



# 2013 ANNUAL REPORT





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# THE AUTHORITY

## CHAIRMAN

**Mr Francis Cassar** B.A. (Hons.) Accty, F.I.A., C.P.A., M.B.A. (MsM)  
**Mr Mario Galea** FCCA, FIA, CPA

(appointed 19/04/2013)  
(resigned 19/04/2013)

## DEPUTY CHAIRMAN

**Ing Marjohn Abela** B.Mech.Eng. (Hons.), M.B.A. (Henley)  
**Dr. Ing. Matthew Spiteri** B.Eng.(Hons.), M.Sc. Ph.D.

(appointed 19/04/2013)  
(resigned 19/04/2013)

## MEMBERS

**Mr Mario J Azzopardi** B.A. (Hons.) Accty, M.A. (Fin Ser), B.Com, F.I.A., I.I.A., C.P.A.A.  
**Dr Katrina Borg Cardona** LL.D.

(appointed 19/04/2013)  
(appointed 19/04/2013)

**Mr Christopher P Buttigieg** B.A. (Hons.) Accty, M.A. Fin Ser,  
M.A. European Law and Soc (Sussex), C.P.A.

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**Dr Simon Schembri** B.A. (Legal & Hum Studies), LL.D., TEP.

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**Prof. Dipl.-Ing. Dr.techn. Manfred Weissenbacher** M.B.A.

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**Dr. Kristian Balzan** Adv. Trib. Eccl. Melit., B.A., LL.M. (IMLI), LL.D.

(resigned 19/04/2013)

**Mr. Godwin E. Bencini**

(resigned 19/04/2013)

**Ing. Francis Bugeja** B.Eng.(Hons.)

(resigned 19/04/2013)

**Dr. Pauline Galea** B.Sc., M.Sc., Ph.D (Wellington)

(resigned 19/04/2013)

**Ms. Ritienne Gauci** B.A. (Hons), M.A.

(resigned 19/04/2013)

## SECRETARY

**Dr. Claudio Zammit** B.A. LL.D. M. Jur (EU. Law)

(appointed 19/04/2013)

**Dr. John Bonello** B.A., LL.M. (IMLI) LL.D.

(resigned 19/04/2013)

## CHIEF EXECUTIVE OFFICER

**Ing. Anthony Rizzo** B.Mech Eng (Hons.)



## MISSION STATEMENT

The Malta Resources Authority seeks to serve the local community through effective, coherent, holistic and transparent regulation of the energy, minerals and water resource sectors of the economy, ensuring their advancement and sustainable use to support the integrated environmental, social, economic and business development in the Maltese Islands. It further seeks to contribute to and participate in ongoing regional development and assist in the nation's efforts to fulfil its international obligations in these spheres.

# CHIEF EXECUTIVE OFFICER'S INTRODUCTION

## Consolidating the Regulatory Function of the Authority

In accordance with Article 24 of the Malta Resources Act (Chapter 423) this is the annual report of the Malta Resources Authority. This report provides an overview of the activities of the Authority during the financial year 1st January 2013 to the 31st December 2013. It also provides estimates of the income and expenditure of the Authority for the year 2014 and the Audited Statement of Accounts for 2013.

### Strategic Plan 2013-2016

During 2013, the Authority reviewed and updated its Strategic Plan for the period 2013 - 2016. In establishing its strategic objectives, the Authority took into account the functions and responsibilities of the Authority as established by the Malta Resources Authority Act as well as various Regulations published under the MRA Act.

In addition the Authority also considered sectorial policies including: Energy Policy, Water Policy and Climate Change Policy and Government's stated policies.

The Authority identified 6 main areas for priority action during the period 2013-2016 namely:

- Good Governance,
- Market Organisation,
- Efficiency and Investment promotion within the Regulated Sectors,
- Consumer Protection,
- Resource Management, Efficiency and Exploitation,
- International Co-operation, Dialogue, Technical Advice and Support.

### Water Policy and Energy Policy - Secondment of MRA Employees with the Ministry for Energy and the Conservation of Water

On 1st April 2013, following the setting up of the Ministry for Energy and the Conservation of Water, eight MRA employees were seconded with the Ministry. These employees were responsible for the formulation and implementation of the Water and Energy Policies within the Authority.

The secondment was undertaken as part of an exercise to strengthen the regulatory role of the Authority through the separation of the policy formulation and regulatory functions. This change also ensured that expertise and knowledge in policy formulation was preserved and used as an integral part of the national policy formulation for Water and Energy as two vital and important sectors.

### LPG Price Mechanism - Price Stability

In February 2013, the Price Mechanism review was completed and the eligible costs and the allowable maximum profit mark-up were approved by MRA Board Decision of 31st January, 2013. The Authority continued to monitor the prices of LPG cylinders using the prices mechanism.

In June 2013, following directions received from the Minister for Energy and the Conservation of Water, the Authority started a process to examine the possibility of implementing a price stabilisation mechanism on the price of LPG cylinders. In fact, the Authority commissioned a study to identify and evaluate such a mechanism. Following discussions with Liquegas Malta Ltd, an interim price stabilisation mechanism was introduced to set the price of LPG cylinders for the months of October, November and December 2013. In December 2013, it was agreed to extend the stability mechanism to also cover the first three months of 2014.

## Audit Committee

In May 2013, the newly appointed members of the Authority approved the setting up of an Audit Committee. A board member was appointed Chairman of the Committee together with two other members from outside of the Authority.

Mr Mario Azzopardi was appointed Chairman and Dr Andy Ellul and Mr Patrick Caruana were appointed as members of the Audit committee. The Audit Committee held the first meeting on the 14th May 2013 and during this meeting the Committee approved the terms of reference. The main duties, as approved by the Authority, include an oversight of financial reporting and disclosure, together with the oversight of regulatory compliance and risk management activities.

## Reform of the LPG Market Structure – The door-to-door distribution and retail of LPG Cylinders

During 2013, the Authority was informed that Government intends to declare the sale of LPG in cylinders as a Service of General Economic Interest – SGEI.

The Authority maintains that consumers have the right of choice of cylinders and to be offered cylinders from different operators through a distribution irrespective of the locality where they live, at reasonable prices, transparently and without discrimination.

A public consultation on these proposals was launched on the 25th October and the closing date was 6th December 2013. The feedback received is being analysed and will be passed to Government for a final decision on the LPG Market Structure. It is expected that a final decision will be taken early during 2014.

## Strengthening of the Authority's Finances

Once again the Authority has managed to strengthen its balance sheet and build up financial reserves to ensure the financial viability of the Authority. The Authority maintained strict control on its financial forecasts and expenditure.

## International Co-operation

As the Energy Regulator in Malta, representatives of the Authority attended meetings of the Agency for the Cooperation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER) and the Mediterranean Energy Regulators (MEDREG).

A representative of the Authority during this year was appointed vice-chair of the Institutional Ad-Hoc Working Group. This appointment is valid up to the end of 2014.

On behalf of MEDREG, the undersigned also met with Ambassador Sergio Piazzzi, General Secretary for the Parliamentary Assembly for the Mediterranean. During the meeting both parties agreed on the importance of strengthening the co-operation between PAM and MEDREG.

In addition to the above, a number of representatives of the Authority were invited to give a number of key-note speeches and/or presentations during conferences held both locally and abroad.

## Appreciation for commitment and support

Finally I would like to thank the members of the Authority for their continuous support and understanding. Special thanks go to the Chairmen, Mr Mario Galea and Mr Francis Cassar for their advice and guidance throughout their tenure. I would also like to thank the employees of the Authority for their dedication and commitment throughout the year.



# CORPORATE AFFAIRS



## DEVELOPMENT OF LEGISLATIVE INSTRUMENTS

During 2013, a number of subsidiary legislation was issued under the Malta Resources Authority Act. This included:

1. legislation that has been issued in pursuance of EU commitments;
2. legislation issued as a consequence of national policy.

### Legislation Pursuant to EU Commitments

- Maintenance of Minimum Stocks of Crude Oil and, or Petroleum Products Regulations – Directive 2009/119/EC.

### Legislation Pursuant to National Policy

- Petroleum for the Inland Wholesale Fuel Market, Bottling of LPG and Primary Storage Facilities (Amendment) Regulations, 2013.
- Feed-In Tariffs Scheme (Electricity Generated From Solar Photovoltaic Installations) Regulations.

### Recommendations for amendments to national subsidiary legislation

During 2013 the Authority recommended a number of amendments to existing regulations. These amendments were considered to be necessary to ensure the proper functioning of the relevant markets. Other amendments were required to simplify the regulation process and at the same time ease the administrative and financial burdens imposed on operators. These included:

- Liquified Petroleum Gas Market Regulations Banded Tariff Structure to fees applicable to Fixed Piped Networks rather than a fixed rate.

Introducing the concept of the competent installer to enhance safety issues.

- Petroleum for the Inland Retail Fuel Market.

