Annex I

Cyprus

Improving financial security in the context of the Environmental Liability Directive
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1. **INTRODUCTION**

Financial security for ELD liabilities in the form of stand-alone environmental insurance policies that provide cover for sites and/or operations in Cyprus is available only to a very limited extent.

Extensions to general liability policies that provide cover for remediating environmental damage that emanates from an insured’s site are not available.

Extensions to property policies that provide cover for remediating on-site environmental damage under the ELD and other environmental liabilities are not generally available.

Stand-alone environmental insurance policies that provide more extensive cover for liabilities under the ELD and other environmental legislation are offered by multinational insurers to companies with sites and/or operations in Cyprus and other States. Such policies are widely available by passporting although some of them have not been adapted for the legal and licensing systems in Cyprus.

Cyprus transposed the ELD by the Environmental liability with regards to the prevention and remediating of environmental damage Law of 2007, Law 189(I)2007 (Ο περί της περιβαλλοντικής ευθύνης όσον αφορά την πρόληψη και την αποκατάσταση περιβαλλοντική ζημιάς νόμος, 189(I)/2007; Law of 2007).¹

Cyprus has not enacted legislation to impose mandatory financial security for ELD liabilities.

Cyprus has imposed mandatory financial security in the form of insurance or a guarantee for operations pursuant to a waste management permit and an integrated pollution prevention and control permit. The financial security is for remediating pollution incidents that result from such operations (see sections 11.1.2 and 13.1.2 below). Most of the demand for environmental insurance (and to a lesser extent bank guarantees) in Cyprus is from operators that are subject to this requirement.

2. **ENVIRONMENTAL INSURANCE MARKET**

The 2017 Environmental Implementation Review for Cyprus stated that ‘insurance cover appears to be insufficiently available for liabilities under the [ELD]’ and suggested that Cyprus should ‘take further steps to ensure an effective system of financial security for environmental liabilities (so that operators not only have insurance cover available to them but actually take it up)’.

The 2019 Environmental Implementation Review for Cyprus includes as a priority item ‘Improve financial security for liabilities’ under the ELD.

This situation had not changed when this report was published. The environmental insurance market in Cyprus is in an early stage of development.

A small number of insurers based in, or with branches in, Cyprus offer stand-alone environmental insurance policies by means of fronting through collaboration with insurers in

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the London environmental insurance market.4 Otherwise, businesses that wish to purchase stand-alone environmental insurance policies for risks in Cyprus either directly contact insurers in the London environmental insurance market or operate through national insurance brokers, which propose London market environmental insurance policies.

Whilst there is a wide range of policies that tend to provide the same level of cover for ELD and other environmental liabilities as those in well-developed markets in some other Member States, their availability as well as demand for them, is very low. They tend to be offered mainly by passporting, especially from the London environmental insurance market. Their availability and demand for them are both low.

Environmental extensions to general liability policies are not generally available.

Environmental extensions to property policies are available but only to a very limited extent. Cover provided by them is limited. They do not provide cover for ELD liabilities. Demand for them is very low.

2.1. Commercial insurers

2.1.1. Number of insurers

Very few insurers offer stand-alone environmental insurance policies to businesses with sites and/or operations only in Cyprus.

By contrast, the Insurance Association of Cyprus has 29 members, accounting for approximately 98% of premiums written in the insurance market in Cyprus.5 A publication by the Association on insurance in Cyprus which described the situation at 31 December 2018, mentioned several lines of insurance business but did not mention environmental insurance.6

2.1.2. New insurers entering the market since 2009

No new insurers have entered the environmental insurance market in Cyprus since 2009.

2.1.3. Existing insurers that introduced environmental insurance policies since 2009

A small number of insurers, mainly multinational insurers that carried out insurance business in Cyprus before 2009, offer stand-alone environmental insurance policies to businesses with sites and/or operations only in Cyprus.

2.2. Re/insurance pools

There is no re/insurance pool in Cyprus that offers environmental insurance policies.

