



# REPORT

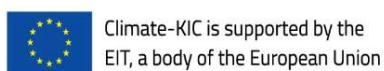
## GHG Support and Financing Schemes in Cyprus



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**December 2018**

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## Summary

This report has been prepared by the “**Enterprise Level GHG Reduction Initiative, Business4Climate**” consortium. This report has been based on desktop research as well as on bilateral and multilateral meetings with relevant stakeholders.

This report aims at providing information on the current support and financing schemes in Cyprus that aim at financing projects related with greenhouse gas emissions (GHG) reduction in Small and Medium Enterprises (SMEs) that are active in all sectors e.g. renewable energy projects, energy efficiency, sustainable transport and other environmental project directly linked with emissions reductions. The residential sector is out of the scope of this report.

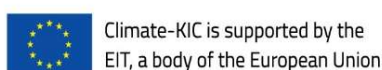
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The information and views set out in this study are those of the authors and do not necessarily reflect the official opinion of the European Institute of Innovation and Technology (EIT).

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## Governmental Support Schemes through national budget or other funds

### Support Scheme 1: Support Scheme for Promoting Energy Efficiency in Buildings of existing Businesses “Save and Upgrade”

The Scheme aims to provide subsidies in order to promote the deep energy renovation of existing buildings of Small Medium Enterprises (SMEs). This purpose can be achieved by providing non-repayable financial aid during a first Call for Proposals.

Eligible for receiving subsidy are two types of investments:

1. Deep Energy Renovation of existing Buildings for achieving at least B class of the Energy Performance Certificate (EPC) or energy saving at least 40% in comparison with the total energy consumption of the building before upgrading.
2. Deep Energy Renovation of existing Buildings to be upgraded to nearly zero energy buildings, as defined in the relevant Ministerial Order under the Laws that Regulate Energy Performance of Buildings. The percentages of subsidies on the total investment cost that could be granted to beneficiaries who are eligible to apply to the Scheme are:
  - a. 50 % of the total approved investment of the renovation project for the first type of investment (the percentage can be increased to 75%, for applications submitted by vulnerable consumers), and
  - b. 75 % of the total approved investment of the renovation project for the second type of investment.

**The maximum amount of grant is € 200.000 per SME.**

**Eligible Applicants:** Small-Medium Enterprises (Legal Entities or Natural persons who exercise economic activity).

**Eligible Expenditures:** Eligible costs cover a wide range of energy saving measures in buildings, among which are building insulation, replacement of heating / air conditioning systems, installation of renewable energy systems for heating / cooling, installation of electricity saving systems etc.

**Type of Funding:** Co-Financed by the Republic of Cyprus and the European Regional and Development Fund

**Total Budget: €15,3 mil.**

**Call Budget: €8,7 mil.**

**This scheme is currently closed, due to budget exhaustion.**

**More information can be found on this [link](#).**

## Support Scheme 2: Scheme for the Creation and Modernization of Units for Manufacturing, Trading and / or Developing Agricultural Products (Sub-Measure 4.2)

The Scheme is included in the Rural Development Program (RDP) 2014-2020 of Cyprus under the sub-measure 4.2. It was selected to be presented, however it is not open for applications for the time being but it is foreseen for 2019, as eligible for funding were also measures e.g. installation of PV systems in buildings of the primary sector, the purchase of less emission cars and machinery etc. In general the scheme aims to support existing and new enterprises engaged in the processing, trading and/or development of agricultural products covered by Annex I of the Treaty of the European Union, except fishery products, wine and vinegar. The output of the production process must be an Annex I product.

- Category A: Climate Smart Agriculture

Can support investments with expenditure range €5.000 to €80.000 that aim to promote the rational water management, energy production from renewables and agricultural waste management.

- Category B: Modernization of agricultural and livestock farming units

Can support investments with expenditure range €15.000 in mountainous areas and €30.000 in all other areas.

### **Eligible Applicants**

- A. Existing and newly established Small and Medium sized Enterprises (as defined by Commission Recommendation 2003/361/EC) and businesses employing less than 750 employees or with an annual turnover of less than €200 million.
- B. Existing and newly established Micro Enterprises (as defined by Commission Recommendation 2003/361/EC).

