GULF INTELLIGENCE LEVANT ENERGY FORUM

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CYPRUS ENERGY SYSTEM

The main characteristic of the Energy System of Cyprus is that it is an ISOLATED SYSTEM without interconnection to any other Country or System.

In view of this the most important factor for us, is SECURITY OF SUPPLY.

Up to now Cyprus depends, for its Energy needs, on the importation and storage of Liquid Fuels.

We are, therefore, in desperate need to modify our Energy Mix, by Importing and using at the earliest possible, Natural Gas.

Natural Gas will be used initially and predominantly for Electrical Power Generation and subsequently for all other uses, including residential and transport.

The Electricity Market, although liberalised since May 2004, is still a monopoly, because prospective IPP's (Independent Power Producers) are waiting for the availability of Natural Gas before commencing their Projects.

Contrary to the Electricity Market that has been liberalised, the Government decision is to keep the Natural Gas Market a monopoly for 20 years. This is allowed by the relative EU Directives because Cyprus is an “Emergent” as well as an “Isolated” Gas Market.

To accomplish this, Government created DEFA, the Natural Gas Public Company of Cyprus, (which is 100% owned by Government), and appointed this Company as the sole Importer and Distributor of Natural Gas in Cyprus.

DEFA in cooperation with the relative Ministry and others, is currently examining the best option for the quickest, cheapest and more reliable way of Importing Natural Gas. The options on the table are:

- ⇒ Importing Gas in Liquefied Form (LNG)
- ⇒ Exploitation of Our Own Reserves (Piped Gas)
- ⇒ Cooperation with Israel (Piped Gas)
- ⇒ or a Combination of these options

✶ In my opinion, huge investment possibilities will soon arise and interest for investments will be more than welcome in the following sectors:

1. Exploration for new Gas and Oil Reserves in the Cypriot Economic Zone (AOZ) (12 sea-plots still available)
2. Construction of Gas Pipelines (both sub-marine and inland)
3. Construction of Liquefaction Plants
4. Electricity Power Stations for IPP's
5. Use of Gas in transport (cars, buses, etc)