article 9 and hardly for the one in accordance with Article 6.1.

1. *Article 9.1 requires an evaluation of the existing legislative and regulatory framework with regard to authorisation and other procedures, applicable to high-efficiency cogeneration units. Article 9.2 requires Member States to provide indications on the stage reached in coordination between administrative bodies, on guidelines for reduced and/or simplified authorisation procedures and the reduction of barriers, as well as the designation of authorities able to mediate in disputes between applicants for cogeneration authorisation with issuing authorities. This report was due on 21.02.2006 and has no relation with the CHP Committee procedure. How far is your country with this report? When can the Commission expect it?*

1. In our opinion the CHP committee is related to some extent with the implementation of articles 6.1, 5(3) since the guidelines for annex II, III are not yet finalized and also the reference efficiency values were adopted recently.

Cyprus is making good progress with implementation of article 5(3) and articles 9(1), 9(2). However article 6(1) has not been implemented yet. The analysis of the national potential is not ready yet. The report according to article 10 will be submitted after the analysis of national potential is completed and this will take place not earlier than September 2007.

2. *Article 6.1 and 6.2 requires Member States to establish an analysis of the national potential for the application of high-efficiency cogeneration, including high-efficiency micro-cogeneration. This has to be based on well-documented scientific data. It has to identify all potential for useful heating and cooling demands as well as fuels and other energy resources, including waste heat. It also has to include a separate analysis of barriers, in particular relating to prices and costs of and access to fuels, grid system issues, administrative procedures, internalisation of external costs. Has your country already submitted this report? If so, when? If not, when can it be expected? Will the final report have taken into account the harmonised efficiency reference values as endorsed by the CHP Committee in August 2006 and officially adopted by the Commission on 21.12.2006? Will the report include an analysis of the heat demand suitable for CHP and the waste heat potential?*

2. Cyprus has not submitted yet the report for the analysis of the national potential. The study for the analysis will very soon be contracted to experts from Greece (CRES, Exergica) which are the same organizations carrying out the same study for Greece. According to the terms of the tender six months is the duration of the contract. Therefore the study is expected to be completed by next September. The terms also include a clause for the preparation of a mid report.

The study will be based on the provisions/requirements/criteria of the directive 2004/8/EC and also it will follow the guidelines for implementation of the CHP directive as they will finally be adopted. Therefore the efficiency reference values (endorsed in Commission Decision) will be taken into account.

Cyprus will transmit shortly to the Commission the contents of the study and other parameters which will be taken into account during the project (as submitted in the tender offer).

3. *When can the report referred to in Article 5.3 and 10.1 and related to Chapter II of this template be expected?*

3. The report referred to in articles 5(3) and 10.1 will be provided by September 2007.

4. *Will (parts of) the reporting obligations be fulfilled by regions? If so, which parts? And by which regions?*

IV. Support schemes

Article 7 of Directive 2004/8/EC deals with support schemes for high-efficiency cogeneration.

1. Does your country already have support schemes for CHP (operational and/or investment aid)? Have these schemes been notified to and approved by the Commission (DG COMP)? If so, please give references. Until when are these schemes running? What kind of support is provided (feed-in tariffs, certificates and quota, priority access to the grid, ...)? How much money on a yearly basis has been provided in this way in the past years to the promotion of cogeneration in general and to the promotion of high-efficiency cogeneration in particular?

1. Cyprus operates support schemes since 2004.

- A) support scheme for energy conservation and the promotion of renewable energy sources for individuals and organizations to the extent that they do not exercise economic activity.
- B) support scheme for energy conservation and the promotion of renewable energy sources for individuals and legal entities as well as public sector entities that exercise economic activity.

They are classified as *de minimis* and they have been approved by the Council of Ministers (not required to be notified to the Commission). The schemes are providing both operational and investment aid. The schemes will be in force until end of 2007. From the year 2008 and after the schemes will be submitted to the Commission (sectors with economic activities).

For the case of biomass/ CHP there is a special scheme which has been notified and approved by the Commission (ref. will be sent to Commission).

The support measures include:

- i) capital investment aid (maximum 170,000 euro)
- ii) feed in law with a fixed tariff and the obligation of the national electricity producer (EAC) to buy all electricity produced from RES and high efficiency CHP.
- iii) Priority access to the grid is given to high efficiency CHP electricity up to 7MWe and for the surplus of high efficiency CHP electricity up to 11 MWe.

On a yearly basis a budget of 700,000 euro is allocated to investments in high efficiency CHP. Since the operation of the scheme (2004-2006) no financial support has been provided yet. However there is presently one biomass/CHP plant which has been supported by the Government under another environmental scheme (production of biogas) on the basis of environmental criteria and not energy efficiency criteria. The governmental support scheme currently in force uses for determining the efficiency of the cogeneration process the overall energy efficiency to be above a threshold of 65%.

