

DRIVING THE ENERGY AGENDA

The Economist



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Cyprus Energy Policy

The Cypriot long term strategic plan for Energy is aligned with the European Union Directives and Energy Strategy.

Security of Supply

- Diversification of energy sources
- Maintaining national security stocks

Increasing the competitiveness of Cypriot economy

- Decrease the Cost of Energy in general and Electricity in Particular (Presently one of the highest in EU)

Adherence to environmental commitments.

- Contribution by Renewable Energy Sources 13% by 2020.
- Reduction of CO₂ emissions and improvement of power generation efficiency.

The Cyprus Electricity Market

- Small and Isolated Market, driven by Sustainable Development.
- The Electricity Market in Cyprus has been operating on the basis of a single provider for more than 50 years.
- Almost 100% of Electricity in Cyprus is still generated and supplied by a single state company, the Electricity Authority of Cyprus (EAC).
- Cyprus Accession to the European Union comprised new obligations and constraints concerning the Electricity Market. (Liberalization, Fuel, Emissions).

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Key Law Provisions

- 1st May 2004 – Market Liberalised by 35%. This included the 800 biggest electricity consumers in Cyprus who were free to select their supplier.
- 1st January 2009 – Market Liberalised for all “non-domestic” consumers bringing market liberalisation to 65%. (Approximately 110,000 Consumers)
- January 1st 2014 – All consumers of Electrical Energy will be free to select their Supplier according to their best interest.
- Several licenses for IPPs (Independent Power Producers) were issued by CERA (Cyprus Energy Regulatory Authority) but none of these projects has materialized so far.

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Why Natural Gas?

Increase competitiveness of Cypriot economy

- Decouple economic growth from cost of energy and increase efficiency of power generation.
- Connect Cyprus to the rest of the EU by constructing the missing links which will integrate the network infrastructure for transporting and trading energy across the EU
- Lower Electricity Rates to consumers (Industrial, Commercial, Touristic, Domestic etc.)

Overcome environmental obstacles

- Protection of the environment and adherence to environmental commitments.
- Decrease substantially CO₂ emissions and associated costs.

Increase diversification and security of energy supply

- Minimization of the dependence of the national economy on a single source of energy through the diversification of energy sources
- Investment in gas and electricity infrastructure which will facilitate trading and help a truly functional and competitive electricity market to develop.