Proposal for the introduction of the Commercial Fuel Station to incorporate dispensing stations that are used for own use, such as to service company vehicle fleets. In the current regulatory regime, these are considered as Primary Storages and the operators need to pay substantial authorisation fees. The proposed amendments consider that operators of these stations would fall under the same regulatory regime as Petroleum Filling Stations.

- Bunkering (Authorisation) Regulations.

Proposal for establishing the competent person in Marine Fuel Retail Stations to be in line with Inland Petroleum Filling Stations and thus enhance safety within these installations.



## STRATEGIC PLAN 2013 - 2016

During 2013, the Authority reviewed and updated its Strategic Plan for the period 2013 – 2016. In developing its strategic objectives, the Authority took into account the functions and responsibilities of the Authority as established by the Malta Resources Authority Act as well as various Regulations published under the MRA Act. In addition, the Authority also considered sectoral policies including: Energy Policy, Water Policy and Climate Change Policy and Government's stated policies.

The Authority identified 6 main areas for priority action during 2013-2016, and a series of Strategic Objectives under each of these 6 areas were drawn up as follows:

### 1. Good Governance

- 1.1 The Authority will ensure transparency, equity, impartiality and independence in its decisions and operations.
- 1.2 The Authority will support and implement Government-wide measures for better regulation, increased efficiency and effectiveness of operation and cost reduction and will continuously improve its processes and resulting outcomes for its customers.
- 1.3 The Authority will invest in its human capital and build capacity to ensure meeting objectives and improve its performance to its customers.

### 2. Market Organisation

- 2.1 The Authority will monitor the market, report on its functioning to increase transparency, and will facilitate competition.

### 3. Efficiency and Investment Promotion within the Regulated Sectors

- 3.1 The Authority will promote and seek greater efficiencies in the operation of the regulated utilities.
- 3.2 The Authority will promote and ensure security of energy and water supplies.

### 4. Consumer Protection

- 4.1 The Authority will seek to ensure transparent price regulation and fair tariffs to consumers for the provision of the regulated services.
- 4.2 The Authority will ensure and support effective regulatory overview and enforcement of health, safety and quality regulations for the regulated services and activities.

### 5. Resource Management, Efficiency and Exploitation

- 5.1 The Authority will ensure optimal flexibility to maximise diversification of energy imports and maximise exploitation of indigenous sources of energy.
- 5.2 The Authority will monitor and report on the state of groundwater resources and ensure integrated management of water resources.
- 5.3 The Authority will promote efficient and sustainable use of mineral resources.
- 5.4 The Authority will promote resource efficiency and will ensure due cognisance and promote environmental protection throughout its operations and decision-making process.

## 6. International Cooperation, Dialogue, Technical Advice and Support

- 6.1 The Authority will provide impartial regulatory advice to Government on policy issues and legal developments and instruments on the regulated sectors.
- 6.2 The Authority will continue to foster cooperation with other national regulators.
- 6.3 The Authority will continue to develop dialogue with its stakeholders.
- 6.4 The Authority will continue to extend support and advice to Government and governmental entities and other regulatory authorities in matters associated with the regulated sectors.

Under each strategic objective, a series of actions were identified and prioritised for implementation during the Plan's period.

The Strategic Plan was approved by the Authority during Meeting No 163 on the 24th June 2013.

## INTERNAL CONTROL

Between the months of February and April, the National Audit Office carried out an audit of the activities of the Malta Resources Authority for the financial year 2012. The National Audit Office outlined a series of observations in its Management Letter to the Authority in August 2013.

The Authority carried out an extensive analysis of the NAO's observations and recommendations and submitted its position in its Report to the NAO in September. The Authority welcomed the observations raised by the NAO and measures were introduced to enhance the Authority's internal control environment.

Internal control procedures were developed and reviewed by the Audit Committee. A series of corrective actions and amendments to streamline and improve the internal procedures were introduced with the ultimate scope of increasing transparency without excessive bureaucracy and administrative burdens.

## HUMAN RESOURCES

The total number of sick leave availed of by the MRA employees during 2013 was 196 days. This translates to an average of 5.52 sick leave days / employee.

During 2013 the Authority recruited 8 additional personnel to its staff complement. In addition, one contract of employment expired during the year, while another employee resigned from his post with the Authority. A total of eight (8) employees of the Authority were transferred to new posts within the Ministry for Energy and the Conservation of Water.

During the year the Authority provided support amounting to 622 training hours for employees' continuous professional development. This translates to an average of 17.53 training hours/employee. In addition, the Authority also continued to extend its support to 2 employees who are reading for a Masters degree at the University of Malta.

## ICT

During 2013, various ICT projects were initiated or completed. These included:

- Completion of upgrades of all PCs' operating systems and productivity suites, as well as upgrades to the servers' operating systems.
- An ICT security audit which commenced in 2012 was finalised. This audit contributed to a more secure and robust ICT infrastructure and the findings were acted upon.
- Implementation of an electronic document management system. At the time of writing of this report, this system was being tested. Scanning of documents is also being carried out.
- Commissioning of consultancy services to upgrade the computer network and the licensing system.
- A complete review of software licensing was carried out and new database server licences are being procured to achieve better performance and scalability.

# ECONOMIC AND UTILITY REGULATION

## PRICE REGULATION STRUCTURE

### Fuel Price Monitoring

In September 2013, the Ministry for Energy and the Conservation of Water announced that Enemalta Corporation would be fixing the price of petrol for a three month period starting from October 2013, while the price of diesel would be fixed until March 2014. The aim was to increase price stability in the inland fuel market. The Authority took note of these developments and maintained a monitoring role in the inland fuel market through the monthly collection of price data from the licenced fuel wholesalers.

In February 2013, the Price Mechanism review was completed and the eligible costs and the allowable maximum profit mark-up were approved by MRA Board Decision of 31st January 2013. This process was particularly complex in view of the new cost structure resulting from the consolidation of operations in the new Bengħajsa plant and the need to further unbundle these costs between the LPG sold in cylinders and LPG sold in bulk. Furthermore, the Authority revised the maximum allowable profit mark-up that could be made by the Liquigas Consortium after taking into consideration the total investment done to date. In June 2013, following instructions received from the Minister for Energy and the Conservation of Water, the Authority started a process to examine the possibility of implementing a price stabilisation mechanism on the price of LPG sold in cylinders.

## ENEMALTA CORPORATION

The Electricity Market Regulations (Legal Notice 66 of 2011) require that the activities of generation, distribution and supply of electricity are performed under a licence with the exception where the same regulations provide an exemption. Enemalta Corporation is the only entity in Malta that holds a licence to perform all the three activities of generation, distribution and supply of electricity to final customers. During 2013, the Authority continued to monitor the operations of Enemalta Corporation and compliance with the licence.

Article 17 of the Electricity Market Regulations (Legal Notice 66 of 2011) requires that electricity undertakings shall, in their internal accounting, keep separate accounts for each of their generation, distribution and supply activities with a view to avoid discrimination, cross-subsidisation and distortion of competition. The Authority thus obliges Enemalta Corporation to submit regulatory accounts that reflect the required level of unbundling. In 2013, the Authority undertook an exercise to align the published audited accounts of the Electricity Division with the regulatory accounts in order to ensure complete conformity with this Article.

### Annual Report on the Internal Electricity Market 2013

The annual report on the implementation of the electricity internal market based on the year 2012 was submitted to the Council of European Energy Regulators (CEER) in July. The report provides an account of the major developments that occurred in the electricity market in Malta during the year 2012. The main developments in the market to be noted are:

- Enemalta Corporation remained the main producer of electricity in Malta with the exception of a small contribution from a number of small producers generating electricity from renewable energy sources.
- The new diesel engine combined cycle plant with a nominal capacity of 149MW came into full operation in December 2012. This plant can be operated on heavy fuel oil and gas oil. In conjunction with the coming into operation of this new plant, four 30MW boilers at Marsa Power Station were taken out of service, but were not decommissioned. These developments brought the fossil fuel nominal generation capacity to 620MW by the end of 2012.
- The peak demand recorded for the year 2012 was 429MW which occurred on the 9th September and the available generation capacity during this peak was approximately 505MW.

- The fossil fuel mix for the electricity generation in Malta was mainly composed of heavy fuel oil accounting for 89% of the electricity generated with the remaining 11% from gasoil.
- During 2012, there was a further increase in the generation capacity from renewable energy sources (RES) connected to the grid such that the total RES capacity installed by the end of the year was at 18MW. The increase in RES capacity consisted mainly of solar photovoltaic installations and the largest uptake took place in the residential sector due to the grant scheme that was launched in July 2011. In 2012, a new generator producing electricity from landfill gas was also connected to the grid.
- The distribution and supply of electricity in Malta also remained under the sole responsibility of Enemalta Corporation.
- Based on the supply interruption data for 2012 provided by Enemalta Corporation, the overall minutes lost per customer per year are estimated at 366.6 minutes. This represents an increase over the previous year when the minutes lost per customer were estimated at 260 minutes.
- The installation of smart meters by Enemalta Corporation continued during the year 2012, with the number of smart meters installed by the end of 2012 amounting to 170,346. This accounts for the replacement of around 62% of the installed electricity meters.
- During 2012, the MRA continued to monitor the progress in the construction of the 200MW electricity interconnector between Malta and Sicily and also continued to liaise with the Italian regulator (AEEG) on the regulatory issues of the interconnector.