2. Is your country in the process of developing or introducing new support schemes to promote cogeneration? Will these be reserved for high-efficiency cogeneration units based on Directive 2004/8/EC and Commission Decision 2007/74/EC? What kind of support is planned? Which sectors will be targeted (agricultural and/or industrial and/or heating cogeneration)? Will these measures be general or based on certain principles or criteria? If so, which? Have they been based on an assessment, including cost-effectiveness, of earlier support schemes in your country or elsewhere, and if so, which ones? Are they designed to provide stable long-term investment conditions? At which stage in the legislative process are these new schemes? When are these new schemes expected to be notified to the Commission?

How much money is expected to be made available on a yearly basis to the promotion of high-efficiency cogeneration in the coming years?

2. Yes the Government of Cyprus is constantly improving all aspects of the existing support schemes for RES, energy conservation and RUE and also apply/propose new ones to include energy technologies which comply with EU legislation. In particular a new support scheme will be developed to promote high efficiency CHP. The process is at the initial stage. The new scheme will be in compliance with the requirements and criteria of directive 2004/8/EC and Commission Decision 2007/74/EC.

The planned support will be a feed in tariff and the obligation of the national electricity producer (called EAC in Cyprus) to buy all electricity produced from high efficiency CHP up to an installed capacity of 7MWe (11 MWe for surplus high efficiency CHP electricity). These obligations are included in the primary legislation already enacted for transposition of the CHP directive.

Priority access to the grid will be assured by the transmission and distribution system operators for electricity produced from high efficiency CHP. Limits in installed capacity of 7Mwe and 11 Mwe for autoproducers have been set.

Capital investment aid will be provided. We anticipate a 30% grant with maximum 170,000 euro per investment.

For biomass CHP plants double benefits will be given. The plant will be supported for using RES (feed in tariff, investment aid etc) and a bonus tariff will be given if the plant is proven to be high efficiency CHP. The biomass support scheme of Cyprus has already been approved by the Commission (reference will be sent).

All sectors will be targeted by the scheme.

The support schemes include certain criteria and a point system is used to evaluate the investment applications.

Criteria for evaluation: capital efficiency, energy savings, specific energy consumption, reliability of technologies, environmental benefits, third party financing effectiveness of investments implementation and exploitation plan.

The new support schemes will be developed as part of the study for the analysis of national potential. The deliverables of the national potential project include the assessment of the existing support schemes, administrative procedures etc and include recommendations/proposals for new incentives fiscal and other to provide stable long term investment conditions. For example the study for the potential will propose the

feed in tariff to be used, the capital investment aid and other measures in order for the investments to be cost effective.

The new schemes are in the initial stage of development and the delay to some extent is justified to the late adoption of reference values last December. The new scheme is expected to be notified to the Commission by end of 2007. All schemes have to be approved first by the Cyprus Council of Ministers. A budget for the promotion of high efficiency CHP has not been decided yet but it will be in the range of 700,000 euro annually (capital investment aid).

3. Will there be regional support schemes? If so, please answer these questions for each of them.

V. Statistics

Under Article 10.3 of Directive 2004/8/EC Member States shall submit statistics on national electricity and heat production from cogeneration, in accordance with Annex II, as well as annual statistics on cogeneration capacity and fuels used for cogeneration. Most Member States seem to be able to comply with this obligation, even without detailed guidelines being in place. Do you have any comments regarding this requirement? Does your country also submit statistics on primary energy savings achieved by cogeneration in accordance with Annex III, or does it plan to do so in the future? If so, when?

Cyprus is planning to submit statistics on primary energy savings according to annex III. Statistics for 2006 will be submitted very soon (hopefully by 15/3/2007) and operational data have already been requested from the few CHP producers.

VI. Concrete progress

Can your country already show progress in high-efficiency cogeneration since the publication of the directive on 21.02.2004 which can be ascribed to either EU or national legislation and support schemes? If so, please inform the Commission of the details (success factors, problems, risks,). If regions are responsible for (part of the) legislation and support schemes please specify your answer at the level of these regions as well.

Cyprus can already show progress in cogeneration (four applications received since 2004). However the evaluation process is not completed yet for the year 2006 and thus we can not provide information if the investment proposal is high efficiency CHP.

The progress is ascribed to the EU directive and the support scheme.

There is also investment interest for biomass CHP in the agricultural sector (animal farms). There is currently one new CHP plant operating in pig farms producing biogas used to generate electricity and heat while exporting surplus electricity to the grid.