4 Fronting can take several forms. Under the fronting arrangement indicated above, typically the local insurer in Cyprus issues an environmental insurance policy on behalf of another insurer that has the capacity for the risk – usually a London market insurer. That is, for example, the local insurer fronts the wording of the London market insurer. This is the case either because the London market insurer is not admitted to carry out insurance business in Cyprus or because the local insurer does not have the capacity to do so on its own. The local insurer may transfer some, or all, of the risk to the London market insurer. The local insurer agrees to pay losses covered by the policy and then seeks reimbursement, through a reinsurance agreement.

5 Insurance Association of Cyprus, ‘About the IAC’; http://www.iac.org.cy/

2.2.1. **Date of establishment**
Not applicable

2.2.2. **Descriptions of policies issued**
Not applicable

2.3. **Mutuals**
No mutual in Cyprus offers environmental insurance policies.

2.3.1. **Date of establishment**
Not applicable

2.3.2. **Descriptions of policies issued**
Not applicable

2.4. **Other**
There are no captives or other types of providers of environmental insurance policies in Cyprus.

3. **Voluntary insurance policies for ELD and other environmental liabilities**

3.1. **Environmental insurance policies**
Stand-alone environmental insurance policies provided by multinational insurers to operators with sites in Cyprus and other Member States by passporting are available. Some of these policies provide meaningful cover for legal and licensing requirements under the law of Cyprus; others provide limited cover due to the lack of adaptation to legal and licensing requirements in Cyprus.

3.2. **Cover for ELD preventive costs**
Stand-alone environmental insurance policies provide cover for preventive measures under the ELD. The extent of such cover depends on the insurer offering the policy. As noted above, however, they are only generally available from the London environmental insurance market.

3.3. **Cover for ELD primary, complementary and compensatory costs**
Stand-alone environmental insurance policies provide cover for primary, complementary and compensatory measures under the ELD. As noted above, however, they are only generally available from the London environmental insurance market.

3.4. **Cover for non-ELD liabilities**
Stand-alone environmental insurance policies provide cover for non-ELD liabilities such as the remediation of pollution under other environmental legislation. In addition, cover for third-party claims for bodily injury and property damage from environmental damage may be included subject to agreement by individual insurers. As noted above, however, they are only generally available from the London environmental insurance market.
3.5. **Nature of policies (liability only or liability and on-site remediation)**

All stand-alone environmental insurance policies offered for risks in Cyprus provide cover for the costs of remediating environmental damage, including soil and water pollution, caused by an insured to third-party sites as well as the costs of remediating such damage on an insured’s own site. The policies may also provide optional additional cover, on request, for third-party claims for bodily injury, property damage and economic loss from environmental damage.

The policies do not tend to provide cover for the costs of remediating on-site pollution. Property policies are generally provided as a stand-alone product.

As noted above, however, they are only generally available from the London environmental insurance market.

3.6. **Description of policies**

3.6.1. **Format**

Stand-alone environmental insurance policies offered by multinational insurers, when available, generally have a menu format so that an insured may select the insuring agreement(s) it requires. There is a wide range of such policies from the London environmental insurance market (see section 3.6.3 below).

3.6.2. **Claims made or occurrence based**

Stand-alone environmental insurance policies are underwritten on a claims made basis. That is, a claim must be made against the insured during the policy period and reported to insurers during the policy period or, if available, the extended reporting period.

3.6.3. **Policies for operators**

As noted above, stand-alone environmental insurance policies, when they are available from the London environmental insurance market, may include insuring agreements for the following:

- the remediation of on-site and off-site environmental damage under the ELD caused by operations, including transportation, carried out by the insured operator;
- the remediation of pollution under other environmental legislation caused by operations, including transportation, carried out by the insured operator;
- emergency costs and costs of preventive measures under the ELD under the two above bullet points;
- third-party claims for bodily injury and property damage;
- third-party business interruption caused by environmental damage including pollution;
- the insured’s business interruption costs and extra expense caused by environmental damage including pollution;
- director’s liability related to the insured incident; and
- related legal costs.

Only the first and third items above are ELD liabilities. The policies are thus designed to include, not only protection under the ELD but also protection under other public law as well as civil law and non-liability requirements.

All stand-alone environmental insurance policies offered by multinational insurers to operators with sites and/or operations only in Cyprus as well as sites and/or operations in Cyprus and other States are not necessarily designed for Cyprus operators. Some policies are
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specifically designed to reflect – and provide cover for – the legal and licensing situation in Cyprus; others are not.