## Electricity Market Future Expected Developments

The 200MW HVAC interconnection between Malta and Sicily is currently under construction. The remaining part of the steam generation capacity at Marsa Power Station, with a nominal capacity of 130MW still in operation, is planned to be decommissioned. In addition, it is planned that a total of 120MW steam plant, operating on heavy fuel oil at Delimara Power Station, is shut down once the replacement capacity is available.

In 2013, Government decided that with effect from spring of the year 2015 the base load demand should be procured by Enemalta from an Independent Power Producer, with the generation plant located in Malta using natural gas. The generation plant, which is expected to consist of high efficiency CCGT and the infrastructure required for the provision of natural gas in Malta, will be built and operated by private investors. The same gas infrastructure would also supply the new 149 MW diesel engine plant with natural gas once the necessary conversion to enable the use of this fuel takes place. An Expression of Interest for the procurement of electricity and natural gas was launched in April 2013 and the selection process for the private investor and electricity and gas projects was concluded in October 2013. Apart from the construction of a CCGT plant, with a nominal generation capacity of 215MW on the Delimara Power Station site, the project also involves the provision of a floating storage unit (FSU), which will be docked in Delimara and an onshore re-gasification facility located at the southern tip of the DPS site. The

natural gas infrastructure will provide the gas for the new CCGT and the existing 149MW Diesel plant which will be converted to gas.

Apart from the above, it is not expected that there will be any new fossil fuel generation capacity additions or new interconnectors in the time frame 2015 to 2019.

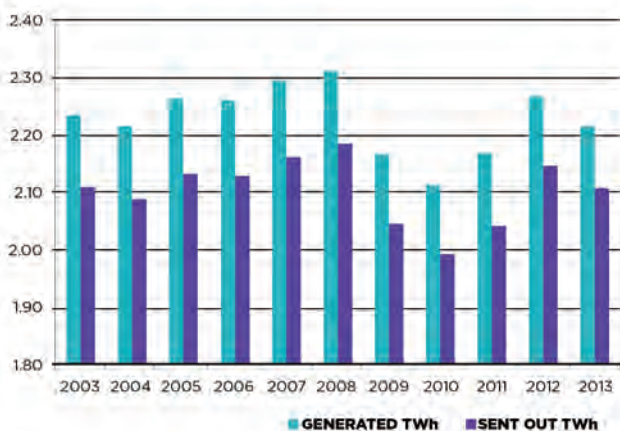
Malta has an obligation to reach 10% share of renewable energy in the gross energy consumption by 2020. The National Renewable Energy Action Plan (NREAP) submitted by Malta in 2009 projected that by 2017 the electricity generation capacity from renewable energy sources would reach 155MW.

The NREAP is now being revised by the Ministry for Energy and the Conservation of Water.



## ELECTRICITY MARKET IN FIGURES

**Figure 1:** Electricity Generation and Sent out from Power Stations



**Source: Regulatory Reports submitted by Enemalta Corporation**

Operational installed nominal capacity in the power station at the end of 2013

- Marsa: 167 MW
- DPS: 453MW

## WATER SERVICES CORPORATION

The licence to Water Services Corporation for the supply of potable water through the public distribution network and to provide sewerage services using the public sewerage collection system was issued with effect from 1st June 2010 and was effective until 31st December 2013.

During the year, the Water Services Corporation submitted regulatory information to the Authority in accordance with the licence requirements. Clarification of data and checks for consistency were carried out.

In 2012, the Authority had commissioned external consultants to assess the financial and engineering aspects of the Water Services Corporation. The recommendations of this report spurred the Authority to carry out a comparative exercise whereby between the published audited accounts of the Water Services Corporation with the financial results being reported under the licence conditions and thus to verify for accuracy and consistency. This exercise also sought to align the cost line items of the two financial statements. Following the completion of this exercise, during 2013 the reporting format of the regulatory accounts was revised to align with the audited financial statements and the management accounts of the Water Services Corporation such as to ensure that the costs being reported are properly unbundled between water supply and the waste water treatment functions.

In addition and in line with the licence provisions, the Authority in consultation with the Corporation drew up reporting guidelines and explanatory notes to the Licence Monitoring Reports to ensure greater consistency in the data collected and reported.

The licence to the WSC was renewed at the end of the year for a further period of 5 years.





## SECURITY OF SUPPLY

### MAINTENANCE OF MINIMUM STOCKS OF CRUDE OIL AND/OR PETROLEUM PRODUCTS

The new Council Directive 2009/119/EC (repealing Directives 2006/67/EC, 73/238/EEC and Decision 68/416/EEC) imposes an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products. The aim of this obligation is to increase the security of supply of petroleum products in the Community through maintenance of adequate security stocks using reliable and transparent mechanisms and through drafting of contingency plans in the event of a crisis that interrupts the supply of petroleum products. Stockholding may be done through a delegated obligation on one, or more, operators, by setting-up a Central Stockholding Entity or through a public agency.

This Directive was transposed into national law by means of Legal Notice 109 of 2013. Each Member State is required to establish arrangements for the identification, accounting and control of stocks. Currently, this obligation is being carried out by the Authority.

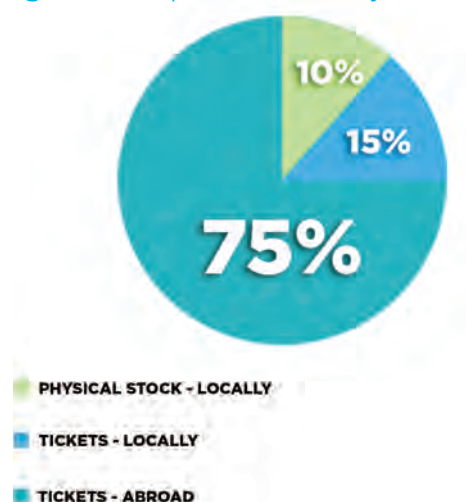
Under this Directive, Malta is obliged to maintain a total quantity of oil stocks corresponding, at the very least, to 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is higher. For the year 2013 and up to 31st December 2014, Malta qualifies under a transposition derogation whereby it has to maintain oil stocks corresponding to 81 days of average daily net imports. The Authority has therefore calculated the required stockholding quantities and communicated the delegated obligation to each of the six authorised importers and/or wholesalers who import fuel products in the inland market. The calculation was based on the importers' respective share of the inland fuel market.

### DATA REPORTING ON SECURITY STOCKS

The Authority has established procedures for the identification, accounting and control of security stocks, and thus ensures that these stocks are available and physically accessible at all times. These procedures require the timely submission of the relevant data by the licensed importers and/or wholesalers to the Authority. The data collection was merged with the existing process to compile the monthly oil balance reports and thus reducing this additional administrative burden on the operators. The data collection framework put in place by the Authority covers the collection, validation, compilation and reporting of data on security stocks and thus ensuring that these stocks are being maintained in conformity with the Directive. The Authority then submits monthly statistical summaries regarding the level of security and commercial stocks and their location to the National Statistics Office.

An analysis of the data collected so far indicates that, up to the third quarter of the year, 75 percent of the minimum stock obligation were covered in the form of tickets located in other Member States, another 15 percent were being covered in the form of 'tickets' in primary storage facilities located in Malta, while the remaining 10 percent were held as physical stock locally, as shown in Figure 2 below.

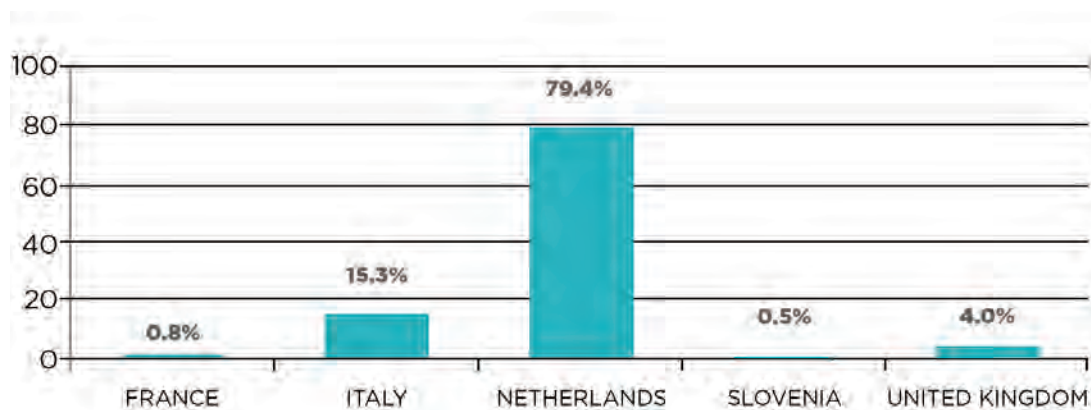
**Figure 2 – Composition of Security Stocks**



Approximately 79.4 percent of security stocks owned by local operators are covered by tickets in the Netherlands. The remaining 20.6 percent are located in Italy, the United Kingdom, France and Slovenia, as shown in Figure 3. During the period January to December 2013, Italy and Cyprus held security stocks

as tickets in Malta. A total 24 contracts for ticket arrangements were approved; 15 contracts for tickets held in other Member States by local operators and 9 contracts for tickets held in Malta by foreign operators. The Authority was informed of and noted another 9 contracts for tickets held in Malta by local operators.