**Beneficiaries:** Recognized Producers Groups / Organizations and Operational Groups which have successfully implemented Sub-Measure 16.1 within the framework of the RDP 2014-2020.

### **Eligible Expenditures**

Eligible expenditure includes the purchase of new machinery and equipment, the creation/expansion and upgrading of buildings and general expenditures (feasibility study fees, quality management systems and food safety).

**Type of Funding:** Co-Financed by the European Agricultural Fund for Rural Development (53%) and the Republic of Cyprus (47%).

The grant is at **40% of the eligible investment** cost. For Producers Groups/Organisations partnerships/mergers (consisting of at least two Groups/Organisations), the grant is estimated **at 60% of the eligible investment cost.**

**Total Budget: €15 mil.**

**Call Budget: €10 mil.**

**More information can be found on this [link](#).**

### [Support Scheme 3: Grant Scheme for the Introduction of an Eco-Management and Audit Scheme \(EMAS\) to Enterprises and Public and Private Organizations](#)

The Scheme aims to increase the environmental performance of organizations through the establishment of an environmental management system as foreseen in Regulation 1221/2009 / EC and concerns the provision of subsidy to enterprises and organizations of all economic activities that intend to establish an *Eco-Management and Audit Scheme (EMAS)*. Aims to address the environmental aspects of businesses / organizations, to reduce the use of natural resources and improve their energy performance.

Applications for funding can be submitted by all businesses or organizations that have submitted an application for registration in the EMAS registry not later than 9th of November 2018. This Scheme is open for applications every year.

The Scheme is based on de minimis aid and provides 70% of the cost of providing services for the establishment of an environmental management system with a maximum amount of grant of € 2.000 and also for the verification and validation of the system with a maximum amount of grant of € 500. With the same amount of € 500, is also funded the Transition Costs from ISO 14001 to EMAS.

**More information can be found on this [link](#).**

### [Support Scheme 4: Net-Billing for PV, Biomass and CHP](#)

#### **Net-Billing for PV and Biomass**

This Scheme is related with the installation of PV systems or Biomass electricity systems that are implemented in premises of commercial or industrial pricing (in commercial, industrial buildings, public buildings, camps, schools, agricultural and animal husbandry units, fishing enterprises etc) for the purpose of generating electricity for own use.

The installed capacity of each RES system that can be installed ranges from 10kW to 10MW per installation.

Basic requirement: The maximum power of each RES system cannot exceed the 80% of the installed capacity except the occasions where a storage system would be installed.

Operation: Where the cost of exported electricity does not exceed the cost of imported electricity then the consumer will pay the difference resulting from the offsetting the cost of exported and imported electricity for each time of billing period. Respectively, in case where the cost of the exported electricity exceeds the cost of imported electricity the surplus amount will be credited for the next billing period.

### **Installation of CHP Units with the methodology of Net-Billing**

In the category of Net-Billing can also be included CHP units which can be located in commercial and industrial premises (e.g. commercial, industrial units, public buildings, camps, schools, agricultural and livestock units).

The installed power of each CHP system cannot exceed 5MW per installation. The Total Power allocated for this scheme is 20MW.

**More information can be found on this [link](#).**

### [Support Scheme 5: Net-Metering](#)

The Net-metering concerns investments by homeowners or industrial and commercial installations for photovoltaic (PV) systems up to 10kW connected to the distribution network, to cover their own needs.

The system should be on the roof of legally built premises or on the ground within the same plot of the building.

The maximum power for each building is subject to the following restrictions:

- For premises with Single Phase Electrical Installation the installed system it can be up to **4,16 kWp**.
- For premises with Three phase Electrical Installation PV the installed system it can be **up to 10 kWp**.

**More information can be found on this [link](#).**

### [Support Scheme 6: Large RES-e projects](#)

This Support Scheme is for RES-e projects that will be finally enter the competitive electricity market, where RES plants can be connected to the grid and receive a "RES price" at EAC avoidance cost until the opening of the competitive electricity market. This is not a clear "Feed-

in Tariff”, as its main purpose is to facilitate the introduction of new RES-e to the new competitive electricity market. The Support Scheme was open for application until 16.04.2018.

