

Sixth report to the European Commission for the year 2008 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

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1. 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 indicative targets for replacing conventional fuels with biofuels.
- 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.

2. Measures taken to promote the use of biofuels or other renewable fuels to replace diesel or petrol for transport purposes

2.1. 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 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, multi-annual programs through which tax exemptions and/or reductions are applied to biofuels in accordance with Article 16 of Directive 2003/96/EC of 27 October 2003, restructuring the Community framework for the taxation of energy products and electricity.

The above Law was amended by Law N.58/(I)2007 in order to apply tax exemptions on biofuels within the framework of the multi-annual program. Law N.58/(I)2007 has been in force since 30/5/2007.

A Ministerial Order (KDP 318/2004) issued under the Law on the specifications of oil products and fuels (N.148(I)2003) adopted 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 a maximum concentration of blended biodiesel of 5% on diesel and biodiesel in pure form provided that standard EN 14214 is applied and emission requirements are met.

Under the Ministerial Order KDP 431/2007 (issued on 9.11.1007) under the Law on the specifications of oil products and fuels (N.148(I)2003) all the companies selling fuel for transport in Cyprus were obliged to mix 1% of biofuel into the conventional fuel based on their energy content for the year 2007 (mid November-December of 2007). Based on the Ministerial Order KDP 63/2008, the percentage of biofuel that has to mixed was set to 2% for the year 2008.

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 applied tax exemptions (KDP 405/2007) to biofuels or to other renewable fuels under a multi-annual program 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 0,22 Euro-cent/kWh is charged on all electricity consumption. The proceeds of the levy go into a special fund for financing program for the promotion of renewable energy sources and energy conservation. Based on Article 6 of the Law, investments in the utilization of biomass for energy production are eligible for financing.

2.2. Multi-annual program for the promotion of biofuels 2007-2010

The preparation of a program aiming to fulfill the national indicative target for replacing a percentage of the energy content of conventional fuels for transport with biofuels for the period 2007 to 2010 was prepared by the Advisory Committee established by Article 10 of Law N.58(I)2007.

The main elements of the program are:

- Compulsory replacement of conventional fuel with biofuel by the oil marketing companies in Cyprus,
- tax exemptions in favour of biofuels,
- financial support for the deployment of biofuel plants in Cyprus, and
- measures to promote the production and use of biofuels.

2.2.1. Replacement of conventional fuel with biofuel

According to the multi-annual program, oil marketing companies will be obliged to replace a minimum percentage of conventional fuels (gasoline and diesel) with biofuels based on their energy content over the years 2007 to 2010 as shown in **Table 1**.

Table 1: Replacement Percentage of Conventional Fuel with Biofuel.

	Replacement percentage (%)
2007 ¹	1.00
2008	2.00
2009	2.00
2010	2.00

The percentages in **Table 1** were set based on:

- the availability of biofuels in Cyprus,
- technical problems in using bioethanol blended with gasoline,
- total diesel consumption, and
- standards on conventional fuels (5% of biofuel allowed to blend with conventional fuels)

2.2.2. Tax exemptions

Within the framework of the multi-annual program 2007-2010 biofuels used for transport purposes will be provided without excise tax exemptions (KDP 405/2007). The cost of tax exemptions² on biofuels for the years 2007 and 2008 was 0.23 and 4.4 million euro.

2.2.3. Financial support

A grant scheme for energy conservation and the utilization of renewable energy sources is been operated by the Energy Service under Law N.33(I)/2003 since February 2004. The scheme covers a large spectrum of investments in 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. The grant provided under the scheme can reach 35% with the maximum eligible grant being 680.000 Euro under specific criteria. Since February 2004, when the grant scheme was initiated, investors expressed their sole interest in investments in the production of biofuels for transport, and particularly for the production of biofuels from imported oilseeds and used edible oils.

2.2.4. Measures to stimulate and promote the use of biofuels

A Tax relief accounts for 1200 Euro towards the cost of purchasing a new flexible fuel vehicle, including electric and hybrid vehicles. The measure is aiming to encourage the owners of captive fleets to use biofuels, especially those who can produce biofuels from their own resources (used edible oils) such as restaurants, hotels and etc.

¹ Calculated based on the date the Ministerial Order is taken into effect.

² Loss of earning from tax not collected due to the replacement of conventional fuel with biofuel.

3. The national indicative targets for replacing conventional fuels with biofuels

The national indicative targets for replacing a percentage of the total energy content of conventional fuels for transport with biofuel have been set by the Government of Cyprus. The national indicative targets for the years 2007 to 2010 are presented in **Table 2**.

Table 2: National Indicative Targets

	Replacement percentage (%)
2007	1.00
2008	2.50
2009	2.50
2010	2.50

It is expected that the above national indicative targets will be met by enforcing compulsory replacement of conventional fuel for transport with biofuel and by taking into account any biofuel produced in Cyprus from used vegetable oils and other animal fats.

4. The total sales of transport fuels and the share of biofuels

The consumption of conventional fuels for transport in 2008 was 709MT as shown analytically in **Table 3**. Small quantities of biodiesel from used edible oils were produced and used on private initiatives.

Table 3: Consumption of conventional fuels for transport in 2008.

Fuel	MT
Unleaded 95	334.124
Unleaded 98	36.037
Unleaded 100	2.574
Total	372.735
Diesel	336.476
Total	709.211
Biodiesel	16.113