



LOCAL Policies for GREEN Energy - LOCAL4GREEN

Priority Axis 2: Fostering low-carbon strategies and energy efficiency in specific MED territories: cities, islands and remote areas

Specific Objective 2.2: To increase the share of renewable local energy sources in energy mix strategies and plans in specific MED territories

NATIONAL HANDBOOK ON GREEN LOCAL FISCAL POLICY MODELS

Pilot Municipalities: Nicosia, Lakatamia, Aradippou



Cyprus
Energy
Agency

Project Partner in charge: Cyprus Energy Agency

Project partners involved:

Table of Contents

1.	Introduction	4
1.1	The LOCAL4GREEN project	4
1.2	Main objectives of the national handbook	5
1.3	Main features of the national handbook	5
1.4	Main target groups of the national handbook	5
2.	The national regulations regarding the local fiscal policies	6
2.1	The capacity of the local authorities to put in place fiscal policies to promote RES	7
2.1.1	Lakatamia Municipality	8
2.1.2	Nicosia Municipality	9
2.1.3	Aradippou Municipality	10
2.1.4	The capacity of the local authorities in Cyprus	10
2.2	How LOCAL4GREEN can help local authorities	12
3.	Best practice fiscal policies adopted by the pilot local authorities	13
3.1	Lakatamia Municipality	13
3.1.1	Proposed green fiscal policies to Lakatamia's Municipal Council	13
3.1.2	Approved green fiscal policies by Lakatamia's Municipal Council	15
3.1.3	Why it's considered best practice	17
3.2	Nicosia Municipality	20
3.2.1	Proposed green fiscal policies to Nicosia's Municipal Council	20
3.2.2	Approved green fiscal policies by Nicosia's Municipal Council	21
3.2.3	Why it's considered best practice	22
3.3	Aradippou Municipality	24
3.3.1	Proposed green fiscal policies to Aradippou's Municipal Council	25
3.3.2	Approved green fiscal policies by Aradippou's Municipal Council	25
3.3.3	Why it's considered best practice	29
4.	The reforms needed to enable green fiscal policies that promote RES to be implemented by local authorities	32
4.1	National legislative reforms	32
4.2	National reformative reports	33
4.3	Lessons learnt	34
5.	Concluding remarks	36

Tables

Table 1: Waste Management Fees per Household for the Lakatamia Municipality	16
Table 2: Estimates for the generation of RES from the green point with RES educational corner	19
Table 3: Hotel Accommodation Tax for overnight stay in hotels for the Nicosia Municipality...	21
Table 4: Estimated Energy Audit Costs for Hotels in the Nicosia Municipality (EUR).....	22
Table 5: Professional tax for any legal entities working in a profession for the Aradippou Municipality	27

Figures

Figure 1: Main Barriers of Local Authorities to Implementing Sustainable Projects vs 2030 EU Targets.....	11
Figure 2: Proposed Green Mechanism Fund (revolving).....	16

1. Introduction

1.1 The LOCAL4GREEN project

The project LOCAL4GREEN aims to support local authorities to define and implement local fiscal policies, and specifically green taxation, to promote renewable energy sources (RES) and energy efficiency measures in their local areas. The LOCAL4GREEN project is co-funded by Interreg MED (2014-2020) and has been running since November 2016. With a budget of € 2,013,423 it aims to be completed by October 2019. There are currently 10 project partners from nine different countries. In Cyprus, the local partner is the Cyprus Energy Agency and its associated partners are the local municipalities of Nicosia, Lakatamia and Aradippou.

The project supports local authorities to define and implement local fiscal policies intended to promote renewable energy sources in all sectors (public, private, households), mainly in the framework of the SEAPs (Sustainable Energy Action Plans submitted under the 2020 Covenant) and the SECAPs (Sustainable Energy and Climate Action Plans to be submitted under the 2030 Covenant) adopted by the signatories of the Covenant of Mayors. The project is being implemented in the rural zones and islands of the MED region, where local fiscal policies play a crucial role in order to raise the share of renewable energy sources.

The project has been implementing a pilot experience in local authorities of nine countries/regions of the MED area (Spain, Portugal, Italia, Cyprus, Malta, Greece, Slovenia, Albania, Croatia). The pilot includes the participative design, implementation, monitoring and evaluation of local fiscal policies to promote renewable energy sources. The pilot is included in the Work Package 3 “Testing” of the project, led by one of the project partners, the MUSOL Foundation.

Now that the pilots have been concluded, the phases of designing, implementation and monitoring of the fiscal policies, as well as the evaluation of the pilots and the fiscal policies of each partner are outlined in a series of national handbooks (one for each partner country), on green local fiscal policy models. The national handbooks will be available in each local language and English. The national handbooks will then be used by the MUSOL Foundation to prepare an international handbook on green local fiscal policy models to promote RES.

1.2 Main objectives of the national handbook

The objectives of this national handbook for Cyprus on green local fiscal policy models are to:

- outline policy models transferrable at a national level, based on the experiences of the pilots' and on best practices.
- provide national decision makers with all information (legal, economical, technical, etc.) needed to implement the green local fiscal policy models in other municipalities.
- provide the project with best practices on green local fiscal policies to be included in an international handbook and be transferred at the international level.

1.3 Main features of the national handbook

The national handbook's main features will be:

- a description of the national regulations surrounding the local fiscal policies;
- an explanation of the capacity of the local authorities to implement such fiscal policies that promote RES;
- sharing of best practices among the local fiscal policies being implemented; and
- a description of the national legislative or normative reforms needed to enable the local authorities to put in place fiscal policies to promote RES.

This national handbook on green local fiscal policy is available in English.

1.4 Main target groups of the national handbook

Special care has been taken to write the national handbook in such a way so that it is easy to understand, since the target groups are very varied and include non-specialists.

The main target groups of the national handbook are:

- National and regional authorities' decision makers;
- Local authorities' employees and decision makers;
- Consultants, experts specialized in public management;
- Other stakeholders interested in advocacy for renewable energy sources in local authorities.

2. The national regulations regarding the local fiscal policies

The local authorities (Municipalities and Communities) in Cyprus are responsible for managing, according to the Municipalities¹ and Communities² laws, different kind of taxes/tariffs/fees and other revenues. However, it is the Minister of the Ministry of Interior who has the power to amend the aforementioned laws. The laws define the maximum amount (ceiling) of each tax/tariff/fee which the Municipalities / Communities can collect. However, the Municipal/Community council defines the level (rate) of the amount collected in each tax/tariff/fee.

The major taxes for the local authorities are:

- **Property tax:** The Municipal/Community Council has the right to impose a property tax in each property located in the administrative boundaries of the local authority.
- **Professional tax:** The Municipal/Community Council has the right to impose annual taxes on legal persons engaged in any business, industry, crafts, work, commerce, trade or professional activities, within the administrative limits of the Municipality/Community.
- **Hotel accommodation tax:** The Municipal/Community Council collects fees from hotels and tourist accommodations, for all persons above the age of 10 and for each night (accommodation) they spend at the hotel.
- **Entertainment tax:** Payable by movie theatres and other artistic performances taking place within Municipality boundaries.

