

**DIRECTIVE 2003/30/EC ON THE PROMOTION OF THE USE OF  
BIOFUELS OR OTHER RENEWABLE FUELS FOR TRANSPORT**

**REPORT BY THE REPUBLIC OF CYPRUS ACCORDING TO ARTICLE 4.1**

In Cyprus the potential for the production of biofuels has not been extensively exploited so far, as interest for investment in this field has been very limited. In the last few years Cyprus has taken measures in order to promote the production and use of biofuels for transport, in the context of policy initiatives for the promotion of the Renewable Energy Sources (RES) and Energy Saving.

More specifically, under a law approved and put into effect in 2003, a “green” levy of 0,13 cent/kWh (which is equivalent to about 0,22 euro-cent /kWh) is charged on all electricity consumption. The proceeds of the levy go into a Special Fund, which finances programmes for the promotion of renewables and energy conservation approved by the Council of Ministers.

Within this framework, a new and far-reaching Grant Scheme for Energy Conservation and the Promotion of the use of Renewable Energy Sources was initiated last February. The Scheme covers a large spectrum of investments for energy conservation, co-generation and utilization of renewables (large wind systems for electricity production, small wind systems, photovoltaic systems, thermal solar systems, biomass, desalination systems using renewables). Capital grants and subsidies are provided under the scheme, the level of which was determined on the basis of special studies for each type of investment.

Under this Grant Scheme there is specific provision for funding investments for the production of biofuels for transport, under subcategory B3 – Biomass utilization, which is described herebelow:

**B3. Biomass Utilization**

B3.1. Biofuels production for transportation

B3.2. Tele-heating and/or cooling

B3.3 Co-generation electricity/heating and/or cooling

B3.4. Heat/Cool production

“Biofuel production for transportation” (B3.1) are considered to be the following:

- ‘bioethanol’: ethanol produced from biomass and/or the biodegradable fraction of waste, to be used as biofuel;
- ‘biodiesel’: a methyl-ester produced from vegetable or animal oil, of diesel quality, to be used as biofuel;
- ‘biogas’: a fuel gas produced from biomass and/or from the biodegradable fraction of waste, that can be purified to natural gas quality, to be used as biofuel, or woodgas;
- ‘biomethanol’: methanol produced from biomass, to be used as biofuel;
- ‘biodimethylether’: dimethylether produced from biomass, to be used as biofuel.
- ‘bio-oil’: is the pyrolysis oil that is produced from biomass, to be used as biofuel.
- ‘bio-ETBE (ethyl-tertio-butyl-ether)’: ETBE produced on the basis of bioethanol.

The amount of grant provided is 40% and the maximum eligible amount of grant is 400.000 CY pounds (€ 680.000 euros).

Since February 2004, when the new grant scheme was put into operation, some interest has been expressed for investments in the field of biofuels and particularly for the production of biodiesel from used edible oils. It is expected that within the next two years there will be further progress, with more applications.

Furthermore, fuel specifications, including the specifications for petrol, diesel and biodiesel, have been harmonized with relevant EU directives and all relevant EN standards have been adopted as Cyprus standards.

Total sales of conventional fuels used for transport in 2003 are estimated to be about 600 Ktoe. Production and sales of biofuels are considered to be negligible.

No studies have been carried out so far about the potential for energy crops, but this is considered to be limited. Further investigation of this issued will be carried out. A project entitled "Evaluation of Energy Crop Potential in Cyprus", which has been approved for funding by the Research Promotion Foundation of Cyprus has been an ongoing Project since October 2004. The team that will execute the project includes the Cyprus Institute of Energy, the Agricultural Research Institute and the National Technical University of Athens. The project will investigate the feasibility of some species as energy crops on the basis of experimental cultivations. In addition, experimental production of bioethanol and the evaluation of its quality and the energy content of cultivated crops will be carried out. The duration of the project will be 36 months and the results will provide valuable assistance to the Energy Service of the Ministry of Commerce Industry and Tourism (the end user) in further policy formulation.

#### **National Indicative Targets for First Face (2005)**

Cyprus proposes an initial indicative target of 1% by the end of 2005. With reference to the above, Cyprus is keen to exploit its potential biomass availability. This is particularly in view of the total dependence of the country on imported fuels as well as the environmental benefits of renewable energy sources including biofuels.

The indicative target is based on the fact that the exploitation for the production of biofuels as well as the interest for investment in this field until now has been negligible and as a consequence to that the experience and

expertise gained in this field has been very little. Important barriers for this lack of interest are:

- The very limited domestic biomass resources for the production of biofuels and the lack of infrastructure.
- In the case of Energy Crops barriers are the climate conditions (water shortage) and the limited land availability often in competition for growth of food.
- Lack of legislation and the absence of technical standards until now.
- Lack of incentives such as grants and subsidies until recently.
- Unfavourable economics/uncompetitive cost of biofuels.
- Limited public acceptance, stemming from concerns about fuel compatibility with existing vehicles and general lack of information concerning biofuels.

It should also be noted that any medium or large-scale projects would require significant capital investment and involve a lead-in time of the magnitude of one to two years.

With respect to the national action measures indicated in the relevant country report, (legislative and regulation framework, national action plan for the promotion of renewable energy sources which includes biofuels as well, support schemes with grants and subsidies, abolition of the excise tax and the promotion of research on biomass cultivation for the experimental Evaluation of Energy Crop Potential in Cyprus), we hope that we will be able to set more optimistic targets in the near future. Any revised targets arising from these measures will be notified to the commission as early as possible.

MINISTRY OF COMMERCE, INDUSTRY AND TOURISM  
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