



# Recovery and Resilience Plan Cyprus

This profile is part of a follow-up series launched after the publication of our [Comparative analysis](#) of last November on the Impact of the Recovery Plans on the social and affordable housing sector.

## Budget

The total budget of the RRP amounts to **€ 1,206 billion**, to be financed through **grants of €1,006 billion** (at current prices) and additional funding of **€200 million in the form of loan**.

## Governance

The Ministry of Finance is responsible for the implementation.

In view of the important role that the Cyprus House of Representatives will play in the adoption of reforms with legislative aspects, a **Committee consisting of representatives of the Parliamentary Parties was set up**. This committee is to play a pivotal role in navigating the passage of key structural reforms.

## Structure

According to the European Commission, the Cypriot Plan is a forceful response to the repercussions from the COVID-19 pandemic and consists mainly of future-oriented measures, with a strong focus on the green transition and digital transformation.<sup>1</sup>

The Plan consists of five Policy Areas:

- “Public Health and Civil Protection – Lessons from the Pandemic”,
- **“Accelerated Transition to a Green Economy”**,

<sup>1</sup> Page 23, Assessment of the European Commission [https://ec.europa.eu/info/sites/default/files/com-2021-398\\_swd\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-398_swd_en.pdf)

- “**Strengthening the Resilience** and Competitiveness of the Economy”,
- “Towards a Digital Age”,
- “Labor market, social protection, education and human capital.”

The second area, **Accelerated Transition to a Green Economy** represents in total **€447,6 million** which is 36,3 % of the whole budget.

## → Link with the European Semester

In terms of relevant CSRs, Cyprus is going to address the 2019 CSR4.1 and the 2020 CSR3.3 through Policy objective 2. The measures focus on sustainable transport and environment protection as well as **energy upgrade schemes for public and private buildings**.

### A holistic approach

The RRP of Cyprus dedicates a part to the link to the SDGs, which will not only be used *for conducting regular reviews of progress at the national level and for the purposes of Voluntary National Reports (VNR) submitted to the UN*, but also *for informing sectoral policies and programmes with SDGs, improving horizontal coordination and coherence of policies across sectors*.<sup>2</sup>

Based on the analysis performed, Cyprus estimates the following contribution to housing relevant SDGs:

- Goal 11-Sustainable Cities & Communities: 22,2% (30) of the measures included in the RRP and 29,3% (€362,0 mln) of the RRP budget contribute positively towards this SDG;
- Goal 13 - Climate Action: 21,5% (29) of the measures included in the RRP and 36,8% (€455,0 mln) of the RRP budget contribute positively towards this SDG;
- Goal 16 - Peace Justice & Strong Institutions: 24,4% (33) of the measures incl

## → Investment needs

Investments needs -as described by the Plan- are considerably high. They are expected to reach **€816 million for all other sectors as total investment cost**. For increasing RES in heating and cooling, the total estimated investments cost for the period 2021-2030 will need to increase **to €910 million, as annual investment cost, cumulative up to 2030**. To increase investments in RES in the electricity sector (mainly PV, Wind and Biomass) the total accumulative investments cost up to 2030 is estimated to reach €1 billion.<sup>3</sup>

In Cyprus there are more than **400.000 residential buildings** and more than 30.000 non-residential buildings. Almost half of the residential buildings are single-family houses. The building stock of Cyprus is relatively new. However, as a result of the absence of any energy-related policy measure for the construction of these buildings, most of the existing buildings have a low energy efficiency rating which is reflected in the final energy consumption of the building sector, which rose dramatically since the late 1990s.

Based on available statistics, **no energy-saving measures have been taken in 49% of the homes**, and some form of thermal insulation has been used on the building envelope only in

<sup>2</sup> Page 32, RRP of Cyprus

<sup>3</sup> page 16-17, RRP of Cyprus

12% of the homes. Moreover, 83% of buildings used for the provision of services or other business purposes were constructed before adopting any minimum energy performance requirements. Most businesses claim that energy efficiency is of high priority to them.