The tariffs/fees which the local authorities usually manage in Cyprus are:

- **Waste management fees:** The Municipal/Community Council is the main body responsible for the collection, disposal and treatment of municipal wastes. The council defines the waste management fees.
- **Building Permit fees:** The Municipal/Community Council collects the fees for the building permit for each building or premises located in their administrative boundaries, according to the Law. This applies when the local authority is the Building Control Authority.

¹ Municipalities Law (N.111/85). Available at: http://www.cylaw.org/nomoi/indexes/1985_1_111.html [Accessed 10th April 2019]

² Communities Law (N.86(I)/99). Available at: http://www.cylaw.org/nomoi/indexes/1999_1_86.html [Accessed 10th April 2019]

- **Business premise license fees:** The Municipal/Community Council has the right to impose fees to any person who maintains and/or uses any building and/or premises in order to exercise any industrial business, trade and professional activities.
- **Public space utilization license fee:** The Municipal/Community Council has the authority to grant a license to any third-party for the utilization of municipal/community public sidewalks or part of a sidewalk, that lies within the local authority boundaries and is owned by the local authority. The Municipal/Community Council has the right to impose fees for providing the public space utilization license.
- **Water Supply fee:** Some local authorities in Cyprus also have the management of the water supply in their administrative boundaries. The respective fee is collected for the whole management of the water network and supply.

Furthermore, local authorities can generate revenues from:

- Parking spots;
- Parking cards;
- Parking meters;
- Revenues from municipal swimming pools.

Local authorities also have some power to determine extra charges, reductions or exemptions for each tax/tariff/fee.

Local authorities can impose lower taxes/tariffs/fees than the maximum amount (ceiling) foreseen in the respective laws via the Community or Municipality Council. For example, the Municipal Council collects fees from hotels and tourist accommodations, for all persons above the age of 10 and for each night (accommodation) they spend at the hotel. According to the law, the fee in 5 stars hotels for each person can't surpass 60 cents per night. However, the Municipality has the power to charge 60 cents or less per night. When it comes to applying extra charges i.e. fees not foreseen in the laws or fees that exceed the limits set by the laws, the local authorities must obtain authorisation from the Ministry of Interior and the Minister.

2.1 The capacity of the local authorities to put in place fiscal policies to promote RES

We outline below some background information on each of the pilot municipalities in Cyprus, along with a discussion on the capacity these municipalities currently have to put in place local green fiscal policies to promote RES.

2.1.1 Lakatamia Municipality

Lakatamia Municipality has a population of about 40,000 and spreads over a total area of approximately 29 km² (2011)³.

Lakatamia aims to achieve the goals set by the EU's 2020 vision and has therefore accepted the Cyprus Energy Agency's invitation to sign "The Pact of Islands" participating in this way in the ISLE-PACT project. Further to the Pact of Islands, the Municipality has signed the Covenant of Mayors for the period 2020 but also for the new period 2030, committing for a sustainable future in its territory.

The "Pact of Islands" follows a similar formation to that of the "Covenant of Mayors" with the difference that it takes into consideration the specificities of European island communities. Similarly, the project aims to reduce each signatory's carbon dioxide (CO₂) emissions by at least 20%. The baseline year set for Lakatamia's scope was 2009, for which data was obtained from bodies such as the Electricity Authority of Cyprus, oil companies and the Cyprus Statistical Office. In 2009, the Lakatamia Municipality had an annual energy consumption of 598,151 MWh and corresponding CO₂ emissions of 215,611 tonnes. The principal energy consumers in the Municipality were the transport, domestic and tertiary sectors that consumed 375,210 MWh, 119,394 MWh and 75,273 MWh respectively⁴.

The Energy Action Plan drawn by the Municipality also consists of additional actions extending beyond the national measures that were set for achieving the 20% reduction, as directed by the 2020 vision. The total expected annual reduction in CO₂ emissions by 2020 for the Lakatamia Municipality, as a result of the measures outlined in the Energy Action Plan, will be 13,994.78 tonnes. When combined with the national measures set to take place, a total annual reduction of 58,327 tonnes of CO₂ is expected, translating to 22.4% reduction in CO₂ emission levels with

³ Pact of Islands (2011), Ενεργειακό σχέδιο δράσης, Δήμος Λακατάμιας - Κύπρος, Retrieved from: <http://www.cea.org.cy/TOPICS/LocalEnergy/ISLEPACT/ISLEPACT%20SEAP%20GR%20Lakatamia.pdf>, Last accessed: 7th February 2018

⁴Ibid.

respect to the baseline year of 2009⁵. Lakatamia Municipality's total budget for the 2010-2020 period is €1,488,500.

2.1.2 Nicosia Municipality

Nicosia Municipality is one of the capital city's oldest regions, with a total area of 51.06 km² and a population of 55,014 inhabitants (2015)⁶. The Municipality has a firm commitment to manage and reduce its environmental impacts. In 2012, it officially joined the Covenant of Mayors with the fundamental goal of achieving (and even exceeding) a 20% reduction in CO₂ emissions by 2020, setting 2009 as the baseline. This led to the appointment of the Cyprus Energy Agency with the responsibility of planning and implementing projects related to promoting sustainability throughout the Municipality. To date, the Cyprus Energy Agency has completed several projects, including the Sustainable Energy Actions Plan (SEAP), Subsidy Scheme for Energy Waste Checks and the 2-year Review of the Sustainable Energy Actions Plan.

The most up to date data on energy consumption and CO₂ emissions for the Nicosia Municipality are for 2009 and were gathered by the Electricity Authority of Cyprus. They indicated a total energy consumption of 1,207,023 MWh and corresponding CO₂ emissions of 529,350 tonnes⁷. The biggest energy consumers were the transport, tertiary and domestic sectors with 586,597 MWh, 309,130 MWh and 270,567 MWh respectively. Data on the Municipality's energy production from RES indicates a steady progress starting from 50 MWh in 2009 and progressing to 120, 220 and 300 MWh in the years 2010, 2011 and 2012 respectively⁸.

The SEAP drawn for the Municipality of Nicosia includes additional actions extending beyond the national measures it will be taking to achieve EU's 2020 vision target of a 20% decrease in CO₂ emissions. The scope of the action plan extends over many sectors including public and private buildings, inventory/facilities and industries, transport, local power generation, land use planning, public contracts for products and services and cooperation with citizens and interested parties.

⁵Ibid.

⁶Σύμφωνο των Δημάρχων (2014), Σχέδιο δράσης για την βιώσιμη ενέργεια του Δήμου Λευκωσίας, Retrieved from: <http://www.nicosia.org.cy/CMSPages/GetFile.aspx?guid=8db37064-0b8c-462a-912b-16ab38a4d01a>, Last accessed: 8th January 2018

⁷ Ibid.

⁸ Ibid.

Consequently, a target of an overall 33% decrease of CO₂ emissions from the 2009 baseline by 2020 was set for the Municipality, which translates to a 98,436-tonne reduction in emissions⁹. The total budget for the SEAP for the 2013-2020 period is €6,837,800.00¹⁰.