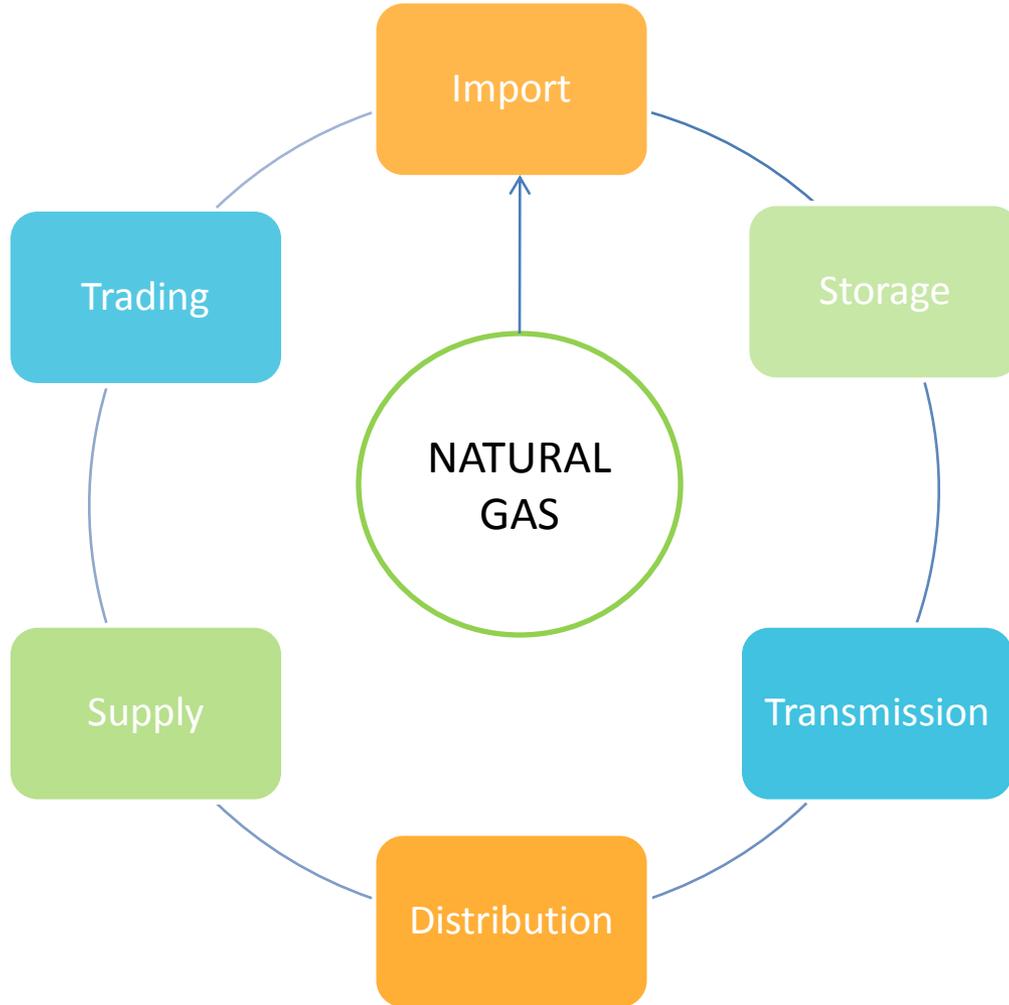
The Natural Gas Market – General

- According to EU Directives Cyprus qualifies and is classified as an Emergent Market for Natural Gas and also as an Isolated Market. (10+10 years)
- Unlike the electricity sector, which has been liberalized, the gas sector, according to the last amendment of the law Regulating the Natural Gas Market as well as the relevant Council of Ministers Decisions, shall be fully monopolistic for a period of 20 years.
- The Natural Gas Public Company (DEFA), which is controlled by the state (Shareholding: 56% by Government, 44% by Electricity Authority of Cyprus), has been appointed by Government as the sole Importer and Distributor of Natural Gas in Cyprus.

The Natural Gas Market - Setup

- The Council of Ministers have decided that Natural Gas will be imported to Cyprus as Liquefied Natural Gas (LNG).
- Furthermore, the Council of Ministers have decided the creation of a land based Gas Receiving Terminal, with Storage and Regasification facilities.
- The LNG Terminal is going to be established and operated through a Joint Venture of EAC and a selected Strategic Partner.
- To promote the use of Natural Gas, EAC has already installed 2 CCGT turbines of 220 MW each in Vasilikos Power Station and another CCGT of 220MW will be installed in 2015. It has also been decided that all new Power generating facilities over 50MW must be powered using Natural Gas.

DEFA's Role



DEFA is the administrator of the Government's natural gas energy policy in Cyprus

Diversification of Energy Sources

- Shift from heavy fuel oil to the cleaner and less costly Natural Gas
- Minimize the dependance of the national economy on a single source of energy

Security of Energy Supply

- Secure LNG through a long term agreement (SPA) with an LNG supplier (Under Review)
- Supply Natural Gas to Electricity Authority of Cyprus and other consumers through Gas Sales Agreements (GSA)

Managing Natural Gas

- Develop the local gas distribution network
- Establish the necessary facilities for its operation

Strategic Plans

- I. Under the Government of Cyprus Energy policy, DEFA was appointed as the sole importer and distributor of Natural Gas to Cyprus.
- II. Furthermore DEFA is responsible for developing the GAS NETWORK infrastructure.

Initially the network will consist of 3 pipelines connecting the future LNG terminal with the three existing downstream power stations.

Vasilikos Power Station	Moni Power Station	Dhekelia Power Station
• ≈0.6 km pipeline	• ≈12 km pipeline	• ≈65 km pipeline

- III. DEFA is already studying the creation of the Natural Gas Network necessary for distributing gas all over Cyprus.

Long Term Supply of Natural Gas

- In November 2009, DEFA issued an expression of interest for the Long Term Supply of Liquefied Natural Gas (16 Suppliers showed interest).
- Specialists Consultants were Selected by DEFA in February 2010 and discussions/negotiations with short listed suppliers commenced in April 2010.
- After several rounds of Discussions/Negotiations the Final stage of the Process with the last 3 shortlisted suppliers of LNG were concluded on 17th December 2010.
- The decision on how to proceed is being discussed with Government and it is still pending.

Developing the Gas Network Infrastructure

- In July 2010, DEFA hired Consultants to provide Engineering Consultancy Services for the Development of a Gas Pipeline Network.
- Preliminary Route Selection for the “back-bone” Pipeline Network was Completed in November 2010.
- In December 2010, the preliminary **Environmental Impact Assessment Study**, **Risk Assessment Study** and **Economic and Financial Analysis Study**, were also completed.
- Towards the construction of the aforementioned Pipeline Network, DEFA has managed to secure €10.000.000 of E.U. funding under the European Energy Programme for Recovery (EEPR).

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The Future

- There can be no way back as far as the decision to import, distribute and use Natural Gas in Cyprus, at the earliest possible , is concerned.
- Very soon it should be decided as to How and When.
- Thank You**