

**Second report to the European Commission for the year 2004 under  
Article 4(1) of Directive 2003/30/EC of the European Parliament and the  
Council on the promotion of the use of biofuels or other renewable fuels  
for transport**

**Prepared by the Energy Service of the Ministry of Commerce, Industry  
and Tourism of the Republic of Cyprus**

## Introduction

This report was prepared by the Energy Service of the Ministry of Commerce, Industry and Tourism of the Republic of Cyprus as required by Article 4 (1) of Directive 2003/30/EC of the European Parliament and the Council on the promotion of the use of biofuels or other renewable fuels for transport.

The report covers:

The measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes

The national resources allocated to the production of biomass for energy uses other than transport

The total sales of transport fuels and the share of biofuels

### **1. The measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes**

#### Legislative measures

- A specific Law on the promotion of the use of biofuels or other renewable fuels for transport purposes (N.66/(I)2005) has been in force since 24.6.2005. The Law adopted the provisions of Directive 2003/30/EC and set the framework for the implementation of national programmes for the promotion of biofuels or other renewable fuels in Cyprus. Specifically, the Law empowers the Minister of Commerce, Industry and Tourism to launch, in cooperation with the Minister of Finance, long-term national programmes to promote the use of biofuels or other renewable fuels for transport purposes. Furthermore, the Law sets the provisions for the implementation of a system for monitoring, the marketing procedures for biofuels and their quality.
- A Ministerial Order (KDP.318/2004) issued under the Law on the specifications of oil products and fuels (N.148(I)2003) adopted the standards EN 229 and EN 590, including the provisions for using biofuels blended with petrol and diesel. Furthermore, the Ministerial Order allows the use of conventional fuels with higher concentration (<5%) of biofuels and biofuels in pure form provided that the standard EN 14214 is applied and emission requirements are met.
- The provisions of Article 16 of Directive 2003/96/EC regarding tax relief applied to biofuels were transposed by the Law on taxes (N.91(I)/2004). According to this Law the Council of Ministers may apply exemptions or reductions of taxation on biofuels or other

renewable fuels under a long-term programme as per Article 16 (5) of the Directive.

- Law N. 33(I)/2003 on energy conservation and the promotion of RES was introduced in 2003 in order to meet the objectives of Directive 2001/77/EC on the promotion of electricity produced from RES in the internal electricity market. Under the Law, a green levy of 0,13 CYP-cent/kWh (0,22 Euro-cent/kWh) is charged on all electricity consumption. The proceeds of the levy go into a special fund for financing programmes for the promotion of renewable energy sources and energy conservation. Article 6 of the Law stipulates that the energy production from biomass is eligible for financing.

#### National programme for the promotion of biofuels

- The preparation of a National Programme aiming to fulfill the national indicative targets was initiated by the Minister of Commerce, Industry and Tourism at a discussion forum held on 31 May 2005 in Nicosia. The Minister Mr. Yorgos Lillikas, asked the participants to cooperate with the Energy Service of the Ministry of Commerce, Industry and Tourism to prepare a robust national programme for the introduction of biofuels into the country's energy balance. Since then, the Energy Service held numerous meetings with stakeholders in order to prepare a National Programme on biofuels and currently, the Energy Service is at the final stage of drafting a National Programme that will be publicly discussed for further improvements. The National Programme, which is anticipated to be in force by the end of 2005, will guarantee long-term stable incentives so that investors will be confident to invest in biofuel production businesses.

#### Fiscal measures

- In order to promote the use of Flexible Fuel Vehicles in Cyprus the registration fee and road taxes for Flexible Fuel Vehicles were set at very low rates, 50 CYP (85 Euro) and 10 CYP (17 Euro) respectively. More fiscal measures to promote biofuels will be discussed and adopted within the process of preparing the National Programme on biofuels.

