

POLICY AREA 5 ENSURING THAT THE ENERGY SECTOR CAN DELIVER

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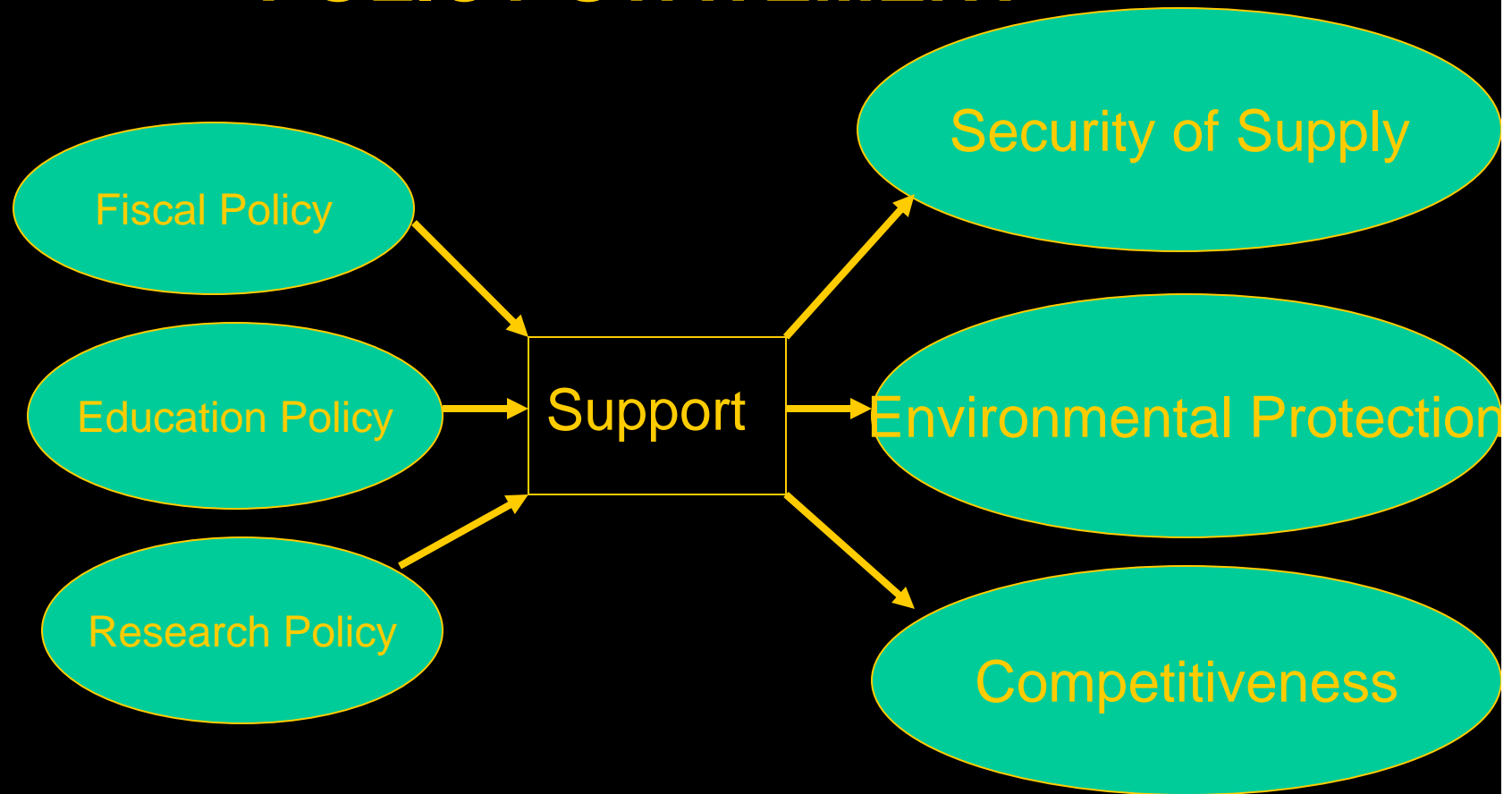
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Comments on "A Proposal for an Energy
Policy for Malta", September 7th, 2006