Wind energy, Solar energy, Biomass and Wave energy projects are eligible.

Plant operators will receive a RES price (Purchase Price by Electricity Authority of Cyprus (EAC) for energy produced from RES). The level of purchase price is defined by a methodology defined in CERA’s Report 08/2016 (also related with Regulatory Decision 04/2017). According to CERA’s Report, the RES price is based on the following equation:

RES price (€/ kWh) = Basic Price + Fuel Adjustment on Basic Purchase Price

where,

Basic Price (€/ kWh) = Basic Fuel Price+ Mean Variable Maintenance Cost

Fuel Adjustment on Basic Purchase Price (€/ kWh) = (Monthly Weighted Average Fuel Price -Basic Fuel Price x 100)/ 5 €ct

Fuel Adjustment Coefficient RES price is updated bimonthly.

**More information can be found on this [link](#).**



## Bank Loans or other financial instruments

### Financial Instrument 1: Energy Efficiency/Renewables in SMEs

Within the framework of the 2014-2020 Programming Period, the Directorate-General for European Programmes, Coordination and Development of Cyprus, as Managing Authority of the European Structural and Investment Funds in Cyprus, promotes the implementation of financial instruments under the Operational Program "Competitiveness and Sustainable Development" in the areas of Small and Medium Enterprises (SMEs) and Energy Efficiency / Renewable Energy Sources (RES) in which a funding gap has been identified.

For the operation of financial instruments, the creation of a Portfolio Fund is required. The objective of the Portfolio Fund will be to provide favorable financing conditions to the private and public sectors for the implementation of small and medium-sized projects focusing on increasing energy efficiency/RES technologies installations at Small Medium Enterprises (SMEs).

The Portfolio Fund may invest in more than one financial instrument, the selection of which is taken into account in the ex-ante evaluation carried out for this purpose. Under the financial instruments to be supported by the Fund, funds will be provided to final beneficiaries in the form of loans, and / or other financial products to achieve its objectives.

The EIB, which will manage the Fund, will launch a Call for Expressions of Interest for the selection of Financial Intermediaries (FIUs) through which the aforementioned products will be granted. Therefore, the definitive structure of the financial instruments will be defined in the process of formulating the Call for Expressions of Interest for the selection of the FIs.

The Fund's resources are co-financed by the European Regional Development Fund and the Cohesion Fund of the European Union and the Republic of Cyprus and distributed as follows:

- European Regional Development Fund (ERDF) - € 20.570.000
- Cohesion Fund (CF) - € 13.430.000
- National Contribution - € 6.000.000

The above amounts refer to the total public expenditure: National Resources (15%) and European Co-financing (85%) and will be credited in an account that will be opened to the EIB.

**More information can be found on this [link](#).**

### Financial Instrument 2: Grants to SMEs for consulting services

The European Bank for Reconstruction and Development (EBRD) announced the launch of Small Business Support (SBS) / Advice for Small Business (ASB) in Cyprus.

The scheme aims to help more than 120 SMEs for over three years in order to improve their competitiveness, enhance efficiency and promote their growth by providing financial support in order to get advisory services from local and international consultants. In addition, the program supports SMEs by providing them training, networking opportunities and guidance.

The grant is intended to cover 65% of the total eligible cost (VAT is excluded).

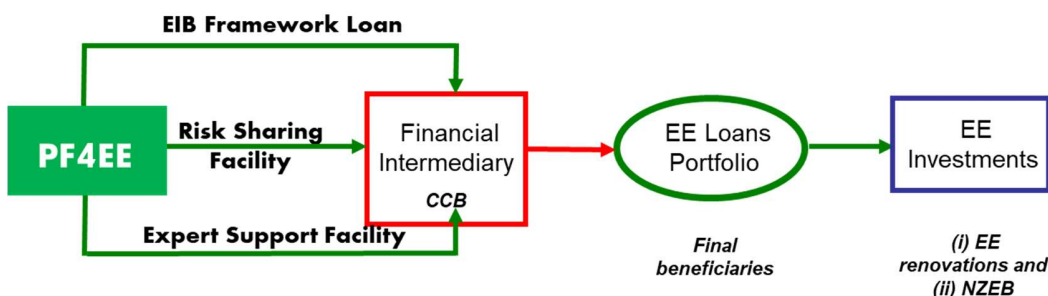
The maximum amount of grant that the applicant may receive based on the annual revenue is given below:

| Annual income of applicant (€) | Maximum program cost (€) | Maximum amount of grant per program |
|--------------------------------|--------------------------|-------------------------------------|
| 100.000 and up                 | 15.000                   | 10.000                              |
| 50.000 – 99.999                | 7.500                    | 5.000                               |
| 20.000 – 49.999                | 3.000                    | 2.000                               |

More information can be found on this [link](#).