3.6.4. Policies for contractors and others
Stand-alone environmental insurance policies that provide cover for ELD and other environmental liabilities are also available for contractors, when they are available. The policies tend to provide similar types of cover as the policies for operators, as described in section 3.6.3 above, including liability for remediating environmental damage including pollution at sites at which the contractor is carrying out operations in addition to the insured contractor’s own site.

3.7. Model terms and conditions
There are no model terms and conditions for environmental insurance policies, endorsements to other policies, or any other financial security instruments for ELD or other environmental liabilities in Cyprus.

3.7.1. Organisation issuing model terms and conditions
Not applicable

3.7.2. Description of model terms and conditions
Not applicable

3.7.3. Relationship between policies with model terms and conditions and environmental insurance policies
Not applicable

3.8. Date of general availability of environmental insurance policies
Stand-alone environmental insurance policies were not generally available in Cyprus when this report was printed. In 2013, only one insurer was offering insurance for liabilities arising from environmental damage (see section 10 below).

Data concerning the general availability of environmental insurance is very difficult, if not impossible, to obtain because such data falls under the general category of liabilities in Cyprus.

3.9. Environmental assessments and audits
Insurers tend to require prospective insureds to provide evidence that they have all relevant environmental permits and licences for their operations.

Insurers may also, as part of the underwriting process, require a prospective insured to carry out specified risk mitigation measures prior to binding the policy.

3.10. Average premium
No information was available on the average premium for stand-alone environmental insurance policies.

3.11. Average policy limit
Stand-alone environmental insurance policies tend to be issued with limits of EUR 1,000,000 and above.
No information was available on the average policy limit for a stand-alone environmental insurance policy.

3.12. **Average deductible or self-insured retention**

The deductible or self-insured retention for a stand-alone environmental insurance policy is usually between EUR 25,000 to EUR 100,000.

3.13. **Average policy period**

Stand-alone environmental insurance policies are virtually always issued on an annual basis, with renewals negotiated with insurers on that basis.

3.14. **Sizes of typical insured businesses**

As indicated in section 1 above, very few businesses purchase stand-alone environmental insurance policies.

The size of a business is not a decisive factor to an insurer in deciding whether to issue a stand-alone environmental insurance policy because over 90% of businesses in Cyprus are small to medium sized. The decisive factors are the nature of the business and its risk awareness/risk mitigation measures.

As a practical matter, only large or multinational companies or relevant branches of multinational companies tend to purchase stand-alone environmental insurance policies. In the latter case, their purchase is usually imposed as an obligation from the central offices of the multinational company.

3.15. **Industrial and commercial sectors that typically purchase policies**

Businesses that are subject to a mandatory requirement for insurance or a guarantee for pollution incidents that result from operations carried out by them pursuant to a waste management permit or an integrated pollution prevention and control permit (see sections 11.1.2 and 13.1.2 below) typically purchase a guarantee rather than environmental insurance because a guarantee is cheaper. This tendency, which is due in part to low insurance consciousness in Cyprus, exists despite stand-alone environmental insurance policies providing more benefits to a business than a guarantee.

3.16. **Industrial and commercial sectors with limited or no accessibility to policies**

As indicated in section 3.6 above, virtually all industrial and commercial sectors have only limited accessibility to insurance for ELD and other environmental liabilities. A major reason for this is the lack of demand for such insurance. That is, if there was a large demand, insurers would have developed more environmental insurance products to satisfy that demand.

3.17. **Number and amount of claims**

There are no public reports on the number or amount of claims against stand-alone environmental insurance policies. Due to the low demand for them, the number is probably negligible or none.

3.18. **Coverage litigation**

There is no reported litigation on whether an environmental insurance policy or extension to a property policy provides cover for ELD liabilities. Due to the low demand for them, the number is probably negligible or none.
3.19. **Cover for ELD liabilities in general liability policies**

Cover for ELD and other environmental liabilities by an extension to a general liability policy is not available in Cyprus.

3.20. **Cover for ELD liabilities in property policies**

Cover for ELD and other environmental liabilities by an extension to a property policy is available only to a very limited extent in Cyprus. Extensions that are available provide only very limited cover for the on-site remediation of pollution. They do not provide cover for ELD liabilities. Demand for such extensions is very low.