2.1.3 Aradippou Municipality

Aradippou Municipality currently has a population of 19,600 and is the second largest Municipality in Cyprus in terms of land size, with a total spread of approximately 174 km² (2011)¹¹.

Aradippou also happens to be one of 24 Cypriot Local Authority entities invited by the Cyprus Energy Agency to sign the ISLE-PACT agreement and Covenant of Mayors. Similar to the municipalities of Nicosia and Lakatamia, Aradippou has set the goal of reducing its CO₂ emissions by at least 20% by 2020. Its Energy Action Plan was drawn by the Cyprus Energy Agency.

Aradippou's baseline for energy consumption levels was set in 2009 at 336,672 MWh, corresponding to an emission production level of 146,093 tonnes of CO₂. Its principal energy consumers were the transport and tertiary sectors with consumptions of 176,279MWh and 62,805MWh respectively¹².

The Energy Action Plan drawn for the Municipality consists of additional actions extending beyond the national measures that were set for achieving the 20% reduction, as directed by the EU's 2020 vision. The total expected annual reduction in CO₂ emissions by 2020 for Aradippou will be 8,507 tonnes. When combined with the national measures set to take place, a total annual reduction of 26,561 tonnes of CO₂ is expected, translating to 20.14% reduction in CO₂ emission levels with respect to the baseline year of 2009¹³. Aradippou Municipality's total budget for the 2010-2020 period is €861,025.00.

2.1.4 The capacity of the local authorities in Cyprus

It is no secret that local authorities face many barriers for implementing sustainability projects, as outlined in Figure 1. These include limited financial resources, lack of skilled personnel with

⁹ Ibid.

¹⁰ Ibid.

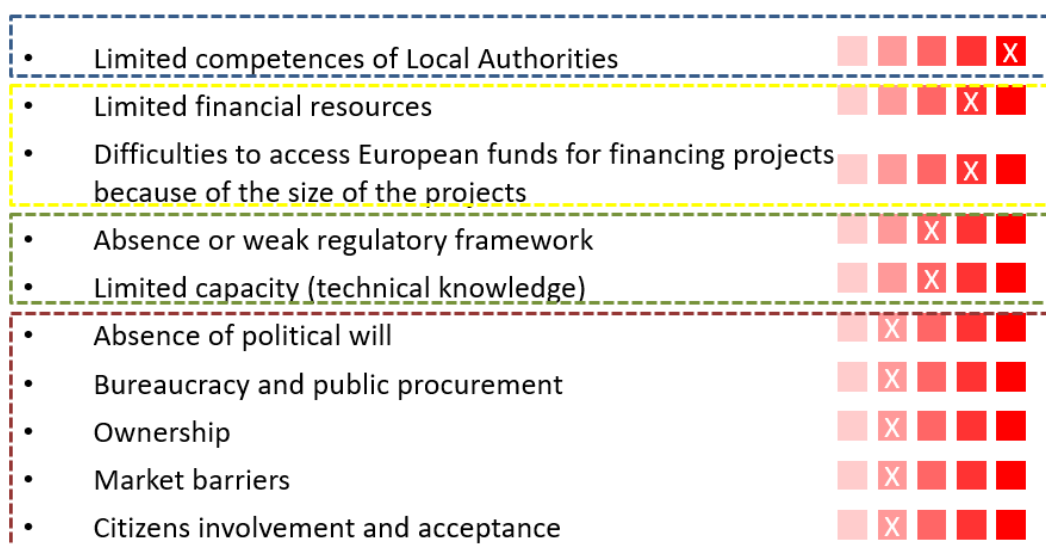
¹¹ Pact of Islands (2011), Ενεργειακό σχέδιο δράσης, Δήμος Αραδίππου - Κύπρος, Retrieved from: <http://www.cea.org.cy/TOPICS/LocalEnergy/ISLEPACT/ISLEPACT%20SEAP%20GR%20Aradippou.pdf>, Last accessed: 13th March 2018

¹² Ibid.

¹³ Ibid.

the required technical knowledge, bureaucracy and red tape that slow down decision-making, lack of political will, a weak regulatory framework and opposition from the local community, amongst others. Yet, local authorities are now asked to implement even more stringent targets, to meet the EU's 2030 Climate and Energy framework, where at least 40% cuts are required in greenhouse gas emissions (GHG) from 1990 levels, at least 27% share of energy has to be from renewable sources and at least 27% improvement is required in energy efficiency by the year 2030. The role and the involvement of local authorities for a sustainable future and for achieving these EU 2030 climate and energy targets is however indispensable.

Figure 1: Main Barriers of Local Authorities to Implementing Sustainable Projects vs 2030 EU Targets



Source: CEA

Given municipalities do not currently have the funds needed to implement local green fiscal policies that promote RES and will help meet the EU's 2030 targets, one way of meeting these targets is by introducing completely new green tariffs/taxes/fees. However, these can be controversial with the public, who will view any additional charges as less money in their pocket. The result could be negative political repercussions for elected officials, which is why there's often the absence of political will by the Mayors, that's required in order to promote and implement any local green fiscal policies. As such, in the instances where the maximum upper ceiling of an existing tariff/tax/fee has not been met, or where a ceiling does not exist, there lies an opportunity for green taxation to be bundled in with any of these existing tariffs, taxes and fees, to increase that tariff/tax/fee to the maximum ceiling. The additional money raised can be

ring-fenced to create a green mechanism-fund that promotes energy projects and actions within the Municipality.

2.2 How LOCAL4GREEN can help local authorities

LOCAL4GREEN has helped support the pilot local authorities to implement local green fiscal policies that promote RES, and outlines these best practices in this national handbook, to help other local authorities do the same. These local green fiscal policies will help these local authorities meet targets set by the national government, as a result of the EU's 2030 targets. As noted previously, the role and the involvement of local authorities for a sustainable future and for achieving the EU 2030 climate and energy targets is indispensable. The green fiscal policies that have been adopted to promote RES by the pilot local authorities will raise and ring-fence some money to help them achieve these 2030 targets, despite the financial and other barriers they face, such as limited knowledge and financial resources, absence of political will and the bureaucracy involved. If a similar approach is followed by other local authorities in Cyprus as well, then all these local authorities will also be able to reduce their costs and impacts while raising awareness among their communities on RES and energy efficiency.

3. Best practice fiscal policies adopted by the pilot local authorities

This section outlines in detail the local green fiscal policies adopted by the pilot local authorities in Cyprus which are considered best practice, based on the information provided in the evaluation reports of the pilots (deliverable 3.5.1 of the LOCAL4GREEN project).

The pilot local authorities in Cyprus are Lakatamia Municipality, Nicosia Municipality and Aradippou Municipality. The green fiscal policies to promote RES that were considered by each Municipality, along with the ones they chose to implement which are considered best practice, are outlined below.

The LOCAL4GREEN partner in charge of all the best practices outlined below by all three local authorities in Cyprus, is the Cyprus Energy Agency. For more information you can contact **Charis Kordatos** at charis.kordatos@cea.org.cy.