**Figure 3** - Location of security stocks held abroad as tickets



## REGISTER OF EMERGENCY STOCKS

The Security Stockholding Directive obliges the Member State to keep an updated register of all the emergency stocks held at the end of each reporting month. Presently, this register is being maintained by the Authority and it provides information about the location of the stock, the quantities and the fuel type. In addition, in the case of security stocks held as tickets, the register provides information about the buyer of the ticket arrangement, the company holding the stocks and the period in which the contract will be in force.

## PROVISION OF CONTROL AUDIT SERVICES ON SECURITY OIL STOCKS

In order to ensure that the operators are maintaining their share of security stocks in-line with the obligations of the Directive, the Authority issued a tender for the provision of control audit services to carry out physical spot checks by a qualified and licenced audit firm on a quarterly basis covering all operators. This exercise is expected to be finalised in 2014.

## OIL SUPPLY DISRUPTION EMERGENCY PLAN

Council Directive 2009/119/EC provides rules aimed at ensuring a high level of security of oil supply in the Community through reliable and transparent mechanisms based on solidarity amongst Member States by maintaining minimum stocks of crude oil and/or petroleum products, and to put in place the necessary procedural means to deal with a serious shortage. The Authority is in the process of updating the current oil supply disruption emergency plan to ensure that, as far as possible, the institutions, information, hardware and infrastructure are available, ready, and coordinated so as to perform efficiently and expeditiously in case of emergency, while leaving the freedom and flexibility to respond to any circumstance which may arise.

This plan provides a blueprint in dealing rapidly and effectively with a disruption in the supply of oil and in mitigating the impact of the negative effects arising from such a disruption. It highlights the arrangements established between the oil industry, the Authority and the EU Commission for the safe and effective management of oil supply emergencies. To this end, the Authority participated in a hypothetical oil supply disruption scenario via audio/web conferencing organised by the Oil Coordination Group in April 2013 for all EU member states. The main objective of this exercise was to get acquainted with the communication tools necessary so these can run smoothly in case of a real emergency.



## INTERNATIONAL AGREEMENTS

Bilateral agreements between Member States regarding the reciprocal holding of security stocks are no longer required under the Directive 2009/119/EC. However, Member States have the possibility of engaging in voluntary initiatives between themselves to facilitate the procedure of cross-border holding of security stocks.

The United Kingdom initiated a process leading towards agreement on a Memorandum of Understanding (MoU) with Malta based on the UK's model. During the year 2013, the Authority reviewed and provided feedback on the draft MoU to the Ministry for Energy and the Conservation of Water and this is now being discussed. In addition, the Authority provided substantial input in the drafting of an agreement between Malta and Spain regarding the maintenance of stocks of crude oil and petroleum products stored in the territory of Spain. In June 2013, during an official visit to Madrid, Hon. Minister for Foreign Affairs Dr. George Vella, signed the

agreement with Spain. This agreement has further reinforced bilateral relations between the two countries and has provided a clear guidance on the procedures to be used in the event that local operators wish to hold security stocks in Spain.

Malta also holds another two bilateral agreements with Italy and France, which were signed on 30th June 2010 and 26th June 2012 respectively.

## PARTICIPATION IN THE ACOMES

The Authority participated in the Annual Coordinating Meeting of Entity Stockholders held on the 9th and 10th September 2013 in Sofia. The aim of the ACOMES is to promote the collaboration between national stockholding agencies, to facilitate the ad hoc exchange of information, to provide a consultation forum between members about specific topics, and to co-ordinate multilateral technical studies. This provides a valuable opportunity to learn from the experiences of other Member States and to share knowledge of the stockholding business.



# LICENSING, MONITORING & ENFORCEMENT

## LICENSING

The Malta Resources Authority issues authorisations and permits in the Energy, Minerals and Water sectors. The authorisations are associated with operations and activities in the regulated sectors or competences required to give a service provision in different trades

within the same sectors. Permits are related to the regulatory responsibilities of the Authority.

During 2013, the Competence, Licensing and Enforcement Unit processed the following authorisations and permits:

**Table 1:** Authorisations and Licences

AUTHORISATION / LICENCE	NEW	RENEWAL	TRANSFER
Authorisation to construct or reconstruct a generating station other than PV systems	1	N/A	N/A
Authorisation to construct or reconstruct a PV installation larger than 16Amps per phase at 230V	174	1	N/A
Authorisation for the Bottling of LPG	0	0	0
Authorisation to retail portable cylinders filled with LPG including retail from a fixed point of sale	0	0	0
Authorisation to carry out the activity of a bulk LPG distributor	0	1	1
Authorisation to operate a Secondary Storage facility of LPG	36	298	0
Authorisation to operate a Fixed Piped Network of LPG	4	4	0
Authorisation to operate an AutoGas Retail Station	2	1	0
Authorisation to carry out the activity of Importer (including Wholesale) of Petroleum	5	0	0
Authorisation for a Primary Storage Facility	0	0	0
Authorisation to carry the activity of a fuel distributor	2	9	1
Authorisation to operate a Petroleum-Filling Station	1	85	2
Authorisation to Load Discharge and transfer fuels from a Road tanker to a Receiving Ship	2	8	1
Authorisation to operate a barge or a marine terminal / facility	2	6	0
Authorisation to operate a Marine Fuel Retail Station	1	0	0
Licence to operate a quarry			
1. Hardstone	22	19	0
2. Softstone	34	32	0
Licence to operate a swimming pool	34	2500	0
Licence to Supply Water:			
(i) to a customer by water tanker(s)	2	80	0
(ii) exclusively for own use by water tanker(s)	0	34	0

**Table 2:** Authorisations of Competent Persons

AUTHORISATION	NEW	RENEWAL
Authorisation A for the Installation, Alteration, Extension and Certification of Single Phase Electrical Installations	113	190
Authorisation B for the Installation, Alteration, Extension and Certification of Single Phase Electrical Installations and Three Phase Electrical Installations rated up to 300Amps per Phase	57	115
Authorisation as a Competent Person as per Petroleum for the Inland (Wholesale) Fuel Market Regulations	0	N/A
Authorisation as a Competent Person as per Liquefied Petroleum Gas Market Regulations	0	N/A
Authorisation as a Competent Person as per Petroleum for the Inland (Retail) Fuel Market Regulations	0	N/A
Authorisation as a Competent Person - Autogas (installation and certification) Regulations	2	N/A

**Table 3:** One time Registrations or Notifications

REGISTRATIONS / NOTIFICATIONS	NEW
Electricity generation using small combined heat and power (CHP) plant and micro-wind turbines (not larger than 16 Amps per phase @ 230/400 V)	0
Electricity generation using photovoltaic system (not larger than 16 Amps per phase @ 230/400 V)	253
Registration of a Drilling Rig / Boring Equipment	0
Registration of users of groundwater sources	7
Notification of a Groundwater Source	1

**Table 4:** Permits

PERMITS	REQUESTED	ACCEPTED	REFUSED	PENDING
Application for the exportation of stone products	0	0	0	0
Application for the closure, sealing and decommissioning of a groundwater source	1	1	0	0
Application for Borehole Drilling and Excavation Works within the Saturated Zone	14	14	0	0
Permit to construct a Soakaway	3	3	0	0



## Energy Sector

### Electricity and Renewable Energy Sources

#### Electricians Authorisation A and B

During 2013, the Authority continued receiving applications from interested applicants for the provision of an authorisation enabling such persons to carry out electrical installation works on single phase and three phase systems in accordance with the Electrical Installations Regulations (Legal Notice 225 of 2010). Authorisation is granted after the applicant provides evidence of meeting the pre-established qualifications and experiences and then successfully sits for an interview with a Technical Committee within the Authority.

During the years the Authority received applications from potential foreign applicants, who claim that they are duly certified to perform the duties of an electrical installer in their country of origin. The Authority assesses the submissions made by these individuals in order to determine their eligibility for authorisation. The results of the assessment are communicated to the applicant and assistance is given on how these applicants can become fully compliant if there are discrepancies. In order to increase the transparency of this process, in 2013, a procedure flowchart was drafted in line with the requirements of the Electrical Installations Regulations on the criteria used during these assessments.

As the authorisations are due for renewals in January 2014, the Authority embarked on a project to develop a new database to facilitate this renewal process. Furthermore, the document that can be used by the electrical installers themselves to identify them as a service provider for electrical installations will be replaced by a more user friendly plastic card.