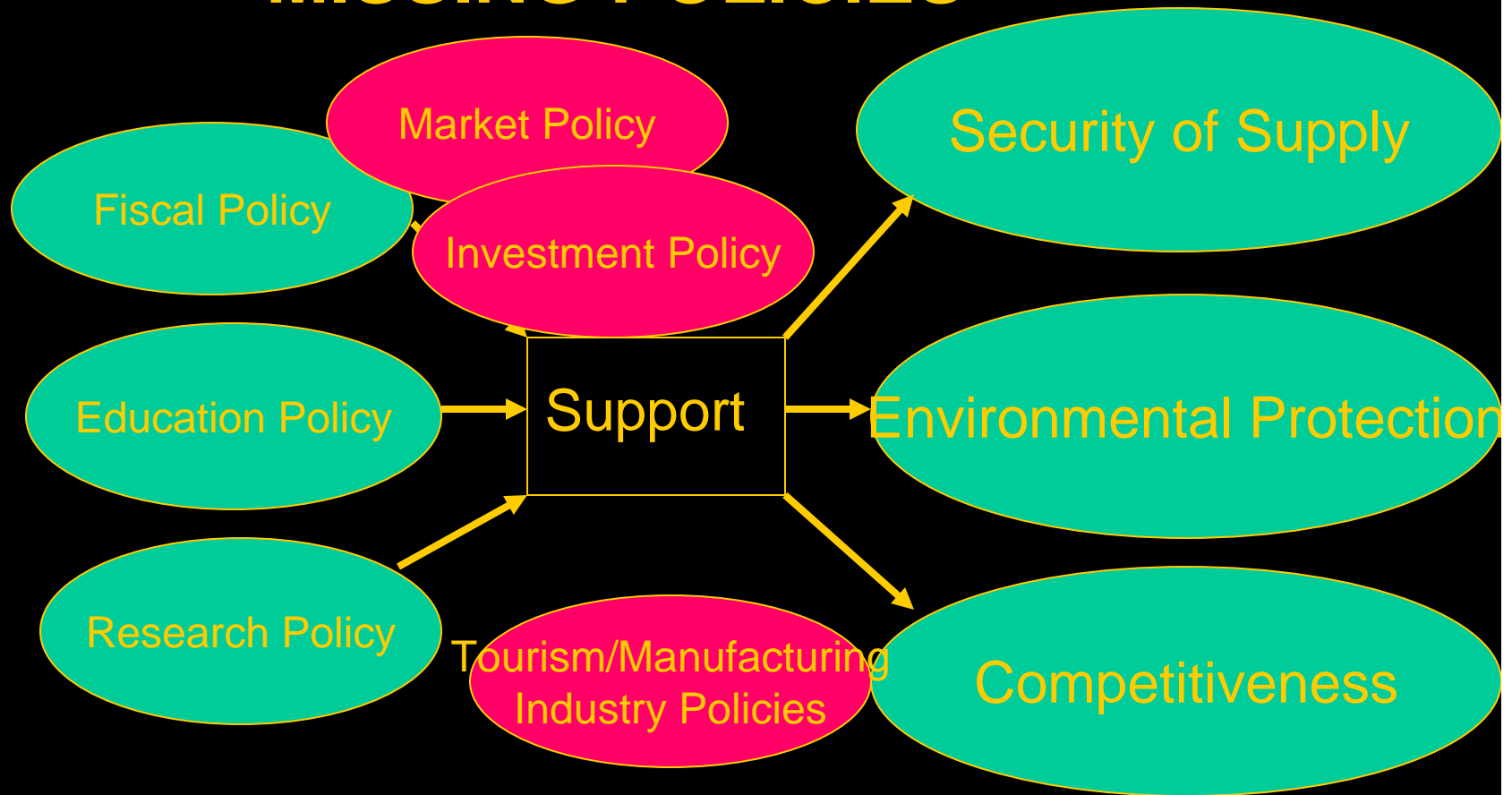


**Institute for Energy Technology &
University of Malta**

POLICY STATEMENT



MISSING POLICIES



1. Fiscal Policy

- Taxation (removal or addition) to reflect environmental externalities. (Government removed excise tax on biofuels to stimulate the market).
- Removal of all excise duties could breach EU directives (2003/96/EC). EU allows to remove tax equivalent to the extra cost of producing biodiesel but not more.
- Was the removal of duty sufficient to stimulate the market? Any other measures to be implemented?
- It is important to dedicate any tax collected and reinvest it in creating a fund for building public RE projects.