3.1 Lakatamia Municipality

3.1.1 Proposed green fiscal policies to Lakatamia's Municipal Council

Lakatamia Municipality considered three green fiscal policies to promote RES and energy efficiency projects in the Municipality. The first policy involved the waste management fees per household, the second policy involved the waste management fees from companies and traders and the third policy involved the property tax. The options are described in more detail below.

Option 1:

The first option involved the waste management fees per household, and could be implemented either as an increase to the waste management fees per household to the ceiling rate or to ringfence a percentage of the additional money raised through the 2017 or 2018 (depending of the approval date) increase in waste management fees per household.

Currently, the Lakatamia Municipality is not charging the ceiling rate for the waste management fees for households, as is outlined in Article 84(2) of the Municipalities and Communities Law of 1985. In fact, there's an opportunity for the Municipality to increase its current waste management fees per household to the ceiling rate, which would represent a 13% increase. The

current waste management fee per household is €150 (or Cypriot Pound 88)¹⁴. The ceiling is €170 (or Cypriot Pound 100) per household for this fee. Therefore, there is an opportunity for a fee increase of ~13% to be ring-fenced for the green mechanism-fund, either completely or partially.

In 2018 it is expected that the total income to the Lakatamia Municipality from the waste management fees per household will be at least equal to the total income amount of 2017, which was **1,948,784.00 Euro**. The potential gains to the Municipality if it would increase its waste management fees for households by ~13% to the maximum ceiling rate of €170 per household, assuming the number of households remains the same as in 2017 (i.e. 12,928), would be **~260,000.00 Euro**. This amount could either exclusively or partially be ring-fenced for the green mechanism-fund and used to promote RES in the Municipality.

Given the fact however, that Lakatamia Municipality has recently increased its waste management fees per household, a further increase as proposed above, may not be feasible. Another option for the Municipality could be to ringfence part of the money coming in from the existing increase for the green mechanism-fund, to promote RES in the Municipality.

The Municipality has noted that there has been a ~10% increase in the waste management fees they charge per household in 2017 (from ~€135 per household in 2016 to €150 per household in 2017). This means that an additional **~194,878.00 Euro** has been raised in 2017, compared to 2016. If half of this amount can be ring-fenced exclusively for the green mechanism fund, then **~97,000.00 Euro** could be used to promote RES in the Municipality.

Option 2:

The second option was to ringfence a percentage of the existing increase in waste management fees per company/trader to promote RES. Lakatamia Municipality has recently increased its waste management fees per company/trader, therefore a further increase may not be feasible. Another option for the Municipality could be to ring-fence part of the money coming in from the existing increase for the green mechanism-fund, to promote RES in the Municipality.

The Municipality has noted that there has been a ~10% increase in the waste management fees per company/trader in 2017. This means that an additional **~21,000.00 Euro** has been raised in

¹⁴ The exchange rate used is CYP £ 1 = 1.70 Euro.

2017, compared to 2016. If half of this amount can be ring-fenced exclusively for the green mechanism fund, then **~10,500.00 Euro** could be used to promote RES in the Municipality.

Option 3:

Finally, the third option was to ringfence a percentage of the existing increase in the property tax to promote RES. Lakatamia Municipality has recently increased its property tax, therefore a further increase may not be feasible. Another option for the Municipality could be to ring-fence part of the money coming in from the existing increase for the green mechanism-fund, to promote RES in the Municipality.

The Municipality could potentially ring-fence ~5% from the total income generated from the property tax for 2017, exclusively for the green mechanism fund. This amounts to a total of **~44,500.00 Euro** that could be used to promote RES in the Municipality.

3.1.2 Approved green fiscal policies by Lakatamia's Municipal Council

Lakatamia's Municipal Council approved the fiscal policy outlined in Option 1, which refers to the waste management fees per household, by ringfencing part of the money coming in from the recent increase in the waste management fees per household to promote RES in the Municipality (around 2.5% will be ringfenced). Based on the current waste management fees and the increases applied to the rates in 2018, as outlined in Table 1, then:

- **Total income of 2018 from waste management fees per household for the Lakatamia Municipality: 1,948,784.00 EUR**
- **Gains for the Municipality if 2.5% of this amount is ringfenced for the green mechanism fund: $1,948,784.00 * 2.5\% = \text{~49.000 EUR}$**

According to the design of this fiscal policy, the €49,000.00 amount from the increased waste management fees, will from 2018 onwards, be ringfenced in a green mechanism-fund and used to upgrade the green point for the Municipality and to include a RES – REUSE interactive educational corner. The amount that will be dedicated for the educational corner is **€10,000.00**.

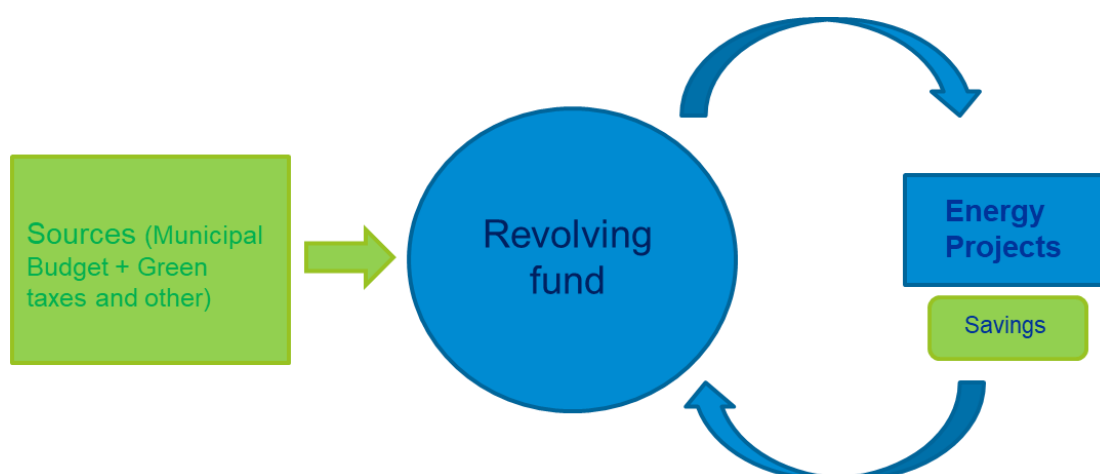
Table 1: Waste Management Fees per Household for the Lakatamia Municipality

Category / Year	No. of establishments	Current fees		Ceiling fees (from Article 84(2) of the Municipalities and Communities Law of 1985)	
		£ CYP	€ Euro	£ CYP	€ Euro
Households:					
2018	12,928	88	150	100	170

The proposed green mechanism-fund is shown in Figure 2. The fund will be populated by the green taxation, as well as the overall municipal budget, and will be revolving. The money ringfenced will be used to fund the development and maintenance of the RES – REUSE interactive educational corner. When the Municipality has fully understood how the revolving fund operates, it will be able to utilise it fully to promote RES.

The methodology developed for the green taxation promoting RES can also be used for different purposes, especially within sectors (i.e. energy, waste, industry, water) affecting climate and for the funding of the revolving fund.