4. **OTHER VOLUNTARY FINANCIAL SECURITY INSTRUMENTS AND MECHANISMS**

4.1. **Type(s)**

Guarantees are specifically identified as acceptable financial security instruments for pollution incidents from operators that have waste management or integrated pollution prevention and control permits (see sections 11 and 13 below). As indicated in section 3.15 above, they tend to be more popular than stand-alone environmental insurance policies due to their lower cost.

4.2. **Availability**

Not applicable

5. **MANDATORY FINANCIAL SECURITY FOR ELD LIABILITIES (ARTICLE 14(1))**

Cyprus has not introduced mandatory financial security for liabilities under the ELD.

5.1. **Competent authority(ies)**

Not applicable

5.2. **Legislative provisions**

Not applicable

5.2.1. **Name(s) of legislation**

5.2.2. **Stand-alone requirement or hybrid**

5.2.3. **Consideration of mandatory financial security legislation (if not enacted)**

5.2.4. **Reasons for decision not to enact mandatory financial security legislation**

5.2.5. **Revisions to legislation**

5.2.6. **ELD liabilities covered by mandatory financial security**

5.2.7. **Description of mandatory financial security provisions**

5.2.8. **Exception for low risk sites**

5.2.9. **Exception for ISO 14001 certification or EMAS registration**
5.2.10. Other exceptions

5.3. Environmental licence conditions
Not applicable

5.3.1. Stand-alone requirement or hybrid

5.3.2. Revisions to licensing requirements

5.3.3. ELD liabilities covered by mandatory financial security

5.3.4. Description of mandatory financial security conditions

5.4. Date of introduction
Not applicable

5.5. Effective date
Not applicable

5.6. Key reasons for introduction
Not applicable

5.7. Withdrawal of mandatory financial security
Not applicable

5.8. Guidance
Not applicable

5.9. Operators subject to mandatory financial security
Not applicable

5.10. Amounts and limits of mandatory financial security
Not applicable

5.11. Growth of mandatory financial security
Not applicable

6. REGULATORY OVERSIGHT OF FINANCIAL SECURITY INSTRUMENTS AND MECHANISMS

6.1. Review of financial security instruments or mechanisms
Not applicable

6.2. Financial security instruments and mechanisms accepted
Not applicable
6.2.1. **Templates**

6.2.2. **Requirements for environmental insurance policies**

6.2.3. **Form of mandatory environmental insurance policy**

6.3. **Financial security instruments and mechanisms not acceptable**
Not applicable

6.4. **Time of review**
Not applicable

6.5. **Regulatory costs of review**
Not applicable

6.6. **Requirements for operator to review**
Not applicable

7. **ENFORCEMENT OF FINANCIAL SECURITY REQUIREMENTS**
Not applicable

8. **EX POST ENVIRONMENTAL DAMAGE MANDATORY FINANCIAL SECURITY (ARTICLE 8(2))**

Section 11(3) of the Law of 2007 states, in pertinent part, that without prejudice to the application of defences to liability:

> the competent authority shall recover the cost of remediying the environmental damage from the operator which caused it, via security over property or other appropriate guarantees determined by the Minister.

Section 8 closely tracks the language of article 8(2) of the ELD. It does not require the operator to provide evidence of financial security to carry out measures to remEDIATE environmental damage caused by it. Instead, it only authorises the competent authority to require financial security, such as security over property, after the authority has carried out any remedial measures.

8.1. **Date legislation or policy for mandatory financial security introduced**
Section 11.3 of the Law of 2007 was introduced at the same time as the other provisions of the Law, that is, 31 December 2007.

8.2. **Effective date for ex post mandatory financial security**
Section 11.3 of the Law of 2007 came into effect at the same time as the other provisions of the Law, that is, 31 December 2007.

8.3. **Financial security instruments and mechanisms accepted**
See section 8 above.

