

Renewable Energy Sources

Information Paper

September 2010



ANTONIOU
ADVOCATES

“As with every aspect of our legal practice, explaining the legal framework in clear and concise terms is a fundamental characteristic of the way we work. It is only natural for a law firm striving to provide as clear, practical and efficient legal solutions as possible to have developed a working structure which allows direct addressing of the issues our Clients are faced with. Particularly during the turbulent times we live in, we are not looking to overload our Client with ‘legalese’ and charge for the mere provision of information that is publicly accessible. Instead, we aim to increase value for our services by providing our Client with our own straightforward description of the regulatory framework in every industry well before they even decide to contact us for the first time. In this way both sides benefit, as we receive an informed initial enquiry in relation to which we can accurately identify the legal issues and start working on their solution while our Client receives our immediate legal support. This is how we comprehensively deal with complex legal challenges in an increasingly competitive environment and this is how we differentiate ourselves from traditional approaches.”

Anastasios Antoniou

SENIOR PARTNER

Our Legal Services in Renewable Energy Sources

Renewable Energy Sources such as solar power, wind power and biofuels are increasingly finding their way in industrial use. These alternative sources of energy give rise to new legal issues that require expert know-how that can correspond and meet the advancing legal framework and business practices in the energy fields. We advise on the full range of issues regarding renewable energy implementations and projects, including regulatory compliance, competition, mergers and acquisitions, financing, commercial and trading contracts and general commercial and corporate advice. Our industry-focused legal support covers all aspects of the renewables market and will be aligned with your strategy to eliminate risks and raise profitability in increasingly liberalized market conditions and a fiercely competitive environment.

Contact us at energy@antoniou.com.cy for more information or to discuss your legal needs.

ANASTASIOS ANTONIOU LLC

Grigori Afxentiou 3

Of. 102, Gnaftis Court

4003 Limassol

Cyprus

Tel +357- 25105038 | Fax +357-25104574

www.antoniou.com.cy

©2009 ANASTASIOS ANTONIOU LLC. This document is intended for informational use only and does not constitute legal advice or legal opinion and it cannot and should not be relied upon and/or used for any purpose as such. Reproduction of whole or in part of this document is prohibited and all rights are reserved.

Renewable Energy

Renewable sources of energy – wind power, solar power (thermal, photovoltaic and concentrated), hydro-electric power, tidal power, geothermal energy and biomass – are essential alternatives to fossil fuels. Their use reduces our greenhouse gas emissions, diversifies our energy supply and reduces our dependence on unreliable and volatile fossil fuel markets (in particular oil and gas). The growth of renewable energy sources also stimulates employment in Europe, the creation of new technologies and improves our trade balance.

Renewable energy has three different applications:

- Electricity generation
- Heating and cooling
- Biofuels for transport



These three applications represent different technological processes and industrial sectors, but all can contribute to the aim of a more sustainable, secure and competitive energy. As renewable technologies have matured, some of them – particularly wind – have been much more widely used. Production of renewable energy has risen steadily, and costs have come down. But development has been uneven across the EU, and renewable energies still represent only a small share of the EU's total energy mix relative to the dominance of gas, oil and coal. Because the external costs of fossil fuels – such as environmental impact – are not fully taken into account, renewable energies are generally still not competitive with conventional energy sources.

Different renewable energies are at different stages of technological and commercial development. Sources such as wind, hydro, biomass and solar thermal are already economically viable. But others, like photovoltaic (which uses silicon panels to generate electricity from sunlight), will depend on increased demand to improve economies of scale. So, while they have begun to make their mark and provide us with

more environmentally-friendly energy, there is still great potential for renewable energies to increase market share and establish themselves as cost-effective, widely-used energy options.

Energy production has a key impact on climate change – using renewables for heating and cooling and in other sectors means lower greenhouse gas emissions and reduced air pollution. Furthermore, the increased use of energy produced from renewable sources, such as biomass, is an important means of diversifying our energy sources. It improves the security of our energy supply by reducing our dependence on imported oil and gas. Renewable energies also have huge potential to boost Europe’s industrial competitiveness. They are expected to be economically competitive with conventional energy sources in the medium- to long-term, so we should gain if we take the lead now. Boosting investment in renewable energies should help create businesses and jobs, and promote innovation in the EU economy. Exporting renewable energy technologies to other countries will also bring business opportunities, further boosting the EU economy.



The EU framework

EU countries are highly and increasingly dependent on imports of fossil fuels (oil and gas) for their transport and electricity generation. In fact, in the EU, we rely on energy imports for about half of our energy consumption. Moreover, fossil fuels account for 79% of the EU’s gross inland energy consumption. The problem is that fossil fuel resources are finite; furthermore, supplies are vulnerable to price fluctuations or logistical or political difficulties. The EU is a world leader in renewable energy and the sector is already important economically. Renewable energy in the EU has a turnover of € 30 billion, providing 350 000 jobs.

The improvement of energy efficiency is a key objective of the Community, and the aim is to achieve a 20 % improvement in energy efficiency by 2020. That aim, together with existing and future legislation including Directive 2002/91/EC on the energy performance of buildings, Directive 2005/32/EC establishing a framework for the setting of ecodesign requirements for energy-using products and Directive 2006/32/EC on energy end-use efficiency and energy services, has a critical role to play in ensuring that the climate and energy objectives are being achieved at least cost, and can also provide new opportunities for the European Union's economy.

Energy efficiency and energy saving policies are some of the most effective methods by which Member States can increase the percentage share of energy from renewable sources, and Member States will thus more easily achieve the overall national and transport targets for energy from renewable sources laid down by this Directive.

Directive 2009/28/EC on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC ("the RED") was published in the Official Journal of the European Union on 5 June 2009. Member States must transpose the Directive into their domestic legal orders by 5 December 2010.

The new Renewable Energy Sources Directive sets out the renewable energy targets and aims to provide a stable and integrated framework for all renewable energy, which is critical to ensure



investors have the confidence needed to make renewables play their envisaged role. At the same time, the framework is sufficiently flexible to take into account the specific situations in Member States and to ensure that they have leeway to meet their targets in a cost-effective manner, including through an improved regime for transfers of guarantees of origin.

In addition, the Directive contains specific measures to remove barriers to renewable energy's development such as excessive administrative controls and to encourage greater use of better-performing types of renewable energy.

The new Directive sets ambitious targets for all Member States, such that the EU will reach a 20% share of energy from renewable sources by 2020 and a 10% share of renewable energy specifically in the transport sector. It also improves the legal framework for promoting renewable electricity, requires national action plans that establish pathways for the development of renewable energy sources including bioenergy, creates cooperation mechanisms to help achieve the targets cost effectively and establishes the sustainability criteria for biofuels.

Cyprus Regulation



In terms of Renewable Energy Sources, 4% of the country's energy originates from solar energy, and is mainly used for the heating of water. 1% of the energy supply comes from solids, and is used for industry. With respect to the solar energy use, the EU Study "Sun in Action" ranks Cyprus first with approximately 1m² of installed solar collector per capita. Today, about 690,000 m² of solar collectors are installed in Cyprus. Approximately 90% of privately owned houses, 80% of apartments and 50% of hotels are equipped with solar water heating systems.

Contact us at energy@antoniou.com.cy to discuss your energy issues and legal needs.