Figure 2: Proposed Green Mechanism Fund (revolving)



3.1.3 Why it's considered best practice

As noted above, the money raised through the fiscal policy that has been approved by Lakatamia's Municipal Council (i.e. ringfencing part of the money generated through the 2018 increase in the waste management fees per household) will be used by the Municipality to upgrade the municipal green point. This green point will be a collection point for different types of waste streams, but will also include a RES-REUSE educational corner and greenspace. The green point will be used by the general public for waste management as well as a recreation space, that will help increase awareness on RES and energy efficiency, and will become a destination for school trips and other activities.

This **fiscal policy is considered best practice** because:

- 1) It is **ideally placed to promote RES** and energy efficiency projects in the Municipality;
- 2) It **does not affect any other policies of the Municipality in a negative manner**;
- 3) It **clearly articulates its proposed goals (which are to increase awareness on RES and promote RES in the Municipality) and the underlying logic** for why it was introduced to bring about the intended change (i.e. **to help the Municipality raise awareness on RES and promote their use**);
- 4) Its **context and content are clear** – the money ringfenced from the 2018 increase in taxation to the waste management fees per household will be placed in a green mechanism-fund and used to create the green point with the RES-REUSE educational corner;
- 5) It is **fully compliant with the legal and economic framework in Cyprus**;
- 6) It is **fit for purpose** i.e. it will be raising awareness on RES. The Municipality is designing the green point to include a RES-REUSE educational corner, whose purpose will be to raise awareness on RES, energy efficiency and reuse. The general public and schools based in the Municipality will be able to engage with and benefit from the information provided in the educational corner.
- 7) It is **financially beneficial for the Municipality**. The proposed fiscal policy will theoretically decrease the income available to the Lakatamia Municipality for other endeavours, as money will be ringfenced from the 2018 increase to the waste management fees per household specifically to promote RES in the Municipality. However, the money that will be ringfenced will be committed to potentially reducing the Municipality's impacts in terms of CO₂ emissions, which will further reduce the Municipality's costs.

Impact of local fiscal policy for Lakatamia Municipality

Assuming that 1,650 students from a school visit the green point with the RES-REUSE educational corner, then over an implementation period of 10 years, and assuming an awareness rate impact of 10%; a diffuse influence of 3; and 200 kWh of RES being produced per person per year as a result of the information they will learn about at the education corner; then it can be estimated that **99 MWh of RES** will be produced per year. The workings and the estimates made are shown in Table 2.

Overall, after the ten years of operation, it is estimated that **990 MWh** of RES will be produced due to the impact of the RES-REUSE educational corner.

Table 2: Estimates for the generation of RES from the green point with RES educational corner

Action	Number of participants.	Implementation period.	Awareness rate impact.	Diffuse influence	RES/person (kWh/year)	Cost (€) ¹	RES (MWh/year)	CO ₂ reduction (Tn/year)	Cost indicator (€/TnCO ₂ .year)	Action period	Implementation period impact 10 years	
	(v)	(ε)	(n)	(vδ)	(ESPP)		$ES=v*ε*n*vδ*ESSP$				RES (MWh)	CO ₂ reduction (Tn)
Green point-RES-REUSE educational corner and visits from schools	1650	10	10%	3	200	3,300.00	99	86.4	38	2020-2030		
TOTAL						33,000.00	99	86.4	38		990	864

3.2 Nicosia Municipality

3.2.1 Proposed green fiscal policies to Nicosia's Municipal Council

Nicosia Municipality considered two green fiscal policies to promote RES and energy efficiency projects in the Municipality. The first policy involved the hotel accommodation tax, while the second policy involved the professional tax for legal entities. The options are described in more detail below.

Option 1:

The first option was to increase the current hotel accommodation tax per room per night to the ceiling rate. Currently the Nicosia Municipality is not applying the ceiling rate for hotel accommodation tax, as is outlined in Article 85(2)(v)(i) of the Municipalities and Communities Law of 1985. In fact, there's an opportunity for the Municipality to increase its current hotel accommodation tax to the ceiling rate, which would represent a 20% increase. For example, the current accommodation tax for overnight stay in 5* hotels is €0.85 (or Cypriot Pound 0.5) per room per night. The ceiling is €1.02 (or Cypriot Pound 0.6) per room per night for this tax. Therefore, there is an opportunity for a tax increase of 20% to be ringfenced for the green mechanism-fund, either completely or partially.

In 2018 it is expected that the total income to the Nicosia Municipality from the hotel accommodation tax will be **120,000.00 Euro** (forecast). The potential gains to the Municipality if it would increase its hotel accommodation tax rates by 20% to the maximum ceiling rates across the board, would be **24,000.00 Euro**. This amount could either exclusively or partially be ringfenced for the green mechanism-fund and used to promote RES in the Municipality

Option 2:

The second option was to ringfence a percentage of the existing increase in the professional tax for legal entities working in a profession, specifically for promoting RES in the Municipality. Nicosia Municipality has recently increased its professional tax per legal entity working in a profession, therefore a further increase may not be feasible. Another option for the Municipality could be to ringfence part of the money coming in from the existing increase for the green mechanism-fund, to promote RES in the Municipality.

The Municipality has noted that there has been a ~6% increase in 2017 in the professional tax they charge per legal entity working in a profession. The Municipality has noted that they could potentially ringfence ~2% for the total income generated for September 2017 – February 2018

from the professional tax, exclusively for the green mechanism fund. This amounts to a total of **~40,000.00 Euro** that could be used to promote RES in the Municipality.

3.2.2 Approved green fiscal policies by Nicosia's Municipal Council

Nicosia's Municipal Council and Mayor officially approved on 10 January 2019 the fiscal policy outlined in Option 1, and the increase of 5% (instead 20%) in the hotel accommodation tax per room per night, for the years 2019-2021:

- **Total income of 2018 (forecast) from hotel accommodation tax for the Nicosia Municipality: 120,000.00 EUR**
- **Potential Gains for the Municipality if 5% increase is applied as a green tax: ~120,000**
 * 5% = **up to 7,000 EUR/year**

According to the design of this fiscal policy, the €21,000.00 that will be raised through the increased taxation for the first 3 years, beginning in 2019, will be ringfenced in a green mechanism-fund and used to provide free energy audits to hotels in the Nicosia district, as well as for the funding of two awareness events to promote energy efficiency and RES in the hotel sector. Table 3 outlines the current tax rates and the ceiling rates:

Table 3: Hotel Accommodation Tax for overnight stay in hotels for the Nicosia Municipality

Categories	No. of hotels (2017)	Current tax rate (2017)		Ceiling rate (from Article 85(2)(v)(i) of the Municipalities and Communities Law of 1985)	
		£ CYP	€Euro	£ CYP	€ Euro
Hotel 5*	1	~0.5	~0.85	0.60	1.02
Hotel 4*	2	~0.45	~0.77	0.54	0.918
Hotel 3*	4	~0.4	~0.68	0.48	0.816
Hotel 2*	7	~0.3	~0.51	0.36	0.612
Hotel 1*	1	~0.25	~0.43	0.30	0.51
Hotels without *	1	~0.15	~0.26	0.18	0.306

As it has already been mentioned, green taxation is one important tool towards local sustainability and the first step for the development of a revolving fund (Figure 2). The proposed green mechanism-fund is shown in Figure 1. The fund will be populated by the green taxation, as well as by the overall municipal budget and other European funding, and will be revolving. In the case of Nicosia Municipality, the money raised will be spent for free energy audits in the hotel sector in the district.