8.4. **Financial security instruments and mechanisms not acceptable**
No financial security instruments or mechanisms are listed as being unacceptable.
9. PROVIDERS OF MANDATORY FINANCIAL SECURITY INSTRUMENTS

9.1. Insurers
Not applicable

9.2. Banks and other financial institutions
Not applicable

9.3. Sureties
Not applicable

9.4. Providers outside Member State
Not applicable

10. MEASURES TAKEN BY MEMBER STATE TO DEVELOP FINANCIAL SECURITY MARKETS

Section 15 of the Law of 2007 provides as follows:

(1) The Minister shall take measures to encourage the development of financial security instruments and/or markets by the appropriate economic and financial operators, including financial mechanisms in case of insolvency, with the aim of enabling operators to use financial guarantees to cover their responsibilities under this Law.

(2) For the purpose of effectively implementing indent (1) the Ministerial Council may issue regulations which regulate any issues not regulated by the provisions of the said indent.

Section 15(1) tracks article 14(1) of the ELD.

Cyprus explained its consideration of the introduction and implementation of financial security for ELD liabilities in its 2013 report to the European Commission under then article 18(1) of the ELD. Cyprus explained that:

Regarding the issue of financial security, the national law allows for non-compulsory insurance or other financial security. Consultations have been carried out with the financial security sector during and following the transposition of the Directive and a seminar was conducted so as to promote the creation of appropriate insurance instruments for operators, yet to date no market has been created for such financial products. The consultations and promotion efforts emphasised that due to the country's size and the dominance of SMEs, the market is too small for such insurance products and the packages would be too costly. The small market size and the current economic crises have temporarily halted steps to further promote the issue.

The further development of insurance products and. instruments is hindered by the small size of the market and operators, a significant percentage of which are SMEs, the lack of interest, and the resulting high costs of insurance packages. Due to the current financial crises taking further action is not being actively considered so as to avoid overburdening the already struggling SMEs.

SMEs are sufficiently dealt with through the permits issued under existing environmental legislation and bank guarantees. Currently, only one company is offering insurance packages for environmental damage, therefore there is no competition in the insurance market and operator needs are not sufficiently covered. The lack of
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appropriate financial security options leads to insufficient coverage for possible liabilities arising from ELD, with many liabilities remaining uninsurable. It may be concluded that voluntary financial security has not been successful to date and there is no interest in insurance packages for environmental liability.

Given that financial security is voluntary and the majority of large companies are not insured due to the problems mentioned earlier, it is estimated that in the case of a large scale incident the environmental damage incurred would not be covered sufficiently by any available financial security instruments. Nevertheless, taking into account the size and nature of activities, damage may be effectively addressed through other legislation, while in cases of serious damage resort to Court remains an option under criminal law.7

Cyprus further stated that it had conducted awareness activities and seminars on the ELD in 2008 and 2009:

including a seminar specifically for promoting the creation of appropriate insurance instruments for operators, together with consultations with the financial security sector during and following the transposition of the [ELD].8

Cyprus recognised that insurers needed information on the ELD and also that ‘resources for assisting operators and insurance providers in assessing remediation projects and costs [were] restricted’. Still further, Cyprus suggested that it would be useful to exchange experiences with Member States that had ‘succeeded in advancing and promoting insurance products’.9

11. EU ENVIRONMENTAL LEGISLATION WITH MANDATORY FINANCIAL SECURITY PROVISIONS

11.1. Landfill Directive

11.1.1. Competent authority(ies)

The competent authority for the Landfill Directive (1999/31/EC), which is implemented in Cyprus by the Law on Waste of 2011, 185(I)/2011 (Ο Περί Αποβλήτων Νόμος του 2011 (185(I)/2011)),10 is the Ministry of Agriculture, Rural Development and Environment (Υπουργείο Γεωργίας, Αγροτικής Ανάπτυξης και Περιβάλλοντος).

11.1.2. Financial security provisions

Article 34 of the Law on Waste of 2011 requires the holder of a waste management licence to remediate the following on closure of the waste installation:

(i) any damage that may have been caused to the environment by its operation, and

(ii) the natural environment by modifying and integrating the premises of its facilities in accordance with the terms of the licence.

7 Cyprus, Report under Article 18(1) in conjunction with Annex VI ELD, 2-3; https://ec.europa.eu/environment/legal/liability/pdf/eld_ms_reports/CY.pdf
8 Ibid 3
9 Ibid 4
Article 26 of the Law on Waste of 2011 requires the holder of a waste management licence to submit a guarantee or sufficient insurance (εγγύηση ή επαρκή ασφάλιση) to the competent authority for the costs of dealing with any pollution incident that may be caused by the landfill’s activities. The amount and form of the guarantee or sufficient insurance is determined by a notification of the competent authority.