### Financial Instrument 3: PF4EE

The PF4EE instrument is a loan to the financial intermediary to be used for financing of energy efficiency investments ("EIB Framework Loan"). It is a risk mitigation mechanism, which covers losses incurred in the portfolio of EE loans granted by the financial intermediary ("Risk Sharing Facility"). The PF4EE covers also consultancy services aiming at supporting the financial intermediary to create the abovementioned EE loans portfolio ("Expert Support Facility").



#### **EIB EE Loan**

- Attractive interest rates – a loan to CCB to be on-lent to enterprises and private households.
- Long term tenors - of up to 20 years.

- EE investments eligible for up to 75% of EIB financing (vs 50% EIB standard).
- Benefits for final beneficiaries: (i) Reduction of interest rates of at least 1% and (ii) longer terms than usual

**More information can be found on this [link](#).**

### [Loan 1: Astrobank - Photovoltaic System Loans](#)

Astrobank has been promoting a financing product for the purchase and installation of photovoltaic systems.

**Loan Purpose:** Purchase and installation of photovoltaic systems up to 20kW.

**Beneficiaries:** Private individuals, SMEs.

#### **Repayment method**

- a. Monthly instalments.
- b. Up to 15 years or until the borrower reaches the age of 70 years.
- c. Grace period up to 6 months on capital.
- d. Partial or full early repayment any time.

#### **Loan Amount:**

- **Minimum: € 5.000.**
- **Maximum: € 60.000.**

**Interest Rate:** Variable for the whole duration of the loan.

#### **Loan Fees:**

- Arrangement Fees: 0,50% on the loan's amount.
- Documentation Fees: €50.

#### **Required Securities:**

- Assignment in favour of the state grant by the Ministry of Energy, Commerce, Industry and Tourism.
- Assignment in favour of the income from sale of electrical energy to Electricity Authority of Cyprus.
- Assignment in favour of insurance contract for the photovoltaic system.

**More information can be found on this [link](#).**

### Loan 2: Alpha Energy

The Alpha Energy loan is exclusively dedicated to financing the cost of purchasing and installing photovoltaic systems, offering individuals and businesses the chance to save energy or even invest in electricity.

Maximum loan amount:

- Up to € 70.000 for individuals and organizations not engaged in economic activity (for systems with a maximum power of 10KW); and
- Up to € 140.000 for natural and legal persons engaged in economic activity (for systems with a maximum power of 20KW).

Particularly competitive interest rate.

Financing up to 100% of purchase and installation costs.

Long repayment time up to 15 years.

Grace period up to 6 months.

Ability to repay early without extra charges.

Requirements:

- Deposit on the loan account.
- State grant by the Ministry of Energy, Commerce, Industry and Tourism; and
- The income from the sale of electricity in Electricity Authority of Cyprus.
- Assignment of insurance contract for the photovoltaic system.

**More information can be found on this [link](#).**

### Loan 3: CDB - Green Energy Solutions

**Purpose of loan:** Financing the purchase and installation of green energy systems, resulting in economic and environmental benefits.

**Beneficiaries:** Private Individuals, Corporate Businesses.

Flexible loan instalments linked to the income of the green energy project.

Repayment of up to 12 years.

Grace period of up to 6 months on repayment of capital or until the project becomes operational.

Requirements: Applicants are required to complete and submit the following:

- i. The Credit Facility Application Form

- ii. The Personal Financial Statement (PFS). Where applicable, the PFS must also be completed by all guarantors/security providers
- iii. The supporting information/documentation as stated on the relevant document.
- iv. The relevant checklist for Legal Entities, Self-employed and Freelancers or Natural Persons.
- v. A feasibility study and all relevant documents confirming that the client has all the necessary approvals from the EAC, the Ministry of Energy, Commerce, Industry & Tourism and any other authority.