3.2.3 Why it's considered best practice

As noted above, the money raised through the fiscal policy that has been approved by Nicosia's Municipal Council (i.e. increasing the hotel accommodation tax per room per night to the ceiling rate for all hotels in the Nicosia Municipality district) will be ringfenced and used by the Municipality to provide free energy audits to hotels. Specifically, the energy audits will review the current energy consumption of these hotels (from heating, cooling and electricity use) and will identify opportunities for reductions. The final deliverable of these energy audits will be an action plan, that will identify to the hotels the opportunities for improving their energy efficiency and for reducing costs, as well as highlight the potential for investing in renewable energy sources as a means to become more energy and cost efficient.

Given the time and resources required to undertake energy audits, it is proposed that around two energy audits take place every year with the money raised. As shown in Table 4, it is expected that within nine years, all 15 hotels in Nicosia will have had a free energy audit using the money raised. In the instance where an increase in the green tax is implemented over the next few years, the free energy audits can be completed in a shorter but realistic time period of six years, instead of nine. This green action can be included in the SEAP-SECAP of the Municipality and considered part of the effort for achieving the 2030 targets.

Table 4: Estimated Energy Audit Costs for Hotels in the Nicosia Municipality (EUR)

Hotel Name and Category	Estimated Energy Audit Cost (EUR)
Hilton - Hotel 5*	10,000.00
Cleopatra -Hotel 4*	8,000.00
Castelli – Hotel 3*	5,000.00
Centrum – Hotel 3*	5,000.00
Classic – Hotel 3*	5,000.00
Mourtzhis – Hotel 3*	5,000.00
Semeli – Hotel 2*	3,000.00

Hotel Name and Category	Estimated Energy Audit Cost (EUR)
Royiatiko – Hotel 2*	3,000.00
Sky – Hotel 2*	3,000.00
Altius – Hotel 2*	3,000.00
Rimi – Hotel 2*	3,000.00
Crown In – Hotel 2*	3,000.00
Averof – Hotel 2*	3,000.00
Delphi – Hotel 1*	2,000.00
Almond – B category	2,000.00
TOTAL	63,000.00

This **fiscal policy is considered best practice** because:

- 1) It is **ideally placed to promote RES** and energy efficiency projects in the Municipality;
- 2) It **does not affect any other policies of the Municipality in a negative manner**;
- 3) It **clearly articulates its proposed goals (which are to promote RES and energy efficiency projects in the Municipality) and the underlying logic** for why it was introduced to bring about the intended change (i.e. **to help hotels become more energy efficient**);
- 4) Its **context and content are clear** – the money raised through the increase in taxation to the hotel accommodation tax will be ringfenced in a green mechanism-fund and used to provide free energy audits to the hotels, thereby enabling them to become more energy efficient and to introduce RES to meet their energy needs;
- 5) It is **fully compliant with the legal and economic framework in Cyprus**;
- 6) It is **fit for purpose** i.e. it will be raising awareness on RES. The Municipality has applied the fiscal policy to all hotels in its region, so all 15 hotels in Nicosia Municipality will be able to engage with and benefit from the free energy audits and their results. It is expected that given the audits will be provided for free, that all hotels will opt to undertake them and use them as an example to monitor and manage their energy consumption, become more energy efficient and explore opportunities to invest in RES as a means to further reduce their energy costs and impacts; and
- 7) It is **financially beneficial for the Municipality**. The fiscal policy will increase the income received by the Nicosia Municipality, as the hotel accommodation tax rates will increase by 20% to the ceiling rates, across all types of hotels. This will have a positive impact on

the Municipality's accounts, increasing their total budget by €21,000.00 in the next 3 years (2019,2020, 2021).

Impact of local fiscal policy for Nicosia Municipality

In 2018, the electricity consumption across all 15 hotels in Nicosia was 6,517 MWh (estimated). As outlined in Table 4, if all 15 hotels were to be provided with free energy audits, that would take about nine years to complete (assuming two audits per year), at a total cost of €63,000.00. In the instance where an increase in the green tax is implemented over the next few years, the free energy audits can be completed in a shorter but realistic time period of six years, instead of nine.

Assuming that some of the hotels take on board some of the actions provided by the energy audits on RES, then within the implementation period:

- **15% of hotels could implement soft measures according to the energy audit action plan, saving a total of 978 MWh (estimated).**
- **30% of hotels could invest in equipment (e.g. solar panels) according to the energy audit action plan, saving a total of 1,955 MWh (estimated).**

Across the soft measures and investment actions on RES outlined above, the hotels could lead to a **total reduction of 1,709 tonnes CO₂ eq.(estimated)**. This is broken down into:

- **854 tonnes CO₂ eq. from soft measures on RES (estimated);**
- **1,709 tonnes CO₂ eq. from investment in RES (estimated).**

For the soft measures on RES, this translates into a reduction of **74 tonnes CO₂ eq. per €1.00 spent (estimated)**.

For the investment in equipment for renewable energy, this translates into a reduction of **37 tonnes CO₂ eq. per €1.00 spent (estimated)**.

3.3 Aradippou Municipality

3.3.1 Proposed green fiscal policies to Aradippou's Municipal Council

Aradippou Municipality considered one green fiscal policy to promote RES and energy efficiency projects in the Municipality. The policy involved ringfencing a percentage of the 2017 increase in the professional tax for legal entities working in a profession, specifically for promoting RES in the Municipality. The option is described in more detail below.

Option 1:

The option was to ringfence a percentage of the 2017 increase in the professional tax for legal entities working in a profession, specifically for promoting RES in the Municipality. Aradippou Municipality has recently increased its professional tax per legal entity working in a profession, therefore a further increase may not be feasible. Another option for the Municipality could therefore be to ringfence part of the money coming in from the existing increase, for the green mechanism-fund, to promote RES in the Municipality.

The Municipality has noted that they could potentially ringfence ~10% of the total income generated for 2017 from the increase in the professional tax, exclusively for the green mechanism fund. This amounts to a total of **~26,000.00 Euro** that could be used to promote RES in the Municipality.