In 2012, Notification No 298/2012 regarding the guarantees for collection, transportation, recovery and treatment of waste (Ο Περί Αποβλήτων Νόμος του 2011 έως 2012 (185(I)/2011 έως 2012) – Γνωστοποίηση για καθορισμό εγγυητικών με βάση τα εδάφια (1) και (2) του άρθρου 26 του Νόμου) was issued. Depending on the type of waste and treatment procedure, the guarantees range from EUR 3,000 for five years (for compressors of bulk and garden waste) and up to EUR 100,000 for five years (for sanitary landfills).

11.1.3. Financial security instruments and mechanisms accepted
A guarantee and insurance policy are acceptable types of financial security instruments.

11.1.4. Templates
There are no templates for acceptable financial security instruments.

11.1.5. Financial security instruments and mechanisms not acceptable
There is no list of financial security instruments that are not acceptable.

11.2. Extractive Waste Directive

11.2.1. Competent authority(ies)
The competent authority for the Extractive Waste Directive (2006/21/EC), which is implemented in Cyprus by the Law on the management of waste of the extractive industry, 82(I)/2009 (Ο περί Διαχείρισης των Αποβλήτων της Εξορυκτικής Βιομηχανίας Νόμος του 2009 (82(I)/2009)), is the Ministry of Agriculture, Rural Development and Environment.

11.2.2. Financial security provisions
Article 19 of the Law on the management of waste of the extractive industry requires the applicant for a permit for an extractive waste facility to accompany the application with adequate arrangements in the form of a financial guarantee or an equivalent instrument as required by article 28.

Article 28(1) states that before commencing operations that involve the accumulation or disposal of extractive waste in an extractive waste facility, the operator must submit to the competent authority a ‘financial guarantee in the form of a financial deposit, including industry-funded mutual funds or other equivalent means’ (χρηματική εγγύηση (υπό μορφή χρηματικής κατάθεσης, περιλαμβανομένων των χρηματοδοτούμενων από τη βιομηχανία ταμείων αμοιβαίων εγγυήσεων) ή άλλο ισοδύναμο μέσο) to comply with the obligations in the permit for the facility including post-closure (aftercare) measures. Article 28(1) further states that the operator must have funds available to restore the land affected by the facility,


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as described in the extractive waste management plan prepared in accordance with the Law on the management of waste of the extractive industry.

Article 28(2) states that the guarantee is calculated on the basis of the potential environmental effects of the extractive waste facility taking into account in particular the category of facility, the characteristics of the extractive waste and the future use of the restored land. In calculating the amount, it is to be assumed that a Technical Extractive Waste Management Committee, which is appropriately qualified, will carry out the assessment and all necessary remediation measures. Article 37 states that the Committee shall have responsibility, among other things, for examining and advising the competent authority on the amount of the financial guarantee.

Article 28(4) states that the competent authority shall provide the operator with a written declaration to release it from the obligation to have financial security when the authority has approved the closure of the extractive waste facility, with the exception of the operator’s obligations for post-closure measures.

Article 29 provides, among other things, that the permit for the extractive waste facility shall specify the duration of the aftercare phase as well as the time and manner for returning the financial guarantee.

11.2.3. Financial security instruments and mechanisms accepted

Acceptable financial guarantees are a financial deposit, including industry-funded mutual funds, or other equivalent means.

11.2.4. Templates

There are no applicable templates.

11.2.5. Financial security instruments not acceptable

There is no list of financial security instruments that are not acceptable.

11.3. Carbon Capture and Storage Directive

11.3.1. Status of implementation

Cyprus does not have any facilities to store carbon dioxide.

11.3.2. Competent authority(ies)

11.3.3. Financial security provisions

Article 13 of the Carbon Dioxide Storage in Geological Formations Law requires the operator of a storage facility for carbon dioxide to establish and maintain a financial guarantee or equivalent form of security in accordance with article 23.

