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Answer given by Executive Vice-President Fitto
on behalf of the European Commission
(2.7.2025)

The green taxation reform is a key element of Cyprus' Recovery and Resilience Plan¹. It aims to internalise environmental externalities, encouraging more efficient use of resources and incentivising the adoption of renewable energy. This is crucial in Cyprus where the green taxation system and municipal waste recycling lag behind the rest of Europe, and water scarcity is a particular issue. The green taxation reform includes a carbon tax, which constitutes a transition towards the Emissions Trading System 2 on buildings, road transport and additional sectors (ETS2) applicable from 2027, a levy on water and a charge on landfill waste, both of which will be incrementally increased.

The reform should precisely set the right incentives for transitioning to climate neutrality, modernising waste and water management and enhancing renewable energy capacity. It is crucial to pass it soon so that this incentivisation happens quickly. The reform will help Cyprus come closer to its climate objectives and the legally binding maximum landfill rate of 10% by 2035.

Regarding the availability of tools to support Cyprus in closing its infrastructure gaps and mitigating the transition costs for households, on top of e.g. structural and cohesion funds, the Social Climate Fund (SCF) will support a socially fair transition towards climate neutrality by addressing the effects of the EU-wide introduction of carbon pricing in the buildings and road transport sectors applicable from 2027. Already as of 2026, the SCF will provide Member States with dedicated funding to support vulnerable groups, with building renovation, decarbonisation of heating, renewable energy as well as sustainability mobility and transport.

¹ https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages/cyprus-recovery-and-resilience-plan_en.