3.3.2 Approved green fiscal policies by Aradippou's Municipal Council

Aradippou's Municipal Council approved the fiscal policy outlined in Option 1, which is ringfencing 10% of the total income generated for 2017 from the increase in the professional tax, exclusive for the green mechanism fund. Based on the current tax rates outlined in Table 5, then:

- **Total income for 2017 from the professional tax for legal entities for the Aradippou Municipality: 257,000.00 EUR**
- **Potential Gains for the Municipality if 10% of this amount is ringfenced for the green mechanism fund: $257,000.00 * 10\% = \underline{25,700.00 \text{ EUR}}$**

According to the design of this fiscal policy, the ~€26,000.00 amount that will be raised, beginning in 2018, will be ringfenced in a green mechanism-fund and will be used, in part, to provide an incentive to organisations to reduce their energy consumption and improve their energy rating in their annual energy certificate. These incentives will be in the form of reductions

in the annual professional tax (up to a maximum of 15% reduction). The Municipality could use the remainder part of the money raised to provide consulting services to organisations, free of charge, on how to reduce their energy consumption, including suggestions for investing in RES. For the Municipality to award the tax reduction, it will require that the organisation has implemented ISO 50001 (the international standard on Energy Management System or EMS) and has certified the energy management system year on year, as proof that it is investing in managing and reducing its energy consumption.

Table 5: Professional tax for any legal entities working in a profession for the Aradippou Municipality

Category	Unknown category	Public Sector Companies	Private Sector Companies, up to 10 employees	Private Sector Companies, up to 5 employees	Private Sector Companies, more than 10 employees	Cooperatives, up to 10 employees	Cooperatives, up to 5 employees	Banks and Insurance Companies	TOTAL
2015 – First Six Months									
Number of establishments	-	2	95	498	73	2	2	3	675
Income (Euro)	-	2,360.00	23,610.00	66,224.00	29,946.00	728.00	485.00	3,003.00	126,356.00
2015 – Last Six Months									
Number of establishments	-	2	95	497	71	2	2	3	654
Income (Euro)	-	2,360.00	23,618.00	66,186.00	29,454.00	728.00	485.00	3,003.00	125,834.00
2016 – First Six Months									
Number of establishments	5	2	96	488	74	2	2	3	672
Income (Euro)	610.00	2,370.00	24,197.00	65,219.00	30,451.00	728.00	485.00	3,003.00	127,063.00
2016 – Last Six Months									
Number of establishments	6	2	97	490	73	2	2	3	675

Category	Unknown category	Public Sector Companies	Private Sector Companies, up to 10 employees	Private Sector Companies, up to 5 employees	Private Sector Companies, more than 10 employees	Cooperatives, up to 10 employees	Cooperatives, up to 5 employees	Banks and Insurance Companies	TOTAL
Income (Euro)	730.00	2,370.00	24,487.00	65,837.00	30,060.00	728.00	485.00	3,003.00	127,700.00
2017 – First Six Months									
Number of establishments	8	2	96	491	74	2	2	3	678
Income (Euro)	1,060.00	2,370.00	24,393.00	66,907.00	30,498.00	728.00	485.00	3,003.00	129,444.00
2017 – Last Six Months									
Number of establishments	6	2	96	491	74	2	2	3	676
Income (Euro)	790.00	2,370.00	24,396.00	66,785.00	30,498.00	728.00	485.00	3,003.00	129,055.00

The fund will be populated by the green taxation, as well as the overall municipal budget, and will be revolving (Figure 2). The money ringfenced will be used to fund the consulting services and the incentives to organisations to reduce their energy consumption and improve their rating in their annual energy certificate, in the form of reductions in the annual professional tax (up to a maximum 15% reduction). The savings will go back into the fund and continue to be used for energy-related projects.

3.3.3 Why it's considered best practice

As noted above, the money that will be ringfenced from the 2017 increase in the professional tax for organisations and will be used, in part, by the Municipality to provide an incentive to organisations to reduce their energy consumption and improve their rating in their annual energy certificate in the form of reductions in the annual professional tax (up to a maximum of 15% reduction). The remainder of the money will be used to provide free consulting services to organisations on how to reduce their energy consumption. If an organisation manages to reduce its energy consumption by a certain amount and/or to improve its energy certificate rating up to a certain level, then it will qualify for a maximum of 15% reduction in their annual professional tax. For the Municipality to award the tax reduction, it will require that the organisation has implemented ISO 50001 (the international standard on Energy Management System or EMS) and has certified the energy management system year on year, as proof that it is investing in managing and reducing its energy consumption. ISO 50001 is a proven framework that can help organisations monitor, manage and reduce their energy consumption, and thereby costs, as well as improving their energy efficiency. As well as benefiting from the reduction in energy use and in energy costs through the implementation of an EMS such as ISO 50001, organisations will also be able to use their certificate for ISO 50001 to indicate the reductions and efficiencies in energy that they have achieved, and thereby benefit from a reduction in their annual professional tax of up to a maximum of 15%.

This fiscal policy is considered best practice because:

- 1) It is **ideally placed to promote RES** and energy efficiency projects in the Municipality;

- 2) It **does not affect any other policies of the Municipality in a negative manner**;
- 3) It **clearly articulates its proposed goals (which are to promote RES and energy efficiency projects in the Municipality) and the underlying logic** for why it was introduced to bring about the intended change (i.e. **to help organisations become more energy efficient**);
- 4) Its **context and content are clear** – part of the money raised through the 2017 increase in taxation to the professional tax for organisations will be ringfenced in a green mechanism-fund and used to provide financial incentives to organisations to reduce their energy consumption and to improve their energy rating in their energy certificate, thereby enabling them to become more energy efficient and to introduce RES to meet their energy needs;
- 5) It is **fully compliant with the legal and economic framework in Cyprus**;
- 6) It is **fit for purpose** i.e. it will be raising awareness on RES. The Municipality has applied the fiscal policy to all professional legal entities in its region, so all 632 organisations in Aradippou Municipality will be able to benefit from the financial incentives to organisations to reduce their energy consumption and improve their energy rating in their energy certificate and the free consulting services. It is expected that given the consulting services will be provided for free and that there will be financial incentives for businesses to become more energy efficient, that a large number of the organisations within the Municipality will opt to take advantage of these incentives and services, and use them to monitor and manage their energy consumption, become more energy efficient and explore opportunities to invest in RES as a means to reduce their energy costs; and
- 7) It is **financially beneficial for the Municipality**. Even though the proposed fiscal policy will decrease the income available to the Aradippou Municipality, as money will be ringfenced from the 2017 increase to the professional tax for organisations specifically to promote RES in the Municipality, the money that will be ringfenced will be committed to potentially reduce the Municipality's impacts in terms of CO₂, which will further reduce the Municipality's costs.

Impact of local fiscal policy for Aradippou Municipality

It is assumed that the green taxation will apply to ~632 organisations. Currently, the 632 organisations across the Municipality consume ~32,645 MWh of electricity consumption. If 10% of the total amount of electricity consumption currently is produced via RES over a 10 year (or less) period, due to the financial incentives, free consulting services provided by the Municipality and implementation of ISO 50001, then that could potentially generate 3,264 MWh of renewable energy sources (estimated).