Fiscal Policy 2: Background of Directive 2003/96/EC

- Malta requests transitional periods for:

- i) electricity and
- ii) all other energy products.

Malta asks also for an unlimited derogation for navigation in private pleasure craft and for private pleasure flying.

- 1) Electricity taxation*

- The Maltese authorities state that Malta neither imports nor exports electricity.
- They request a derogation to introduce, in various phases, the taxation on electricity to reach full compliance by 1 January 2010.

- The Commission concludes that Malta should be authorised to apply a transitional period until 1 January 2010 to adjust its national level of taxation on electricity. However, the effective tax rate applied to electricity cannot be less than 50% of the relevant Community minimum rates as from **1 January 2007**.

Fiscal Policy 3: Background of Directive 2003/96/EC

•ii) *All other energy products*

•The Maltese authorities ask for a derogation to implement the new minimum rates on all other energy products (i.e. except electricity) in various phases by 1 January 2010. Considering the unique features of the Maltese economy, the Commission considers that some flexibility is needed for Malta to reach the new minimum rates on motor fuels and heating fuels. As proposed by the Maltese authorities, the transition periods have to include a progressive phasing in, in order to smoothly reach the minimum levels set by the Directive.

•Regarding liquid petroleum gas (LPG) distributed to households in cylinders, the Commission recalls that the minimum level of taxation applicable to LPG used for heating purposes is zero.

For solid fuels, the Commission considers that the transitional arrangement should end in 2008 at the latest.

Progressive phasing in of taxation has to be included, in order to smoothly reach the minimum levels set by the directive.

•However, for heavy fuel oil, the tax rate currently applied in Malta is 14 EUR /1000 kg, whereas the minimum rate set by the Directive is 15 EUR / 1000 kg. A transition period until 2010 does not, therefore, appear proportionate.

Fiscal Policy 4: Background of Directive 2003/96/EC

- The Commission concludes that Malta should be authorised to apply a transitional period until 1 January 2010 to adjust its national level of taxation on gas oil and kerosene used as propellant to the minimum levels of EUR 330 per 1000 l. (The Energy Policy mentions EUR 245 per 1000 l??).
- Malta should also be authorised to apply a transitional period until 1 January 2010 to adjust its national level of taxation on unleaded petrol and leaded petrol used as propellant to the relevant minimum levels of taxation.
- Malta should be authorised to apply a transitional period until 1 January 2010 to adjust its national level of taxation on natural gas used as heating fuel to the relevant minimum levels of taxation. However, the effective tax rates applied to natural gas used as heating fuel cannot be less than 50% of the relevant Community minimum rates as from 1 January 2007.
- Malta should finally be authorised to apply a transitional period until 1 January 2009 to adjust its national level of taxation on solid fuels used as heating fuels to the relevant minimum levels of taxation. (The Policy mentions 2010 not 2009). However, the effective tax rates applied to the energy products concerned cannot be less than 50% of the relevant Community minimum rates as from 1 January 2007.

Fiscal Policy 5: Background of Directive 2003/96/EC

- *2. Navigation in private pleasure craft and private pleasure flying*
- The Maltese authorities state that many aircraft and sea craft stop-over in Malta to replenish their onboard stores and other requirements. Particularly in the yachting industry, the supply of duty exempt fuel is offered as an all-inclusive package, which includes also ship stores and maintenance work. This is a significant tourist attraction for Malta. Stopping the fuel derogation would lead to job losses in the bunkering industry.
- The request for an unlimited derogation cannot be accepted as a matter of principle. According to Article 14(1)(b) and (c) of the Directive, Member States shall exempt from taxation energy products supplied for use as fuel for the purpose of air navigation other than in private pleasure flying, and energy products supplied for use as fuel for the purposes of navigation within Community waters (including fishing), other than private pleasure craft, and electricity produced on board a craft. Moreover, the Commission notes that several of the present Member States have been granted similar tax reductions /exemptions in Annex II of the Directive.
- Therefore, the Commission could accept a time-limited derogation, until 31 December 2006, in favour of navigation in private pleasure craft and private pleasure flying.