In order to ensure that these service providers have the full capacity to perform electrical installations in a safe manner the Authority is now also requesting that these installers are certified by a medical doctor against colour blindness impairment.

#### Notifications and Authorisations of Photovoltaic (PV) systems

Following last year's streamlining of the process for the Authorisations to construct a Photovoltaic system as required by the Electricity Market Regulations (Legal

Notice 166 of 2011), during 2013 the MRA continued to refine this process. The changes were required to ensure that PV projects requiring an authorisation are first given clearance by MEPA and Enemalta Corporation before being allocated a generating capacity to benefit from the applicable Feed-in Tariff. Enemalta Corporation is requested to evaluate the project to determine if grid updates are required prior to the connection of the new system. MEPA assesses such projects from a land-use and development planning perspective.

Information on how to fill in the application forms and the reviewed procedure flow chart was communicated to PV suppliers and engineers. It was also posted on the Authority's website adjacent to the online application forms. Prospective applicants are also given advice on the application process, as required.



#### PV and Solar Water Heaters (SWH) Installers Competences

EU Directive 2009/28/EC on the promotion of the use of energy from renewable sources establishes that member states should provide means for the registering of renewable energy sources equipment installers certification schemes. The MRA drafted a Government Notice to this effect and went through an intensive stakeholders' consultation programme before Government Notice 404 of 2013 was published in May 2013. This Notice provides details of the certification schemes that will be adopted in Malta.

The MRA has also set up databases to register both approved courses and their providers and the certified installers.

## Consultation with the Malta Competition and Consumer Affairs Authority (MCCAA) on Electrical Wiring for PV Systems

The submissions made to the Authority in the last few years, on the installations of PV systems made it evident that there was a need for the establishment of a National Standard on how to electrically wire a PV system in a single phase system. Due to this identified need, the MRA made a request to the MCCAA to create a stakeholder forum to discuss and implement a national standard. The MRA is actively contributing to this forum.

## Fuels

During 2013, the Competence, Licensing and Enforcement Unit of the Malta Resources Authority continued to process and monitor authorisations related to activities within the fuel market regulated by various Legal Notices:

- Petroleum for the Inland Wholesale Fuel Regulations (Legal Notice 278 of 2007)
- Liquefied Petroleum Gas Market Regulations (Legal Notice 249 of 2008)
- Petroleum for the Inland Retail Fuel Market (Legal Notice 53 of 2010)
- Bunkering (Authorisation) Regulations (Legal Notice 270 of 2010)
- Autogas (Installation and Certification) Regulations (Legal Notice 393 of 2010)
- Natural Gas Market Regulations (Legal Notice 167 of 2011)

## Authorisations for Fuel Importation, Primary Storages (Liquid Fuel) and Bottling of LPG

During 2013, the Authority received five (5) applications for fuel importation and these were duly authorised. An importer of LPG, who is an operator of a primary storage facility, submitted an application for authorisation to bottle LPG transportable cylinders.

The Authority also received one (1) application for constructing a primary storage facility for liquid fuels. To date the Authority has not approved any competent person for primary storages since no satisfactory applications were received. The Authority is aware that

this situation might hinder progress in the sector and therefore the following actions were adopted namely:

1. The Authority has given permission to the current competent persons in fuel secondary storages to certify primary storages with a maximum capacity of 500,000 litres and a maximum tank size of 75,000 litres.
2. The Authority is evaluating training courses that will lead to the achievement of the required competences by interested engineers. A decision on the way forward has also been adopted by the Authority.

## Authorisations for LPG Secondary Storages, Bulk LPG Distribution and Autogas

During 2013, the Competence, Licensing and Enforcement Unit of the Malta Resources Authority continued vetting the existing and processing new applications for authorisations of LPG Secondary Storages (Bulk Tanks and Interconnected Cylinders). The vast majority of these were bulk LPG tanks whose capacity exceeded 300 litres. The status of the bulk LPG secondary storages by the end of the year was as follows:

- Total registered storages - 508
- Total Authorised -334
- Old Existing storages still to be vetted and new applications -174

During this reporting period, the Authority also issued four (4) authorisations regulating the operation of LPG Pipe-Networks.

Following the introduction of the retail of autogas last year, a second Autogas station was commissioned and authorised in May 2013. A third station is expected to start operations in the near future. All Autogas retail stations are located within existing Petroleum Filling Stations.

In the sector of Bulk LPG Distribution, only one (1) request for the transfer of an authorisation was received this year. This was duly processed.

By the end of 2013 there were seven (7) pending applications for retailing transportable LPG cylinders from a fixed point of sale. These applications are pending and awaiting consideration by



the Malta Environment and Planning Authority (MEPA) in view of the lack of policy guidelines regarding the issue of Development Permits on such cases. To facilitate the process, the Authority started discussions with MEPA such that guidelines regarding the processing of development permits for these locations could be determined. A decision was required on the stock size (maximum quantity of cylinders) for a development permit may be exempted. It was established that storages of 150kg or less would not require a MEPA permit. Storages containing a stock of 150kg to 725kg would be processed through a Development Notification Order (DNO), whereas larger storages would require a full development permit.

### Petroleum Filling Stations

There are currently five (5) applications for new Petroleum Filling Stations in various locations in Malta. The Authority has given its clearance for the development of these stations subject to approval by other Authorities. These stations are now awaiting permits from the MEPA.

During 2013, the Authority received applications for the transfer of two (2) Petroleum Filling Stations and these were processed and transfers were authorised.

After the settlement of a number of contestations that were being presented by the General Retailers and Traders Union (GRTU), the authorised providers of the Petroleum Filling Stations were contacted to settle their outstanding licence payments for the years 2010 till 2013. All payments were effected by the beginning of

November.

Several yearly Inspection Audit reports of the Petroleum Filling Stations were also pending and these were brought up to date. During the year, the procedure was changed and the owners are now being advised a month prior to the due date of the report such as to ensure timeliness in reporting.

A significant issue that occurred during the year concerned the refurbishment reports of Petroleum Filling Stations. Authorised providers were contacted by the Authority and given a target date of 31st December 2013 by which date they were required to submit a MEPA's Planning Application Number for a refurbishment plan. This would be preceded by the submission of a technical report drawn up by an MRA-approved competent person. By end of November the Authority issued 29 clearances for subsequent application to the MEPA.

During 2013, the Authority issued two (2) new authorisations and processed a transfer for fuel distribution in the inland market. The Authority also received 22 applications for secondary storages of liquid fuels. These were processed and given clearance such that they can be referred to the MEPA for the issue of a development permit. One of the applications consisted of a project to produce and store bio-diesel for use by the truck fleet of a company.

### Authorisation for Bunkering Operations

New authorisations for bunkering operations issued under these regulations during 2013 were as follows:

- Barges (Ship to Ship) - 2
- Marine Fuel Retail Station - 1
- Road Tanker (Marine) - 2

### Autogas (Installation and Certification) Regulations

The total number of approved persons authorised by the Authority to carry out conversions on vehicles driven by petrol to run on LPG is eight (8). There is another application that is awaiting submission of complete documentation by the applicant prior to further processing.



## Minerals Sector

In 2013, the MRA renewed quarry operating licences after MEPA confirmed which quarries were still considered as active. In the meantime, the MEPA continued with the exercise of issuing environmental permits to quarries. The MRA was consulted during the drafting of these permits to ensure that regulatory requirements were included. Furthermore the MRA was involved in consultations from the Planning Directorate of MEPA in cases where extension in quarry perimeters or an increase in allowable excavation depths was being requested by operators.



## Water Sector

### Groundwater Sources

The Competence, Licensing and Enforcement Unit continued consolidating the groundwater sources database through a number of inspections and updates made available through applications from users of these sources.

The Authority continued to receive applications for the registration of additional users on already registered groundwater sources. Nine (9) applications for the addition/change of users were received during 2013. These increased the number of users by fifteen, and together with the registration of new sources, the total number of users registered with the Malta Resources Authority by the end of 2013 stands at 13,108.

In 2013, a further two (2) requests for payment on commercial groundwater sources were issued. By the end of 2013, a total of seven (7) payments for the installation of a meter were received. The five (5) groundwater sources making up the balance were sources located in domestic dwellings having a landscaped area with an area exceeding 1000 m<sup>2</sup>, in line with the relevant Regulations.

The process for the metering of agricultural sources continued during 2013. Site inspections continued to be carried out by the Agricultural Department which was subcontracted to install these meters. During these site inspections, the users were instructed to carry out on any preparatory work that was considered necessary on site prior to the meter installation. Furthermore the inspectors continued to compile data on use, groundwater source type and water quality. This data

will enhance the information already available in the database and could be used in the determination of long term plans for the sustainable use of groundwater. By the end of 2013 a total of 1,218 boreholes were metered.

During 2013, the Malta Resources Authority received five (5) requests for cleaning operations to be carried out on registered / notified groundwater sources. These cleaning processes are generally required due to the collapse of part of the structure. The MRA supervised the cleaning operations of four (4) boreholes.