- **If 10% of all electricity consumption produced by the 632 organisations is produced via RES (e.g. solar panels), that could lead to a saving of 3,264 MWh (estimated).**

If 10% of the total amount of electricity consumption of the 632 organisations is produced via RES, this could lead to a:

- **total reduction of 2,853 tonnes CO₂ eq.(estimated); and**
- **a reduction of 66 tonnes CO₂ eq. per €1.00 spent(estimated).**

4. The reforms needed to enable green fiscal policies that promote RES to be implemented by local authorities

4.1 National legislative reforms

As noted above, the local authorities (Municipalities and Communities) in Cyprus are responsible to manage, according to the Municipalities¹⁵ and Communities¹⁶ Laws, different kind of taxes/tariffs/fees and other revenues. However, it is the Minister of the Ministry of Interior who has the power to amend the aforementioned laws. The laws define the types of taxes/tariffs/fees and the maximum amount (ceiling) of each tax/tariff/fee which the Municipalities / Communities can collect. However, the Municipal/Community Council defines the level (rate) of the amount collected in each tax/tariff/fee. As such, the Municipalities and Communities have no ability to go beyond the ceiling of each tax/tariff/fee, and can only go below it. They also cannot implement new green fiscal policies, such as green taxation that can be used to promote RES, and can only utilise existing taxes, tariffs and fees within the ranges defined by these laws, to ringfence enough money to do so.

For the Municipalities and Communities to be able to implement and promote local fiscal policies that promote RES, it is necessary for the governing laws in Cyprus – in this case the Municipalities¹⁷ and Communities¹⁸ Laws –to be amended by the Municipalities and Communities themselves, and not by the Ministry of Interior. This will allow the Municipalities and Communities to increase their realm of responsibilities to control the taxes, tariffs and fees they currently only manage, enabling them to modify and revise the governing laws in order to introduce green fiscal policies such as green taxation and/or increase the levels of existing tariffs/taxes/fees beyond the current ceiling, in order to promote RES.

As previously noted, local authorities are now asked to implement even more stringent targets, to meet the EU's 2030 Climate and Energy framework, where at least 40% cuts are required in greenhouse gas emissions (GHG) from 1990 levels, at least 27% share of energy has to be from

¹⁵Municipalities Law (N.111/85). Available at: http://www.cylaw.org/nomoi/indexes/1985_1_111.html [Accessed 10th April 2019]

¹⁶Communities Law (N.86(I)/99). Available at: http://www.cylaw.org/nomoi/indexes/1999_1_86.html [Accessed 10th April 2019]

¹⁷Municipalities Law (N.111/85). Available at: http://www.cylaw.org/nomoi/indexes/1985_1_111.html [Accessed 10th April 2019]

¹⁸Communities Law (N.86(I)/99). Available at: http://www.cylaw.org/nomoi/indexes/1999_1_86.html [Accessed 10th April 2019]

renewable sources and at least 27% improvement is required in energy efficiency by the year 2030. On top of that, most municipalities also have commitments to meet under the framework of the SEAPs (Sustainable Energy Action Plans submitted under the 2020 Covenant) and the SECAPs (Sustainable Energy and Climate Action Plans to be submitted under the 2030 Covenant) adopted by the signatories of the Covenant of Mayors. By having the ability to amend the laws governing fiscal policies, these local authorities will be better placed to meet their stringent national, regional and European targets.

For this change to take place, it is required that the Municipalities¹⁹ and Communities²⁰ Laws is amended, to shift the power and control for amendments from the Ministry of Interior in Cyprus to the Municipalities and Communities. Such an amendment will need to be requested by the Union of Cypriot Municipalities and Communities, and will be presented at the House of Representatives, requiring their approval to become legally binding and enforceable.

4.2 National reformative reports

As we've also noted in this report, municipalities face many obstacles for implementing local fiscal policies and sustainable projects more generally. They are understaffed, have limited financial resources and competences, limited technical knowledge and often the lack of political will to support their decision-making. Add to that the weak regulatory framework and bureaucracy that define the public sector, and it becomes painfully obvious that their ability to bring about change is limited.

In particular, all existing taxes, tariffs and fees that could be used to ringfence some money to promote RES, and any new green taxes, tariffs and fees that may be implemented for the same purpose, will be the responsibility of the Health Inspector to oversee and manage. While this position has a range of responsibilities that include waste management to health and safety to even pet-related complaints, most Municipalities and Communities do not have the resources for these departments to employ more staff, and it's typically just a single individual that carries out the work. As such, it is necessary for the Municipalities and Communities here in Cyprus to

¹⁹Municipalities Law (N.111/85). Available at: http://www.cylaw.org/nomoi/indexes/1985_1_111.html [Accessed 10th April 2019]

²⁰Communities Law (N.86(I)/99). Available at: http://www.cylaw.org/nomoi/indexes/1999_1_86.html [Accessed 10th April 2019]

be able to expand these departments and employ more people, to try and bridge the resources and skills gap that currently exists, thereby eliminating some of the current barriers that exist.

Furthermore, for a country as small as Cyprus is, currently there are 30 Municipalities and 353 Communities in the territories controlled by the Republic of Cyprus. Such a large number of local government bodies has led to excessive amounts of red tape, which slows down decision making, leads to high costs for providing services to citizens due to lack of economies of scale, and results in often conflicting political wills, which could hinder progress. As such, it is currently being discussed that certain Municipalities and Communities will form clusters to benefit from economies of scale. Through clustering of these Municipalities and Communities, they will be able to procure services for bigger volumes of work at more competitive pricing, thereby benefiting from economies of scale, and will have more staff and a wider pool of technical knowledge and skills to draw from for the services they offer. The result will be increased capacity, increase levels of expertise and experience and reduced costs of providing services to citizens. Some of the smaller Municipalities and Communities will also benefit from having in-house technical services and departments they did not previously have, thereby being able to provide more to their citizens.

It has been proposed that the Municipality of Nicosia forms a cluster with another two or three Municipalities, while the Municipality of Lakatamia forms a cluster with another one Municipality. The Municipality of Aradippou will potentially form a cluster with one other Municipality and one other Community. While these propositions will likely change again before they become final, one thing is clear; that through this clustering, the pilot Municipalities, and the remainder ones in Cyprus who will be looking to follow the example of these pilots by adopting these best practices, will be better placed in terms of human and financial resources to be able to implement and promote green fiscal policies that promote RES.

4.3 Lessons learnt

Given this is the first time that a green tax has been introduced at the local level in Cyprus, the following lessons have been noted for a successful application of green fiscal policies in Cypriot Local Authorities moving forward:



5. Concluding remarks

What the pilot Municipalities in Cyprus participating in the LOCAL4GREEN project have shown, is that the ability exists to utilise the existing framework of legislation and taxation nationally, in order to implement local green fiscal policies to promote RES. The evaluation reports for this project have shown that all three pilot Municipalities in Cyprus – Lakatamia, Nicosia and Aradippou – have the potential to promote the production of renewable energy among their communities, while raising awareness on RES and energy efficiency more generally, and at the same time reducing operating costs and their impacts (in terms of GHG emissions). The purpose of this national handbook was to showcase these examples of best practice, to show that they are transferable and easily implemented beyond the pilot members by other local authorities in Cyprus, and to provide decision-makers with the legal, economic and technical information they need to successfully implement local green fiscal policies in other Municipalities and Communities. Furthermore, this national handbook also outlines national legislative and reformative reforms that would make it easier for Municipalise and Communities in Cyprus to implement and promote local green fiscal policies in the future.