The investments needed to significantly **improve the energy efficiency require high upfront costs** and **finding suitable financing solutions** is currently challenging, whilst although upfront investments are recovered from the generated energy and resource savings, the payback period is often perceived as excessive.

## → Relevant parts

Component 2.1 Climate neutrality, **energy efficiency and renewable energy** -includes green taxation and the facilitation of licensing of renewable energy and renovation projects **(estimated budget €269,1 million)**

It aims to improve the energy efficiency of the building stock and other infrastructure, and support **green investments** in SMEs, **housing**, the wider public sector and NGOs. It also **targets the alleviation of energy poverty** through **reduced energy and water bills**, while **improving affordability of housing and living conditions**. Furthermore, the component aims to address Cyprus' energy isolation and thus its vulnerability to energy supply and price shocks.

Aim: Cyprus is committed to **increase the share of Renewable Energy Sources (RES) to 23%** of the total gross final energy consumption and to 26% of the total gross final electricity consumption, as well as to **maintain 39% in heating and cooling sector**.

The quantitative targets for 2030 for improving energy efficiency refer to the obligatory targets for achieving cumulative energy saving of **243,04 ktoe during 2021-2030**, by applying measures set by EU legislation, reaching final Energy Consumption<sup>1</sup> of 2,0 Mtoe in 2030 (representing 13% reduction in final energy consumption) and maintaining Primary Energy Consumption of 2,4 Mtoe in 2030 (representing 17% reduction in primary energy consumption)<sup>4</sup>

The measures included in this component are part of the key measures of the NECP, aiming at the optimal attainment of the national energy and environmental objectives, considering the "*energy efficiency first*" principle.

Relevant reforms under the Component

- **Reform 3: Digital One-Stop Shops to streamline RES projects permitting and to facilitate Energy Renovation in Buildings**

The One-stop-shop will provide to building owners and investors financial guidance. Integrated part of it will be information about the available funding instruments (including instruments from Cohesion Fund) for each building according to its specific features i.e. building type, building ownership status.

The methodology needed for development was requested in the form of technical support under DG REFORM.

- **Reform 4: Energy Storage Regulatory Framework**

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<sup>4</sup> Page 89, RRP of Cyprus

## → Relevant Investments

- Investment 1: Promoting energy efficiency investments in SMEs, municipalities, communities and the wider public sector
- Investment 2: Promoting renewables and individual energy efficiency measures in dwellings and tackling energy poverty in households of disabled people
- Investment 3: Encouraging the use of renewables and energy savings by local/wider public authorities as well as NGOs and facilitate the transition of local communities towards climate mitigation & adaptation
- Investment 5: Energy efficiency upgrading of government buildings.

In detail about the Investment 1: energy efficiency investments (€ 40 million)

The measure **is not limited to buildings renovations**.

Beneficiaries: SMEs, local authorities and organisations of the wider public, who in order to be awarded must apply by invitation and meet specific criteria selection. The support will go at least to 275 entities.<sup>5</sup>

Eligible measures include :

- The cost of carrying out an energy audit before the submission, approval and implementation of a proposal, the cost of issuing the **Energy Performance Certificate (EPC)** before and after the implementation of the measures;
- individual energy efficiency measures (including building renovations) in buildings such as thermal insulation of horizontal and vertical building elements (roofs floors and walls), replacement of windows, external shading, solar systems for the production of hot water, biomass boilers for space heating, waste energy recovery system, high efficiency cogeneration systems, automation and control systems, high efficient air conditioning systems, smart meters, phototubes, etc;
- energy efficiency measures related to the production processes (replacement of refrigerators, heat-recovery systems, insulation of hot-water pipes, appliances, electric motors/variable-speed drives);
- Energy efficiency measures in municipal sports facilities (indoor gyms / stadiums / swimming pools) such as purchase and installation of a central solar system for water heating.

