Cyprus renewable energy targets by 2020: a nightmare or not?

By Anthi Charalambous

The binding national target of Cyprus regarding the share of renewable energy in the final energy consumption by 2020 is 13%. There is also another binding target by 2020, which usually not mentioned, that of the use of biofuels in the transport sector 10%.

According to the National RES Action Plan, the overall 13% target can be achieved by the three sectoral targets which are: 23.5% share of RES-heating and cooling to the final energy consumption, 16% RES electricity and 4.9% the use of biofuels for transport.

But what has been achieved until now? What is the progress? Can Cyprus finally achieve the 2020 target and avoid the "fines"? According to recent data of the Energy Service, Ministry of Energy, Commerce, Industry & Tourism, that has been also presented in Parliament, the progress towards 2020 targets can be summarised in the table below:

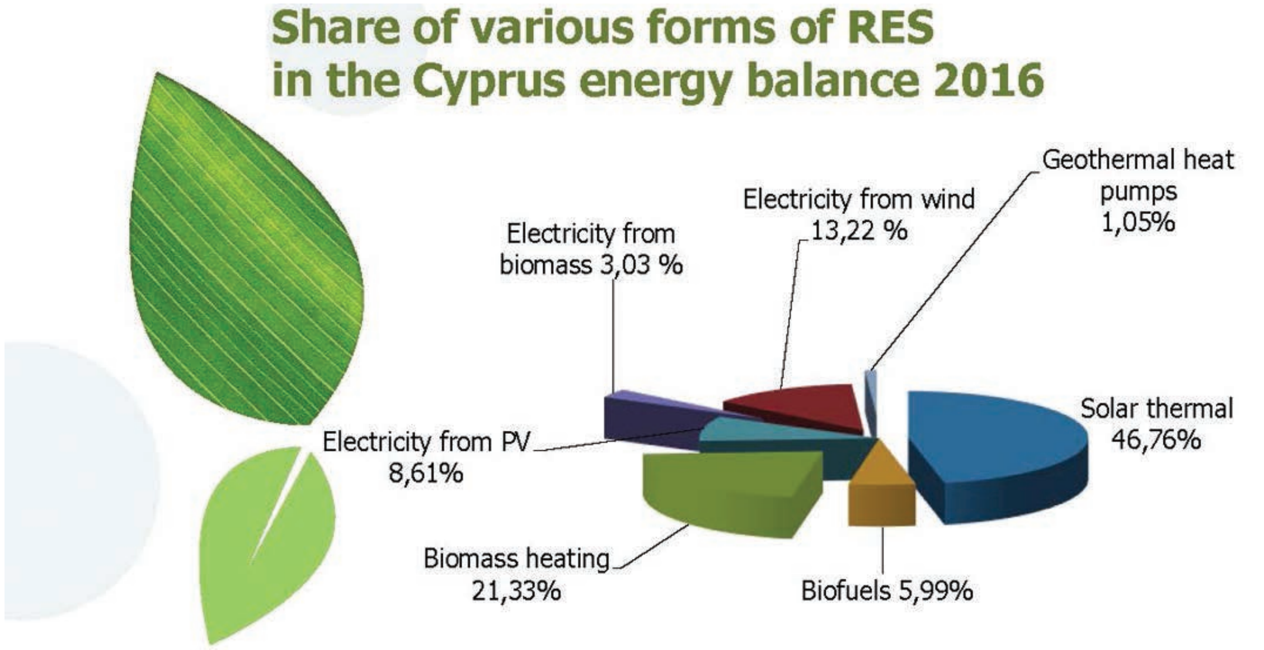
	Progress 2016	Target 2020
RES – Heating & Cooling	23.72%	23.5%
RES - electricity	8.64%	16%
RES - transport	2.63%	10%
Total share of RES (%)	9.27%	13%

The contribution of the solar thermal systems (solar hot water heating systems) contribute the most to the total share of RES in the Cyprus Energy Balance by 46.84%, followed by biomass utilization for heating 21.33% (mainly wood stoves and fireplaces), electricity generation from wind farms 13.22%, electricity generation from PV systems 8.61%, biofuels due to import obligation 6%, electricity generation from biogas 3% and geothermal heat pumps 1%.

There are often discussions of the "fines" that Cyprus will be obliged to pay in case it fails to reach its 13% target by 2020, which is often called compliance cost. This is a lump sum or penalty payment imposed by the Court of Justice of the European Union pursuant to an action brought by the European Commission.

The daily "fine" has not yet been defined, however the European Commission in 2013 brought a case against Cyprus for failing to transpose the Renewable Energy Directive. The Directive aims at ensuring a 20% share of renewable energy in the EU by 2020. The Directive had to be transposed by the Member States by 5 December 2010. A recommended penalty payment was EUR 11,404.80 for each day that Cyprus had not fully transposed the Directive.