During 2013, one (1) application for the drilling of replacement boreholes was processed by the Authority.

### Authorisation of suppliers of water by water tanker

The process for the regulation of the transport of water by water tankers continued in 2013. Thus the number of licenced operators at the end of 2013 stood at 117. A number of applicants withdrew their application.

In 2013, the MRA started monitoring the licence conditions of licenced operators. The Authority is enforcing the markings required by the licence conditions and has started affixing placards, issued by the Authority, on the rear side of the water tankers. These placards outline the details of the water tankers and the MRA Licence Number. By the end of 2013, 135 placards were affixed to water tankers.

The Authority also follows up any complaints by third parties when there is a reported breach of licence conditions.

**Table 5: Water Tankering Operations**

TYPE	NO.
Applications submitted for a licence to supply water by water tanker for commercial purposes	3
Applications submitted for a licence to supply water by water tanker for own use	0
Current licences for the supply of water by water tanker for commercial purposes	83
Current licences for the supply of water by water tanker for own use	34
Licences / Applications withdrawn	6

## Applications for Permits to Construct a Soakaway

During 2013, three (3) applications for soakaways were submitted by the Roads and Infrastructure Directorate within Transport Malta. Clearance was given to these applications which were proposed to be located at Zurrieq, since these met the established criteria for assessment of such proposals.

## COURSES FOR COMPETENT PERSONS

A course for persons interested in becoming MRA approved LPG installers was held at the MCAST in May 2013 and the 13 participants that followed the course were successful.

The Authority is currently evaluating training providers to deliver a course to engineers that are interested in obtaining competence certification in the design and construction of Primary Storages of Liquid Fuels.

## MONITORING

### Fuel Quality

As in the past years the Malta Resources Authority, under reporting obligation of directive 98/70/EC, continued to collect and test samples of automotive unleaded petrol and diesel from various Petroleum Filling Stations. The samples were tested against the parameters listed in MSA EN 228 and MSA EN 590 for unleaded petrol and diesel quality respectively.

Further to the requirements of this directive and to the requirements established by the Quality of Fuels Regulations (Legal Notice 44 of 2008), the Authority also tests diesel samples for the sulphur and FAME (Fatty Acid Methyl Ester) content.

The number of sulphur tests performed throughout 2013 contributed as a deterrent to any abuses in the sulphur content of liquid fuels offered for retail to automobiles. Such sulphur content remained relatively stable as the average sulphur content in the 129 samples collected was 7.53 ppm.

This testing also confirmed that the amount of biodiesel content (i.e. FAME) found in diesel did not exceed the 7% established in the standard MSA EN 590. The average FAME content from 100 tests was of 3.74%.

In 2013, the MRA sustained its enforcement arm on the secondary-storages of liquid fuels. The MRA has a routine sampling programme together with an ad-hoc programme on complaints received from the general public. In total, 23 samples were analysed.

The Authority also tests for the sulphur-content in marine fuels. This includes sampling and testing of fuels found in the day tanks of maritime vessels, whether these contain fuel oil, gasoil or diesel EN 590. Samples are taken from vessels in Malta's two main ports. Tests are done on vessels which operate for leisure and on vessels which fall under the MARPOL convention. No non-conformities were found in this sector during 2013.

Table 6 shows the number of fuel samples analysed during 2013 and the type of tests performed on these samples.

**Table 6: Fuel Quality Monitoring**

TEST	SAMPLES LIFTED	FROM PETROL STATIONS	RESULT
EN 228 Unleaded Petrol - as per parameters established in LN 44 of 2008	31	24	Average sulphur 6.3 ppm
EN 590 Diesel - as per parameters established in LN 44 of 2008	27	24	Average sulphur 7.5 ppm. 1 non-conformity found and enforcement action taken.
EN 590 Diesel - Tested for Sulphur content	102	76	Average sulphur 7.5 ppm
EN 590 Diesel - Tested for FAME content	73	59	Average FAME 3.9%

TEST	SAMPLES LIFTED	FROM PETROL STATIONS	RESULT
EN590 Diesel Tested for Sulphur content only	12	12	Average sulphur 8.1 ppm 2 non-conformities found and enforcement action taken.
Gasoil (used in industry)	11	11	Average sulphur 392 ppm

TEST	SAMPLES LIFTED	MARPOL VESSELS (MARINE)	RESULT
Gasoil - Sulphur Content	10	10	Average sulphur 0.074 %
Fuel Oil - Sulphur Content	6	6	Average sulphur 2.26%

TEST	SAMPLES LIFTED	NON-MARPOL VESSELS (MARINE)	RESULT
Gasoil - Sulphur Content	8	8	Average sulphur 0.052 %

## Fuel Quality Labelling at Petroleum Filling Stations

During 2013, the Malta Resources Authority monitored the affixing of labels on the dispensers of Petroleum Filling Stations. This requirement was brought into force following an initiative of the MRA and with the scope of assisting consumers in making an informed decision. This operation was carried out in line with the National Annex of MSA EN 228 and MSA EN 590 for unleaded petrol and diesel quality standards and the licence conditions. The labels provide information to consumers on the quality of the products available. Operators of Petroleum Filling Stations are also obliged to indicate their products' suppliers on the same dispensers. This latter measure promoted the segregation of fuel storage tanks within the stations themselves and henceforth the retail stations have to identify different tanks for different suppliers of the same product.

## Implementation of the amendments to Council Directive 1999/32/EC as amended by Directive 2012/33

In the light of the amendments that Directive 2012/33 is proposing on the requirements of Council Directive 1999/32/EC, the Authority recommended a revision of the Memorandum of Understanding that it currently has with Transport Malta (TM). To this effect discussions were held with the Merchant Shipping Directorate (MSD) within TM with regards to the roles and responsibilities of each entity with respect to the administration of regulatory functions relating to the sulphur content of marine fuels.

The MRA assisted MSD in the completion of a questionnaire forwarded by the European Maritime Safety Agency (EMSA), which requested information regarding the sample lifting of fuels from MARPOL vessels, including administration, monitoring and enforcement issues and the testing of the samples themselves.

The MRA (together with MSD), attended a workshop at the EMSA Headquarters in October this year where the matters relating to the update to this Directive were discussed. The sulphur content reports regarding fuels found in marine vessels that are presented by different Member States still need to be harmonised to establish a common reporting template. The transposition of the Directive into local legislation has to be completed by the 18th June 2014.

## Monitoring of Authorisations

Throughout the year the Enforcement Unit within the Malta Resources Authority performed site inspections to determine compliance to the requirements of the various authorisations. Table 7 lists the inspections that were carried out during 2013. This list excludes inspections related to fuel quality monitoring.

**Table 7: Inspections**

Photovoltaic Panels	99
Boreholes - Registered	13
Boreholes - Not Registered and customer complaints	6
Boreholes - Cleaning	3
Fixing of water tankers licence sticker	115
Swimming pools	25
LPG - Registration issues and complaints	8
LPG - Fixed points of sale	5
LPG - Primary storage facilities	6
Petroleum Filling Stations - information stickers (including visit to distribute stickers)	200
Fuel Storage facilities - Registration issues and complaints	4

## ENFORCEMENT

During 2013, one (1) case was initiated against a Petroleum Filling Station operator, where sampling results allegedly showed that the diesel being offered for retail was not according to MSA EN 590 standard since the sulphur content appeared to be outside the specification limits. A prosecution letter was sent to the Police Commissioner to perform the necessary investigations and take the required action. At the time of writing of the report, the case is still under investigation.

High sulphur content was allegedly also found in two (2) secondary storages for liquid fuels. Prosecution letters were sent to the Commissioner of Police to assist the MRA in these investigations.

In another case the Authority initiated action against an individual who allegedly carried out electrical installation works without being authorised by the Authority to do so. The case was forwarded to the Police for the required legal action.

A number of warning letters were also sent to a number of service providers authorised by the Authority.

Officers assigned to the Licensing, Monitoring and Enforcement Unit attended several Court sittings related mainly to fuel quality, swimming pool licences and quarry licensing, as well as sittings of the Administrative Review Tribunal.



# SUPPORT TO GOVERNMENT, SECTORAL CO-ORDINATION AND REPORTING



## ENERGY POLICY

The National Energy Policy for the Maltese Islands was launched by the Ministry for Resources and Rural Affairs on 17th December 2012. In 2013, the responsibility for the Energy Policy was handed over to the policy section within the Ministry for Energy and the Conservation of Water (MECW).

## REFORM OF LPG RETAIL DISTRIBUTION

In order to implement Government's intention to declare the door-to-door retail of liquefied petroleum gas (LPG) in cylinders as a service of general economic interest under the Competition Act, the Malta Resources Authority proposed changes to the structure of the LPG retail market. This was done by means of a public consultation proposal regarding this policy decision, which is intended to ensure that a universal service throughout Malta and Gozo can be provided at a uniform price and at the same time offer consumers a choice of LPG cylinders that are or will be on the market.

