COUNCIL OF THE EUROPEAN UNION

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INFORMATION NOTE

from: General Secretariat of the Council
to: Delegations
Subject: The response of Cyprus as to the state of emergency in the electricity sector, arising from the July 2011 accident near the Vassilikos Power Station

- Information from the Cypriot delegation

Delegations will find attached the abovementioned information note.
The response of Cyprus as to the state of emergency in the electricity sector, arising from the July 2011 accident near the Vassilikos Power Station

Cyprus was confronted with a sudden energy crisis in July 2011, when an explosion near the main electricity power station (at Vassilikos) caused extensive damages to the station which was covering 60% of the total electricity production of the country.

On the basis of the state of emergency which was created and a relevant decree which was issued by the competent Minister of Commerce, Industry and Tourism, the Cyprus Energy Regulatory Authority published a decision whereby the Electricity Authority of Cyprus (EAC), which acts as a Universal supplier should ensure new generating capacity.

As a result immediate and effective actions were taken, which include mainly:

- The acquisition and placement in operation of new generating power (renting of generators from abroad).
- The return to full use of the old power generators at other locations (Moni & Dekelia).
- Private purchase of supply of electricity from the Turkish Cypriot, on the basis of the Green Line Regulation and resale to the EAC.
- The total supply of electricity has now reached a satisfactory state where it currently marginally satisfies existing demand.

The cost of operation of the EAC has however risen due to:

- The higher fuel cost arising out of the return to use of the less efficient old generators
- The rental paid for the acquisition and use of new power generators from abroad.

With the aim of preventing a substantial increase in retail electricity prices, the Government decided to absorb part of the increased cost of the EAC, namely the rental for the new generators. This cost amounts to 49 million euro.
Furthermore, the Government may need to guarantee the loans that the EAC needs to make to ensure the financing of reconstructing its damaged capacity. More specifically, the EAC plans to repair two of its combined cycle units (number 4 and 5 of total capacity of 450MW) by summer 2012 and units 1, 2 and 3 by summer 2013. Any amounts beyond what is expected to be received as compensation by the insurance companies will have to be raised in the form of borrowing from various sources.

The government of Cyprus will be seeking the understanding of the European Union that any state aid considerations should be addressed in the light of the emergency situation that has arisen and continues to prevail as a result of the sudden energy crisis which arose on July 11th 2011.