Article 23(1) provides that the competent authority must ensure that an applicant for a storage facility for carbon dioxide must show in the application that it will have a financial guarantee or other equivalent guarantee to ensure that its obligations under the licence, including closure and post-closure measures, are complied with as well as any obligations that arise out of inclusion of the site in the requirements of the Law establishing a System for Greenhouse Gas Emissions Trading. The financial security must be valid and in force 21 days before injection of carbon dioxide begins.

Article 23(2) states that the financial guarantee may be revised periodically to take account of changes in the estimated risk of leakage and the estimated cost of all liabilities arising out of the licence and any liabilities arising from the Law establishing a System for Greenhouse Gas Emissions Trading.

Article 23(3) requires the financial guarantee or any equivalent guarantee to be valid and in force after the storage facility is closed until responsibility for the facility has been transferred to the competent authority, the licence is withdrawn and a new licence has been issued, or responsibility has been transferred and the financial conditions related to the transfer have been met.

11.3.4. Financial security instruments and mechanisms accepted

A financial guarantee or any other equivalent guarantee are acceptable financial security instruments.

11.3.5. Templates

There are no templates for acceptable financial security instruments.

11.3.6. Financial security instruments and mechanisms not acceptable

There is no list of financial security instruments or mechanisms that are not acceptable.

12. EU Recommendation on Hydraulic Fracturing

12.1. Status

Cyprus has no known shale gas resources.

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14 N. 174(I)/2015, Νόμος που τροποποιεί τον περί της Αποθήκευσης Διοξειδίου του Άνθρακα σε Γεωλογικούς Σχηματισμούς Νόμο του 2012 (Αρ. 4542, 02.12.2015);

15 See ‘European Unconventional Oil and Gas Assessment (EUOGA), Review of results, knowledge gaps and recommendations for future work’, Deliverable T8 (March 2017), 5;
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12.2. Competent authority(ies)
Not applicable

12.3. Financial security provisions
Not applicable

12.4. Financial security instruments and mechanisms accepted
Not applicable

12.5. Templates
Not applicable

12.6. Financial security instruments and mechanisms not acceptable
Not applicable

13. EU ENVIRONMENTAL LEGISLATION WITH NO MANDATORY FINANCIAL SECURITY PROVISIONS

13.1. Industrial Emissions Directive

13.1.1. Competent authority(ies)
The competent authorities for the Industrial Emissions Directive (2010/75/EU), which is implemented in Cyprus by the Law on industrial emissions (integrated prevention and control of pollution) of 2013 (184(I)/2013) (Ο περί Βιομηχανικών Εκπομπών (Ολοκληρωμένη Πρόληψη και Έλεγχος της Ρύπανσης) Νόμος του 2013 (184(I)/2013)), are the Ministry of Agriculture, Rural Development and Environment (soil and water), the Ministry of Labour, Welfare and Social Insurance (Υπουργείο Εργασίας, Πρόνοιας και Κοινωνικών Ασφαλίσεων) (air), or both depending on the facility and other relevant factors.

13.1.2. Financial security provisions
Article 11 of the Law on industrial emissions states that, simultaneously with the granting of a licence, the holder of the licence must submit to the competent authority a guarantee or sufficient insurance to cover the cost of any expenses to deal with a pollution incident that may be caused by the operator’s activities. The amount and form of the guarantee is to be determined by a notification of the competent authority, to be published in the Official Journal of Cyprus.

The relevant notification had not been issued when this report was published.

13.1.3. Financial security instruments and mechanisms accepted
Acceptable financial security instruments are a guarantee or sufficient insurance.

13.1.4. Templates
There are no templates for acceptable financial security instruments.

16 Ο περί Βιομηχανικών Εκπομπών (Ολοκληρωμένη Πρόληψη και Έλεγχος της Ρύπανσης) Νόμος του 2013 (184(I)/2013); http://www.cylaw.org/nomoi/enop/non-ind/2013_1_184/full.html (in Greek)
13.1.5. **Financial security instruments and mechanisms not acceptable**

There is no list of financial security instruments or mechanisms that are not acceptable.

13.2. **Seveso III Directive**

13.2.1. **Competent authority(ies)**

The competent authority for the Seveso III Directive (2012/18/EU), which is implemented in Cyprus by Rules on safety and health at work (managing risk from major accidents due to the presence of dangerous substances), 347/2015 (Οι περι ασφάλειας και υγείας στην Εργασία (αντιμετώπιση κινδύνων ατυχημάτων μεγάλης κλίμακας σχετιζόμενων με επικίνδυνες ουσίες) Κανονισμοί του 2015, ΚΔΠ 347/2015), is the Ministry of Labour, Welfare and Social Insurance.