**More information can be found on this [link](#).**

#### Loan 4: Cyprus Entrepreneurship Fund – Co-financed Loan

Bank of Cyprus has signed an agreement with the European Investment Fund (EIF), enabling Bank of Cyprus to allocate €60m, additionally to the existing €60m, to small & medium-sized businesses (SMEs).

**“Cyprus Entrepreneurship Fund – Co-financed Loan” (CYPEF)** is being rolled out with the support of the Republic of Cyprus and the European Investment Bank Group. The scheme involves the co-financing by Bank of Cyprus and the Republic of Cyprus of new loans, of up to €1,500,000 and on favourable terms, to medium, small and very small businesses, the direct goal being to support these businesses to expand, develop and strengthen.

These new loans will be granted on particularly favourable terms, with regard to the repayment period, the grace period, the required collateral, as well as the pricing policy.

#### **Eligibility criteria for the CYPEF co-financing product**

##### **The beneficiaries are:**

- Current/new customers.
- Corporations and self-employed incorporated, registered and operating in Cyprus.
- SMEs employing up to 250 staff and with a turnover less than €50m or total assets (based on financial statements) less than €43m.

##### **Features of the scheme:**

- Maximum financing: €1.5ml
- Minimum repayment period: 24 months
- Maximum repayment period: 144 months
- Grace period for principal: up to 2 years
- Monthly loan instalments

The scheme's overriding objective is to finance investments, working capital expenditures aimed at developing and growing businesses through various projects, including energy efficiency projects. For example:

- The purchase, renewal or expansion of assets for own use, other than land (unless the purchase of land is deemed absolutely essential for completing the investment, e.g. purchase of land for building offices)
- Investment in intangible assets, i.e.:
  - The cost of development, planning and financing during the construction phase of an asset
  - R&D expenses (fees, development costs and gross salaries directly associated with the research, development and innovation components of the activity)
  - Building up of distribution networks in domestic or other markets within the EU (asset and/or trademark acquisition, operational costs and labour costs)

The scheme will be in place until 31/1/2019.

**More information can be found on this [link](#).**

#### [Loan 5: Bank of Cyprus-EIB Loans](#)

Bank of Cyprus in partnership with the European Investment Bank (EIB), introduced a new financing scheme aimed at supporting Cypriot Businesses and youth employment. The total amount to be allocated on favourable terms to Cypriot businesses will amount to €380m.

#### **Scheme beneficiaries:**

Cypriot businesses incorporated and operating in Cyprus and employing up to 3000 employees. The limit of 3000 employees concerns business operations on the conglomerate, or group of companies, level.

**Loan amount:** From €1.5m up to €12.5m in each case.

Among others, the scheme can finance energy efficiency and GHG emissions reduction projects in enterprises.

**More information can be found on this [link](#).**

## Other

### Measure 1: Electric vehicle charging stations in motorways in 2019

The Department of Electrical & Mechanical Services, in cooperation with the Directorate-General for European Programs, Coordination and Development, has secured the amount of € 1,500,000 in its effort to promote the use of the electric vehicle due to the limited interest at this time in the development of such infrastructure by the private sector.

In this context, the Department proceeds with the procedures for the installation of 10 double publicly accessible fast charging points for electric vehicles on public roads. The estimated value of the project is estimated at around EUR 1,000,000 and is expected to be completed in 2019.

The objective is to help the private sector to develop the necessary infrastructure for the electric vehicles.

At the same time, schemes for the subsidy of electric cars are being examined and furthermore has been introduced zero registration fees for EVs as an incentive.

### Measure 2: Incentives for high energy efficient buildings

The Ministry of Energy, Commerce & Industry is going to initiate incentives for new and renovated buildings with very higher energy efficiency than EPBD requirements. For example, new buildings and renovated buildings can receive a 5% extra building factor if they achieve higher energy efficiency than the minimum energy performance requirements. This high energy efficiency levels are energy class A and at least 25% contribution from RES.