In detail about Investment 2: Promoting renewables and individual energy efficiency measures and tackling energy poverty in households of disabled people

The scheme will provide **grants for households for thermal insulation** of roofs and/or for the **installation of a photovoltaic system** using the net metering method (including vulnerable electricity consumers) and/or **for the installation or replacement of Solar Water Heating (SWH)** Systems of an existing dwelling. In total, at least 16 200 dwellings will benefit of the grants.<sup>6</sup>

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<sup>5</sup> Page 12, Annex to the Proposal of the European Commission  
[https://ec.europa.eu/info/sites/default/files/com-2021-398\\_annexe\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-398_annexe_en.pdf)

<sup>6</sup> Page 13, Annex to the Proposal of the European Commission  
[https://ec.europa.eu/info/sites/default/files/com-2021-398\\_annexe\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-398_annexe_en.pdf)

The scheme will promote individual measures by separate sub-schemes and will result on average **primary energy savings of at least 30%**.

Within the 3 years of implementation, the scheme is expected to bring about 9.000 PV installations corresponding to a power of about 50MW, 2.000 roof thermal insulations of dwellings (achieving a U-value of below 0,4 W/m<sup>2</sup>K) and 3.000 replacements of SWH Systems.

### → Focus on energy poverty alleviation for disabled households

Cyprus intends to provide incentives to renovate the existing stock of buildings, as well as **social infrastructure and housing**, energy poverty concerns can be alleviated through **reduced energy and water bills**, while **improving affordability of housing and living conditions**.

The main aim of the project for disabled households is to subsidise the implementation of **small-scale energy renovations**, such as **thermal insulation and energy efficient equipment**, in at least **270 energy poor and disabled inhabitants' households** by 2026.

Further to the well-established EE&RES solutions, **tailored measures** will be identified (e.g. energy efficient equipment and appliances such as air conditioning, efficient assistive technologies for disabled people).

This project includes the **technical aid and the guidance for disabled household owners**, in addition to funding for targeted energy upgrading. The proposal aims in implementing small scale energy measures with a high cost-benefit correlation, including RES installation, building envelope insulation installation, and measures for the improvement of the energy efficiency for specialised equipment that is typical for households with disabled persons (these are not covered in other funding schemes).

This proposal's approach is different than the previous measure as **it doesn't demand a full-scale renovation** as it is typically unaffordable for people with disabilities. The renovation is small scale but ensures a high energy impact in the households as a 35% reduction in energy use is expected to be achieved.

Planned Measures :

- Installation of roof thermal insulation.
- Replacement or upgrading of specialised equipment.
- Replacement of AC split units.
- Shadings.
- Energy efficient household equipment – Washing machine or/and Fridge.

Beneficiaries: specifically disabled people (smaller-scale investment, below €5.000).

In detail about Investment 3: Encouraging the use of renewables and energy savings and facilitating the transition of local communities towards climate mitigation & adaptation

The investment looks at **the provision of financial incentives** to aid the local/wider public authorities and NGOs **to install large scale energy efficiency and RES measures in buildings**, infrastructure, and **social housing**.

Considering that about one third of Cyprus' population inhabits rural areas, focus needs to be given in the work of the **rural local authorities in order to achieve climate mitigation and adaptation**. More specifically, the investment looks at the provision of **technical and financial expertise to rural Community Councils** so that Sustainable Energy and Climate Action Plans are drafted for these regions.<sup>7</sup>

The proposed Scheme will be implemented by the national “*RES and Energy Conservation Fund*” which has been specifically set up to provide grants for various investments which promote RES and energy saving. The RES and Energy Conservation Fund has the necessary capacity to run the Scheme.