## STATISTICS ON ENERGY FLOWS

The Malta Resources Authority is the entity responsible for reporting data to the National Statistics Office with regards to the importation, storage and sale of petroleum products to fulfil the obligation of Regulation (EC) No. 1099/2008, and as required by various other legislative obligations and government entities. The data collection process involves the collection, validation, consolidation and dissemination of the data reporting sheets submitted by the licenced importers and/or wholesalers of petroleum products including those of LPG and by the licenced bunker operators. A monthly oil balance report is compiled by the Authority which shows the flow of fuels supplied into the country from the importation, stock transfers and sale of these products. An annual oil balance report is compiled once all the monthly data is deemed to be complete and correct.

In 2013, the Authority carried out an extensive validation exercise of the data reports submitted by the operators covering the five year period 2009 to 2013. As a result, the Authority amended the reporting sheet to reflect more stringent data quality requirements. Moreover, the Authority has included data on the flows of the various sources of renewable energy within the oil balance reports covering the years 2009 to 2011. The resultant energy balance report provides a strategic overview of the energy flows into the country.

## REPORTING ON COMBINED HEAT AND POWER (CHP)

During 2013, the Authority drafted the Annual Report on Statistics on National Electricity and Heat production from Cogeneration. The report was submitted to the Minister for Resources and Rural Affairs on the 22nd February 2013. The CHP annual report is a requirement of Regulation 10(2) of the Cogeneration Regulations (Legal Notice 2 of 2007) for reporting annual statistics on national electricity and heat production from co-generation.

## ANALYSIS OF ENERGY AFFORDABILITY AND VULNERABLE CONSUMERS

In view of Malta's exposure and vulnerability to the international price of petroleum products, the Authority sought to better understand the impact that price movements have on the consumers and, specifically, on their ability to purchase energy products. The report focused on the definition of energy vulnerability, the methodology that might be used to identify vulnerable energy consumers and on the various ways to deliver the required aid. The aim is to ensure that a minimum amount of energy is affordable by all households given the importance that this basic good has on maintaining an adequate standard of living. The conclusions of this report are expected to contribute towards energy policy with respect to vulnerable energy consumers in-line with the Government's priority in this area.

## ELECTRICITY PRICE MODELLING TOOL

Expected developments in the electricity generation sector provided the impetus for the Authority to develop a robust modelling tool, in conjunction with external consultants, which enables it to determine the average electricity 'price' subject to both exogenous and endogenous factors such as the present financial and technical setup of the supplier, expected future developments in the electricity industry and projections in the international price of oil and electricity demand.

This tool therefore better equips the Authority in its function to regulate the electricity market, which requires, amongst others, the approval of the electricity tariffs in-line with the established principles and as published in the Electricity Supply Regulations. The aim

of regulating the electricity sector is to promote the interests of electricity consumers in Malta, particularly vulnerable consumers, especially in respect of the price charged for, and the quality of, the service provided by the supplier.

## SURVEY ON ENERGY CONSUMPTION IN INDUSTRY

In view of the European Legislation on Energy Statistics and the more stringent reporting requirements pertaining to emissions at the sectoral and end-use level, the Authority has initiated a process, in collaboration with the National Statistics Office, to obtain more detailed information on the quantities of fuel supplied to the various economic sectors and to identify their use and hence emissions at this level. This process is at the initial stages and the various options are currently being studied by the two agencies. This is expected to culminate in an extensive survey that will be carried out in the first half of 2014 and which will cover the various reporting obligations of a number of government entities including those of the Authority itself.



## FEED-IN TARIFF SCHEMES

Due to various exigencies of the market the applicable Feed-in Tariffs in 2013 were revised four times, with deadlines in June, September and December. Capping limits for the payment of the feed-in tariffs were revised while in some cases additional caps were introduced. The Authority established administrative procedures to ensure that all applications received were treated in a fair and transparent manner and that the applicants benefited from relevant schemes according to their submissions; whilst at the same time ensuring compliance with the requirements of the regulations.

## CONSULTATIONS TO THE MALTA ENVIRONMENT AND PLANNING AUTHORITY

The Malta Resources Authority regularly provides consultations on the various applications received by the Malta Environment and Planning Authority (MEPA). These include both development planning applications and operational environmental applications, including applications for IPPC permits. Consultations mainly concern issues related to groundwater protection, fuel storages and energy and water efficiency.

Requests for consultations are received and handled by the Competence, Licensing and Enforcement Unit. Feedback is regularly sought from other units within the Authority according to expertise required.

Table 8 lists the type of development for which consultations were requested during 2013 and which were mainly associated with groundwater protection.



**Table 8:** Consultations on Development Planning Applications

Type of development	Applications received
Farm	61
Reservoir	51
Small industrial concerns	47
Residential + offices	24
Quarry	18
Agricultural store	16
Pump room	12
Stable	12
Greenhouse	11
Paving of streets, parks	11
Swimming pools	7
Reservoir with pump room	6
Cesspit	6
Agricultural store with reservoir	3
Olive oil production	2
Firework factory	2
Cemetery (extension)	1
Carwash	1
Others	60

A total of 351 requests for consultation were received of which more than 248 were received directly from the applicants' Periti, while the rest were received from MEPA.

The Authority was consulted on several issues pertaining to energy and replied to MEPA within the stipulated time. Such requests were in relation to:

- 4 consultations on building complexes;
- 4 consultations on liquid fuel installations;
- 6 consultations on LPG bulk installations;
- 6 consultations on construction of new Petroleum Filling Stations and material changes to existing Petroleum Filling Stations;
- 4 consultations on renewable energy projects;
- 1 consultation on an LNG storage facility. There were 2 pre-consultations received from the applicant's Perit regarding energy issues.

Throughout 2013, the MRA received 15 requests from the MEPA Environmental Permitting and Industry Unit to submit comments and feedback regarding the following IPPC permitted sites.

These include:

- Ta' Żwejra non-Hazardous Landfill,
- Tar-Robba Recycling Centre Ltd,
- Malta North Waste Treatment Plant
- Edible Oils Refining Co. Ltd
- Medichem Manufacturing Malta Ltd
- Għallis non-hazardous landfill
- Delimara Power Station
- Thermal treatment facility
- Lay Lay Co. Ltd
- Green Skip Services Ltd
- Għallis Hazardous waste treatment and storage facility
- Gasparell Baling Plant Ltd
- Ricasoli Port Facility
- Siġġiewi Waste Digester and Waste Conversion Facility
- Sant Antnin Waste Treatment Plan

## OTHER INITIATIVES

### Participation in MEDREG

During 2013, the MRA was again invited to the ad-hoc meetings and the 2 General Assemblies of the Association of Mediterranean Regulators of Electricity and Gas (MEDREG). The Authority sent representatives to the 14th General Assembly held in Alexandria, Egypt, in May and to the 15th General Assembly held in Grasse, France in November. Following MEDREG's invitation in 2012, Malta now occupies the position of the vice-chair of the Institutional AdHoc Working Group up to 2014.



### Control of Major Accident Hazards (COMAH) Sites

The Authority was requested by the COMAH Competent Authority (composed of the Occupational Health and Safety Authority, the Malta Environment and Planning Authority and the Civil Protection Department) to attend meetings to discuss the COMAH consultation zones.

# RESOURCE MANAGEMENT AND REGULATION

## ENERGY RESOURCES

### Schemes Promoting Renewable Energy Sources

One of the primary objectives of the MRA is to promote the utilisation of Renewable Energy Sources (RES). Grant schemes are intended to relieve the financial burden borne by investors and give a tangible contribution to the island to reach an increased independence from fossil fuels.

During 2013, the MRA continued to administer the 2011 Photovoltaic (PV) scheme and the 2012 grant schemes in relation to Solar Water Heaters (SWH) and Roof Insulation and Double Glazing (Ri & Dg).

The National Solar Water Heater Scheme, which provided a grant of 40% up to €400 and was not restricted by social criteria, attracted a total of 2,664 applicants.

The ERDF funded scheme related to PV applications, offering a grant of 50% of the eligible expenditure up to a maximum of €3,000, closed on the 3rd August 2011 and attracted over 3,500 applications with close to 7 MWp. During 2013, the MRA continued to administer the remaining applications that were submitted. The success of this scheme encouraged the Authority to apply for a similar scheme under ERDF funding.

Another national funded scheme, offering a grant of 15.25% of the total eligible cost, up to a maximum of €1,000, to promote the use of double glazing and roof insulation equipment, was launched in 2012. A total of 613 grants were issued to eligible applicants.

During 2013, two new schemes were launched, on the 13th May and 22nd October, to provide grants on the installation of PV systems and restoration works on domestic cisterns respectively. The 2013 PV ERDF scheme offering a grant of 50% of the eligible expenditure up to a maximum of €2,500 is expected to close on 31st March 2014 and is expected to attract around 8,400 applicants. The 2013 Domestic Cisterns scheme offers a grant of 50% of the eligible expenditure up to a maximum of €1,000.