#### Utilization of biofuels by the governmental sector

- The Government is considering using imported biofuels for the needs of its captive fleet. The measure is aiming to stimulate biofuel market in Cyprus and to contribute into the fulfillment of the national indicative target. Furthermore, the measure aims at simulating a future biofuel market in Cyprus, since the Government purchases fuels from the distribution chain of the local oil marketing companies. According to the current two-year contract for supplying the governmental sector with fuels, the fuel supplier has the contractual obligation to handle any volumes of biofuels imported by the Government. The Supplier is

mandated to store the biofuels, to blend them with conventional fuels and to deliver them to the Government's installations.

#### Action plan on mitigating the effect of the unusual high oil prices

- The Energy Service of the Ministry of Commerce Industry and Tourism was instructed by the Minister of Economy and the Minister of Commerce, Industry and Tourism to formulate an action plan aiming to mitigate the effect of the unusual high oil prices. Measures to promote the use of biofuels for transport were also suggested for inclusion in the action plan. Tax relief accounts for 1400 CYP (2400 Euro) to be applied to flexible fuel vehicles is under consideration as well as measures to promote the purchase of flexible fuel vehicles and hybrid cars for the government's and other public organizations' needs. Furthermore, the proposed action plan foresees an annual budget of 1,25 million CYP (2,15 million Euro) to cover the cost of tax exemptions applied to biofuels over the years 2006 to 2010. The action plan will be submitted to the Council of Ministers by the end of this month (September 2005).

#### Capital Grants

- As outlined in the Cyprus' first-year report, a grant scheme for energy conservation and the promotion of the use of renewable energy sources has been in operation under Law N.33(I)/2003 since February 2004. The scheme covers a large spectrum of investments for energy conservation, co-generation and utilization of RES, including the production of biofuels. Under the grant scheme there is a specific provision for funding investments for the production of biofuels for transport (Subcategory B3). The grant provided under the scheme is 40% of the investment in the field of biofuels for transport where the maximum eligible grant is 400.000 CYP (680.000 Euro). Since February 2004, when the grant scheme was initiated, investors expressed their sole interest in investments for the production of biofuels for transport, and particularly for the production of biofuels from used edible oils. Furthermore, some large breweries are considering upgrading their installations for the production of bio-ethanol.

#### Research and Development Measures

- Parallel with the Government's initiatives to stimulate the development of a biofuel market in Cyprus, measures to promote the production of biofuels are being undertaken by means of research programmes. Specifically, a grant aid of 136.000 CYP (236.000 Euro) has been provided by the Research Promotion Foundation of Cyprus for the preparation of a study on the evaluation of energy crop potentials in Cyprus. The ongoing project is aiming at investigating the feasibility of some crop-species as energy plants on the basis of experimental cultivations. Within the framework of the project, bio-ethanol and biodiesel will be produced in order to evaluate their quality and their energy content. The project is being contacted by the Cyprus Institute

of Energy, the Agriculture Research Institute and the National Technical University of Athens. The project was launched in 2004 and some of the results will be announced by the end of this year (2005).

## **2. The national resources allocated to the production of biomass for energy uses other than transport**

- The grant scheme for energy conservation and the promotion of the use of renewable energy sources operated under Law N.33(I)2003 covers investments in energy production from biomass. More specifically, under category B3 of the scheme, the following applications for the utilization of biomass resources for energy uses other than transport purposes are eligible for financing:
  - Tele-heating and/or cooling
  - Co-generation electricity/heating and/or cooling
  - Heating/Cooling production

Until now, 6 applications for subsidizing investments in the above categories were submitted. The total cost of the investments was 1,2 million CYP (2,06 million Euro) and the eligible grand was estimated to be 300.000 CYP (516.000 Euro).

## **3. The total sales of transport fuels and the share of biofuels**

- The consumption of conventional fuels for transport in 2004 is estimated to be 650 ktoe. Small quantities of biodiesel from used edible oils were produced and used on private initiatives.