The scheme will **provide grants (covering 70-80% of investment) for large scale energy efficiency and RES measures in buildings, infrastructure, and social housing**. A minimum investment of €20.000 per proposal will be set. Each proposal may include various measures in different buildings/ infrastructure, however at least 40% of the investments contained in each proposal must specifically concern energy saving measures. The specific investment covers individual/targeted investments in RES and energy efficiency by local/wider public authorities as well as NGOs, while Investment 1 deep energy renovation of buildings of local/wider public authorities.

Eligible beneficiaries: Non-Governmental Organisations (NGOs) that provide housing to vulnerable citizens and **social housing (large investment, over €20.000)**. In total, at least 580 investments will be covered.

In terms of the mitigation part of the Investment, the Plan foresees the following measures:

- To provide practical, technical and financial expertise to rural Community Councils in the development of 32 joint Sustainable Energy and Climate Action Plans that cover all 348 Communities in Cyprus which will result in a 55% CO2 reduction by 2030.
- To build the capacity of rural Community Councils' staff members and provide them with the tools, networking and knowledge transfer opportunities.
- To setup a **Grant Scheme to support local rural Community Councils**, to implement sustainable energy and climate adaptation investments. The financial mechanism will support at least **350 credible investments** with replication potential.
- To support rural Community Councils to implement actions to increase energy savings, renewable energy and resilience to climate change.

The Grant scheme to support rural Community Councils sustainable energy and climate adaptation investments is divided into energy efficiency, renewable energy and sustainable development.

The energy efficiency part is not relevant for housing as it tackles public lighting and waste management. Renewable Energy is focusing on the transformation of wood. The part on Sustainable Re-Development of Rural Communities includes investments in **nature-based solutions and green infrastructure in neighbourhoods and cultural districts (e.g. cycle lanes, shared-space streets, pavements, public transport infrastructure, re-design and regeneration of public spaces, regeneration of neighbourhoods through the integration of green infrastructure such as trees and plants and implementation of nature based solutions along the road network and pavements, parks and other green spaces)**.

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<sup>7</sup> Page 112, RRP of Cyprus

Component 3.1 New Growth Model and diversification of the economy contributes to the green transition through measures designed to develop and promote **circular economy** (estimated budget: €166.4 million)

Specifically, sub-component 3.1.4 Circular Economy aims to enhance the Cypriot circular economy model through the **implementation of a concrete Action plan** which focuses on creating a culture among citizens (sustainable consumption) and businesses (manufacturers/entrepreneurs), provide effective incentives for industry to invest in the circular economy and develop the necessary infrastructure.

The Action Plan will include a grant scheme to enhance investment in the circular economy, open to SMEs aiming to move into a circular operating model. Grants may go up to € 317 500 for each beneficiary, covering up to 60% of the investment cost incurred.<sup>8</sup>

### → Consistency with the NECP

**Most of the priority areas of the NECP overlap** with those of the RRF, regarding the green transition, says the European Commission in its assessment. These include the building renovation and affordable, energy-efficient housing, deployment of renewables, sustainable transport, energy system integration, dealing with negative externalities, energy efficiency measures, clean industry, other clean energy technologies, and including environmental impacts (i.e. biodiversity). The implementation of these investments will assist with achieving the targets in the context of attaining the national energy and climate objectives for 2030 and beyond.<sup>9</sup>

Regarding the renewable capacity into the electricity mix in the future, the European Commission highlighted the **lack of major investments in increasing renewable energy generation in the recovery Plan**.<sup>10</sup>



<sup>8</sup> Page 54, Annex to the Proposal of the European Commission [https://ec.europa.eu/info/sites/default/files/com-2021-398\\_annexe\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-398_annexe_en.pdf)

<sup>9</sup> Page 29, Assessment of the European Commission [https://ec.europa.eu/info/sites/default/files/com-2021-398\\_swd\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-398_swd_en.pdf)

<sup>10</sup> Page 65, Assessment of the European Commission [https://ec.europa.eu/info/sites/default/files/com-2021-398\\_swd\\_en.pdf](https://ec.europa.eu/info/sites/default/files/com-2021-398_swd_en.pdf)