13.2.2. **Financial security provisions**

The Rules on safety and health at work do not contain any requirements for financial security.

13.2.3. **Financial security instruments and mechanisms accepted**

Not applicable

13.2.4. **Templates**

Not applicable

13.2.5. **Financial security instruments and mechanisms not acceptable**

Not applicable

13.3. **Other legislation**

Article 26 of the Law on Waste of 2011 requires the holder of a waste management licence to submit a guarantee or sufficient insurance to the competent authority for the costs of dealing with any pollution incident that may be caused by activities subject to the licence (see section 11.1.2 above).

14. **Mandatory financial security for offshore oil and gas operations**

14.1. **Competent authority(ies)**


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18 Ο περί Υδρογονανθράκων (Αναζήτηση, Έρευνα και Εκμετάλλευση) Νόμος του 2007 (Ν. 4(Ι)/2007); http://www.cylaw.org/nomoi/arith/2007_1_004.pdf (in Greek)
14.2. Status of offshore oil and gas operations

Cyprus has granted licences for offshore oil and gas exploration and has entered into related production sharing agreements with oil and gas companies.\(^{21}\)

14.3. Requirements for financial security

Section 5 of the guidance for the third licensing round for offshore Cyprus in 2016 requires the selected applicant for offshore oil and gas operations to provide a bank guarantee to cover work obligations of the initial exploration period and a parent company financial and performance guarantee.\(^{22}\)

Article 18.2 of the 2016 Model Exploration and Production Sharing Contract requires the contractor (that is, a successful applicant for the licence) for offshore oil and gas operations to have financial capability to carry out the responsibilities and obligations of the works.

Articles 29.3 and 29.4 of the Model Contract provide that:

The Contractor shall take out and maintain in force, and cause to be taken out and maintained in force by its subcontractors, all insurances with respect to Hydrocarbons Operations, of the type and for such amounts customarily used in the international petroleum industry, including, inter alia, third party liability insurances and insurances to cover damage to property and environment, without prejudice to such insurances as may be required under the laws and regulations applicable in the Republic. The Contractor will have the right to self-insure or underwrite any or all of the insurances provided above through one or more insurance Affiliated Companies, provided that the security and credit worthiness of such self-insurance or insurance arrangements are reasonably satisfactory to the Minister.

The Contractor shall provide the Minister with the certificates proving the subscription and maintenance of the above-mentioned insurances. The competent authorities of the Republic shall approve the said insurance policies for exclusions and verify the financial capacity of insurers. Said authorities shall have the right to require amendments to the

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said insurance policies, including amendments to exclusions, in order to secure the compliance with the requirements provided in this Article.\(^{23}\)

That is, a selected applicant must either have insurance to cover third-party claims for civil liabilities and insurance for damage to the environment or it may self-insure the liabilities instead of having insurance from a commercial insurer, both of which are subject to the Minister being satisfied about the security and their credit worthiness.

14.4. Requirement for financial security for ELD liabilities

There are no specific requirements in either the above legislation or the Model Contract to have financial security for liabilities under the ELD.

15. Failure of financial security

There are no reported cases of the failure of a financial security instrument due to its inadequate level.

15.1. Inadequate level of financial security instrument or mechanism to pay claims

There are no reported cases of the insolvency of an operator that has led to the failure of the financial security instrument.

15.2. Insolvency of operator leading to failure of financial security instrument or mechanism

There are no reported cases of the insolvency of an operator that has led to the failure of the financial security instrument.

15.3. Other

There are no public reports of other failures of voluntary or mandatory financial security in Cyprus.

16. Funds

Cyprus has not established a fund for the costs of preventive and remediation measures under the ELD.

16.1. Name(s)

Not applicable

16.2. Extension of existing fund to cover remedial costs under the ELD

Not applicable

16.3. Purpose

Not applicable

16.4. **Type**  
Not applicable

16.5. **Source(s) of funding**  
Not applicable

16.6. **Number and amount of claims**  
Not applicable
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