

**SPEECH BY THE PRESIDENT OF THE  
CYPRUS ENERGY REGULATORY AUTHORITY (CERA)**

**“International Symposium on Oil and Gas:  
Sharing strategic experiences for a prosperous future”**

**20 November 2012, European University, Cyprus**

Distinguished participants,

It is a great pleasure to participate in today’s international symposium and I am extremely thankful to its organisers because it is an honour to be invited.

It is obvious that, during this international financial crisis, the energy field of electricity and natural gas has been facing its own difficulties. In Cyprus, the electricity system is based solely on liquid fuels and, for the year 2012, we are detecting some signs that are appearing for the first time in the last 34 years, during which I have been working professionally in this domain. The peak demand for this year’s summer period amounted to 1000 Mega-Watt (MW), which is around 15% lower than the peak demand of 2010. The average fuel cost for electric power generation has almost doubled, compared to 2009, which has had an impact on the final product price, and this resulted to the first appearance of elasticity of consumption phenomenon in relation to the price of the electrical power. The Regulatory Authority, during this financially difficult period, has also had the responsibility of the management of the energy crisis caused by the severe damages, which occurred at the Vasilikos Power Station in July 2011. The management of this crisis, which was considered to be successful, also resulted to the imposition of an additional financial burden on the consumers for a limited period.

However, through all these adverse economic circumstances, the advances in the Eastern Mediterranean and the new developments that emerged, concerning natural gas discoveries, have allowed us to look at the future in a more optimistic way.

After the discovery of substantial natural gas fields in the Exclusive Economic Zone (EEZ) of Israel, followed the daring decision of the Cypriot State to proceed with the conduct of exploration drillings at the Block 12 of the Cypriot EEZ in September 2011. The crucial positive development in December 2011 confirming the existence of natural gas fields in Block 12 signalled the beginning of a new era for Cyprus, which now qualifies to claim a key spot in the energy map of the area, through its transformation into a regional energy centre.

The proper and transparent administration of this major national issue constitutes a one-way street for the positive exploitation of this important chance that the Cypriot Government has in its hands. The CERA, as an independent body, considers that, by making cautious, consensual and collective steps, we will be able to follow a strategy, which will permit us to envision the energy future of the country and the surrounding area with optimism.

Within the framework of this independent and distinctive role and following a public consultation with the stakeholders, the CERA submitted to the State since last March an advisory document containing suggestions regarding the strategic guidelines of the natural gas sector.

An important suggestion, which has already been adopted by the State, was the optimal exploitation of the hydrocarbon fields situated within the Cypriot EEZ in order to benefit the Cypriot people and transform Cyprus into a **regional energy centre** of the South-Eastern Mediterranean, cooperating with strategic partners, with the creation of a natural gas liquefaction terminal.

In order to meet these strategic objectives, it was deemed necessary to create new institutions and new bodies. A significant institution, which is being fostered, is an independent National fund for the proper and wise use of future earnings, functioning as a solidarity fund between generations. The creation of a State Hydrocarbons Company with clear responsibilities such as the representation of the public sector and the participation in the exploitation of the fields and the new energy infrastructures, managed in a modern and transparent way away from bureaucratic processes and failed management models, is considered to be a key prerequisite for the successful administration of the matter, safeguarding at the same time the public interest.

In terms of energy, Cyprus remains an “isolated island”, since it does not have any interconnections with the trans-European natural gas and electrical power networks. For the moment, Cyprus does not have an internal natural gas market yet. This has an adverse effect on the electricity purchase cost.

The European Union considers the continuity of energy supply and the enhancement of competition by completing the internal energy market in a way that ensures sustainable development, to be two of the key pillars of its energy policy. In order to facilitate this Energy Policy, the European Commission promotes the adoption of the proposal for a Regulation concerning certain energy infrastructures, which aims to strengthen the interconnections between trans-European natural gas and electrical power networks, through the support, financial and otherwise, of common interest projects.

The finalisation of the agreement between the Member States in the Regulation text concerning the trans-European infrastructures constitutes one of the most crucial priorities of the Cyprus Presidency of the European Union.

Greece and Cyprus are included, along with other Member States, in the priority corridors regarding the natural gas and the electrical power for the South-Eastern part of Europe and they are participating, through representation from Ministries, Regulatory Authorities, Energy Managers and Businesses, to the relevant working groups, which will define and assess the interconnection projects between the North and the South, some of which will then be chosen and supported by the European Commission.

The European Commission has assigned to the Regulatory Authorities, as independent bodies, an extremely important role in the assessment and the selection procedure of the energy infrastructure projects, which, since they are projects of common interest, they will positively contribute to the self-sufficiency of energy within the European Union, through the differentiation of the energy procurement resources.

Certain businesses and Ministries have already proposed projects for natural gas and electrical power interconnection, the implementation of which will put an end to the isolation of Cyprus, regarding energy, through its interconnection with Greece and Israel and it will enable the transfer of natural gas from the South-Eastern Mediterranean to the European market via Greece. We are expecting the successful completion of the techno – economic studies conducted by the businesses that are promoting these projects, in order

to continue with their development, if they are technically feasible and financially viable, as common interest projects.

Having in mind the increased responsibilities assigned by the European Union to the National Energy Regulatory Authorities, such as the CERA, it is obvious that it is imperative to: firstly, ensure the establishment of a transparent regulatory/supervisory framework, which will satisfy the *acquis communautaire* and safeguard the wider objectives of the EU concerning the safety of supply, the consumers' protection and the promotion of competition, and secondly, provide to the Regulatory Authorities the necessary human and financial resources, in order to be able to fulfil their supervisory and regulatory role effectively, to keep the public interest intact and avoid any problems, such as the financial problems affecting many countries at the moment.

It is evident from the above that Cyprus is dealing with certain very important challenges and is facing them with great caution and seriousness. The participation in the second licensing round in the Cypriot EEZ of large companies from European countries, the USA and large Eastern Asian countries creates good conditions for possible cooperation, which will enhance the sovereign rights of the Republic of Cyprus as well as the sense of safety in the area. The close cooperation between Greece and Cyprus for energy matters, and the further advancement of an energy cooperation with Israel, Egypt and other countries of the South-Eastern Mediterranean, which aim to wisely utilise natural heritage, can transform Cyprus into a trustworthy energy bridge between Europe and the Middle East, and this will contribute to the reinforcement of the European energy supply safety and the improvement of the financial situation and the economic prosperity of the people in the area.

Thank you for your attention.

Cyprus Energy Regulatory Authority (CERA)