Cyprus, however, has also the option to use the so-called "statistical transfers", introduced by Article 6 of the 2009 Renewable Energy Directive. In a statistical transfer, a specified amount of renewable energy is deducted from one country's share of renewable energy in gross final energy consumption and added to another's. This is an accounting procedure and no actual energy changes hands. Further, Member States can only sell statistical transfers if they have already exceeded their nationally binding target, as the Directive states that "a statistical transfer shall not affect the achievement of the national target of the Member State making the transfer".



Πηγή: Υπηρεσία Ενέργειας, ΥΕΕΒ&Τ

Through this mechanism, the Cyprus government could purchase renewable energy credits from countries that have already exceeded their 2020 targets. This cost has not been however properly calculated. Take the case of Ireland as an example, where the University College Cork estimates that covering a three percent (3%) shortfall could cost Ireland between EUR 68 mln and 315 mln.

Thus, the Cyprus Government must decide, either to reach the targets of 2020, by making at least a last-minute comprehensive plan to be implemented by 2020 or to pay the fines of non-compliance.

In 2017 MECIT announced a so-called Support Scheme for large RES projects that can enter the electricity system with "avoidance cost" and goal their entry to competitive electricity market, by the time it will be opened to competition. The interest was high, and a lot of applications (391.2 MW) have been received.

The current situation regarding the electricity target - as explained before Cyprus is lagging behind the 2020 RES electricity target – can be summarised in the table *(see right)*.

Thus, in order to achieve the 2020 targets, the investors that have showed interest and have gained the relevant licenses, should be encouraged to implement the projects, without delays and bureaucracy.

The RES 2020 binding targets are combined with the CO_2 emissions reductions and energy efficiency national targets.

	PV (MW)	Wind (MW)	CSP (MW)	Biomass/Biogas (MW)
Current installed capacity	121	157.5	0	12.8
Target according to the National 2020 RES-e targets	288	175	50	15
Missing MW towards 2020 target	167	17.5	50	2.2

It seems that Cyprus will achieve the national targets for CO_2 emissions reductions, however for energy efficiency it's not yet very clear.

According to national legislation on the promotion of renewable energy sources, a Special Fund has been created, which supports projects related with renewable energy technologies and energy efficiency. The income of the Fund relies mainly on a levy that is imposed on all electricity consumers in Cyprus (residential, commercial and industrial).

Based on actual annual electricity consumption the annual budget of the Fund in 2016, approximately EUR 43 mln, and some extra funds have been transferred from the state budget due to Emission Trading Scheme revenues (approximately 4 million).

The annual budget and support actions of the Fund are subject to approval by the cabinet and the parliament. The current annual expenditures of the Fund and obligations according to signed contracts for RES-e for feed in tariffs, are wind 59%, PVs 24%, net metering PV for vulnerable residential consumers 6%, other PV 6% and biogas 5%.

Anthi Charalambous is head of the Energy & Environment Service at the Cyprus Employers and Industrialists Federation

Cyprus bonds account for only 4% of ECB's public asset holdings

DBRS insights into the European Central Bank's asset purchase programme reports that Cyprus government debt securities account for only 4% of EUR 2.1 trln public sector asset holdings the ECB had.

The credit agency takes a look at the public sector asset holdings of the European institution on the occasion of the asset purchase programme coming to an end and reinvestment operations resuming on Wednesday.

DBRS "does not expect the gradual adjustment of PSPP holdings to have a major impact on the government debt market but does anticipate that the ECB reinvestment operations will continue to play an important role in the government debt markets in the euro area, albeit with a more limited impact."

Given the relatively large amount of government debt securities that the ECB holds, it adds, "maturing assets will provide a substantial amount of funds for reinvestment to continue supporting liquidity in the markets."

The ECB's public sector purchase programme holdings "reached just over EUR 2.1 trln at the end of 2018, equivalent to 27% of government outstanding debt securities in the euro area." The size of PSPP holdings varies across countries, from around 4% of Cypriot government debt securities, as Cyprus only participated in the programme for a few months, to 18% of Italian securities, 22% of Portuguese securities, 25% of Spanish securities, and 32% of German government outstanding debt securities, below the issuer limit of 33%, DBRS said.

Average gross monthly earnings up 3.1% in Q3

Average gross monthly earnings of Cypriot employees increased 3.1% to EUR 1,827 in the third quarter of 2018 compared to EUR 1,772 at Q3 2017, according to official data.

Cystat said "the data referring to Q3 2018, includes payments to employees of the Cyprus Cooperative Bank following its closure, therefore the increase is higher than expected".

Average monthly earnings during Q3 2018, seasonally adjusted, are estimated at EUR 1,950 compared to EUR 1,920 in the previous quarter, an increase of 1.6%.

The average monthly earnings of male employees during Q3 2018 reached EUR 1,960 while for female employees it was a lower EUR 1,666 – a pay gap of 15%.