Fiscal Policy 6: Measures Proposed and Comments

- Continue implementing transitory measures for energy taxation.
- Start gradual introduction of energy taxation to be in line with the EU Directive by 2010. Please revise the tax rates!
- Use fiscal policy to promote environmental and other Governmental priorities in the Energy Sector
- These fiscal policies should be clearly mentioned here in detail for the lifetime of this policy.
- Allocate funding from the Cohesion Policy 2007-13 to the energy sector including funding for energy efficiency and alternative sources of energy
- No real plans for energy efficiency and alternative sources of energy to date. These plans need to be approved first before funding is provided. Are we already too late for 2007?

2/3 Education and Research Policy

- Education.....
- No proposals. Curriculum education is acutely needed at primary, secondary and tertiary levels. Education is also needed for the public. Education on energy saving, energy efficiency and use and maintenance of RE installations. Include measures for education please.
- Promote research and demonstration projects
- Will demonstration projects of onshore wind turbines be allowed?
- Last year MCST's RTDI programme provided only 10% of the budget requested by researchers. There is a need for a structured approach. Define needs and provide priority funding for demonstration projects. What Happened to previous research carried out in the field?
- Develop analytical and sector monitoring tools for long term predictions
- This measure has to be defined better in terms of which data is lacking and what predictions are required. Another bullet should be added that specifically deal with promoting research in transport policies, traffic Management. Another point should be dedicated to energy efficiency

Investment and Industry Promotion

- Not mentioned in the main policy statement but appears here separately.
- Concentrates ONLY on oil rigs and related industries. What about building local expertise to repair say, inverters which are the heart of any solar photovoltaic system.
- But then investment in RE sources is mentioned in the “Measures Proposed”.
- It also encourages the development of specialist areas to build internationally recognised centres of excellence in this sector....
- Why not identify the already existing centres and improve on their experience to the level to be recognised internationally.
- Investment in energy and renewable energy is capital intensive and requires strong promotional measures to be adopted first.

Market Policy

- The market has to be able to offer the products that would support:
 - Security of supply through RE products;
 - Environmental protection through efficient products
 - Competitiveness through superior services
- What measures shall be applied to the Energy Market Sector (Producer/Dealer) to reach these goals?

Investment Policy

- Local investments in large RE installations to be carried out (not only small scale grants)
- The policies have to identify the unique position of Malta in the Mediterranean and work on offering incentives to encourage investments in the manufacturing of large RE systems in Malta for export to the middle east and Africa.
- What measures shall be applied to the Investment Policy taking into consideration the negative experiences of manufacturing facilities that were operating in the field and are now redundant?
- Regarding oil exploration: Is Government actively promoting the areas remaining for exploration?

Tourism & Manufacturing Industry Policies

- Is it enough that the Maltese population buy electricity and fuel to have the required cash to buy more fuel? The answer is: NO
- Security of supply should not stop at supplying oil but at securing the hard currency to buy the fuel.
- Tourism and manufacturing policies have to take that into consideration and Government has to realise that dwindling resources of income from tourism and manufacturing will have a direct effect on security of supply.
- Synergy between government policies for different sectors have to play a more important role to guarantee security of supply, environmental protection and competitiveness.

References

- ref. Brussels, 28.1.2004
- COM(2004) 42 final
- 2004/0016 (CNS)
- Proposal for a
- **COUNCIL DIRECTIVE**
- **amending Directive 2003/96/EC as regards the possibility for certain Member States to apply, in respect of energy products and electricity temporary exemptions or reductions in the levels of taxation**
- (presented by the Commission)
- C5-0090-04