**Table 9:** Administration of Support Schemes

Description scheme	Applications received	Island
2011 Solar water heater National	550	Malta
2011 Solar water heater National	90	Gozo
2012 Roof insulation / double glazing	57	Gozo
2012 Roof insulation / double glazing	317	Malta
2013 Domestic wells	39	Gozo
2013 Domestic wells	228	Malta
2013 PV ERDF	1230	Gozo
2013 PV ERDF	5845	Malta

**Table 10:** Grants Authorised for Payments during 2013

Description scheme	kWp	Number of applications	Grants authorised for payment	Total investment	Island
2011 PV ERDF	7.83	4	€12,000.00	€27,036.16	Gozo
2011 PV ERDF	45.45	19	€45,544.75	€101,397.13	Malta
2011 Solar water heater ERDF	0.00	1	€560.00	€1,695.00	Gozo
2011 Solar water heater ERDF	0.00	2	€1,120.00	€3,235.00	Malta
2011 Solar water heater National	0.00	60	€24,000.00	€94,143.20	Gozo
2011 Solar water heater National	0.00	373	€141,717.42	€582,537.53	Malta
2012 Roof insulation / double glazing	0.00	48	€9,375.65	€95,028.42	Gozo
2012 Roof insulation / double glazing	0.00	191	€54,164.15	€580,840.15	Malta
2013 PV ERDF	985.21	382	€928,306.65	€2,351,558.62	Gozo
2013 PV ERDF	4642.45	1,761	€4,249,230.55	€10,765,443.69	Malta



## Wind Measurement at L-Aħrax tal-Mellieħa

The wind measuring equipment at L-Aħrax tal-Mellieħa owned by the Authority continued to be maintained. Wind data is collected in conjunction with the Institute for Sustainable Energy. During 2013, the MRA issued a tender for the decommissioning of the mast as the installation permit will elapse during 2014. The tender was awarded and decommissioning works are expected to be completed in the early months of 2014.

## Educational Campaign to Promote Energy Savings in the Domestic Sector

On 25th October 2012, the EU adopted Directive 2012/27/EC on Energy Efficiency with the aim of reducing primary energy use in the EU by 20% by 2020. The Authority sought to contribute towards Malta's energy efficiency target by carrying out an educational campaign to promote energy savings in the domestic sector. The primary aim is to reduce energy consumption through the use of energy efficient and renewable energy solutions across the various areas. Funds were applied for and have been granted by the European Regional Development Fund (ERDF) under Operational Programme 1 – Cohesion Policy 2007-2013.

The educational campaign targeted specific consumer groups with information on the available technologies to save and conserve energy and to promote the overall energy efficiency potential. A wide range of initiatives were undertaken and various media were used to disseminate the information including seminars, brochures, billboards, TV and newspaper adverts.

## Pre-Campaign Survey on Energy Efficiency

In the build-up to the educational campaign, the Authority conducted a survey covering 300 households to better understand common energy trends in the domestic sector, such as energy label awareness, energy saving methods, renewable energy sources and the efficiency of the energy service providers in Malta. The main results indicated that there is a general lack of awareness on energy efficiency measures that a domestic household can easily avail of and which have the potential to reduce their energy needs whilst maintaining the same standard of living.



## Launch of the Seminar on the Educational Campaign on Energy Efficiency

On 27th May 2013, the Authority launched the Educational Campaign on Energy Efficiency through an information seminar. The overall objective of this campaign i.e. to reduce energy consumption through the use of energy efficient and renewable energy solutions across the various areas, was outlined during this seminar and a number of topics were highlighted, which included:

- Labelling awareness
- Equipment replacement
- Standby power use
- Appropriate equipment sizing
- Eco driving
- Energy Performance in Buildings
- Energy Efficient Lighting

## Educational Campaign

In September and October 2013, a number of information sessions were held for the general public which addressed energy efficiency at home and at the office, within the building envelope and when commuting. A separate session focusing on renewable energy sources was also held. Following these information sessions, the Authority was invited to participate in a number of seminars and workshops related to energy efficiency which were organised by Local Councils and included the MESHARTILITY and SMILEGOV Workshop, The SeeMore Seminar and ManagEnergy Conference.

As part of the campaign, a number of brochures were distributed to all households in Malta and Gozo providing information on ways and means to improve the energy efficiency at home, at the workplace and when commuting. Figure 4 below shows the first brochure that was disseminated. To complement these information sessions, an extensive awareness campaign was undertaken using billboards, TV and newspapers adverts to deliver information on energy efficiency to the general public. This information will continue to be made available through the dedicated website: [www.energyefficiency.org.mt](http://www.energyefficiency.org.mt)

In order to gauge the effectiveness of this educational campaign, the Authority will be carrying out a post-campaign survey by June 2014.

**Figure 4 : Brochure on Energy Efficiency at Home and at the Office**



Figure 5 : Billboard Message for July 2013



Figure 6 : Newspaper advert for December 2013





## WATER RESOURCES

### Economic Characterisation of Groundwater

The Water Framework Directive (WFD) 2000/60/EC, and as transposed by Legal Notice 194/2004 on the Water Policy Framework Regulations, require that an economic characteristics of groundwater resources in Malta to be undertaken. A draft characterisation was completed in December 2013.





# CLIMATE CHANGE

The Climate Change Unit's focus for 2013 was to ensure optimal fulfilment of Malta's basic obligations under international climate change treaties and the European Union's climate action acquis.

Three core functions define the fundamental role and responsibilities of the Unit:

- meeting reporting obligations relating to climate change;
- administering the EU Emissions Trading Scheme (EU ETS);
- providing Government with expert technical input for the formulation of Malta's position in respect of processes relating to climate action at a local, regional and international level.

## REPORTING OBLIGATIONS

### National GHG Inventory

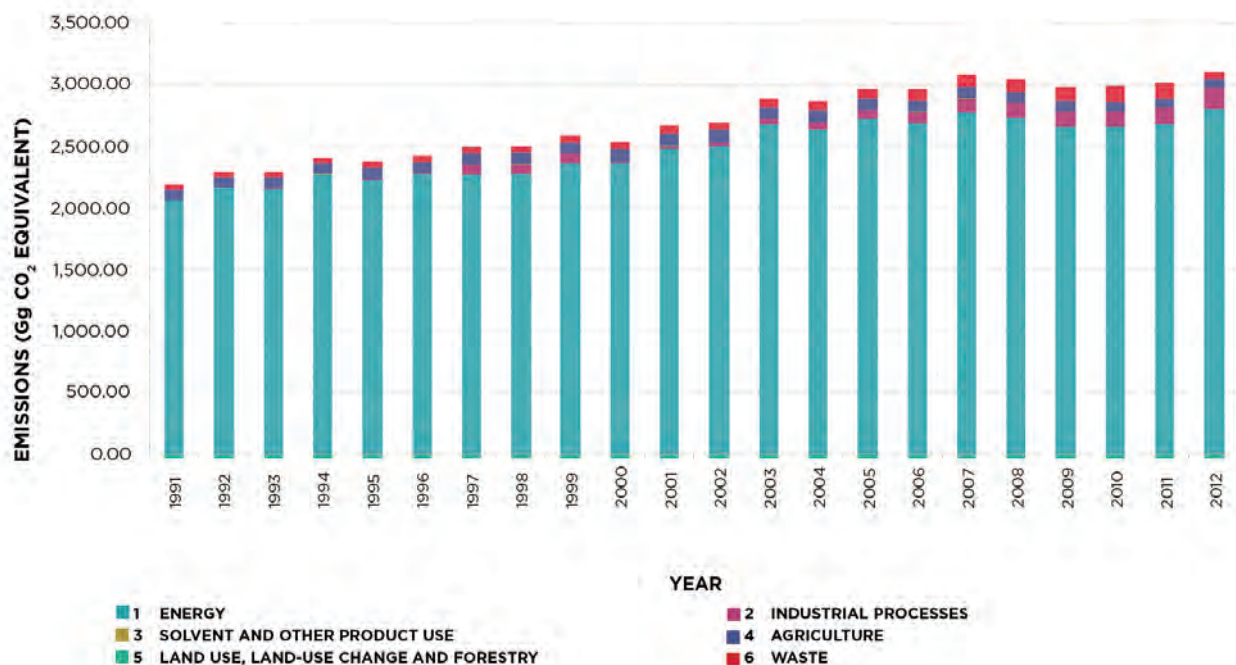
The annual compilation and submission of the national greenhouse gas emissions and removals inventory (national GHG inventory) remains one of the principal functions of the Unit. This includes a process of gathering activity data and other information relevant to the estimation of emissions by sources and removals by sinks of greenhouse gases and the actual determination of emissions and removals according to established methodologies. A report explaining the work carried out together with relevant numerical data was also compiled.

As in previous years, and in accordance with binding obligations under EU legislation, a preliminary submission of the national GHG inventory was made to

the European Commission in January and this was followed by a final submission in March. A similar submission was also made to the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) in April. The national GHG inventory was subject to two peer reviews: one carried out by the European Commission and another performed under the rules of the UNFCCC. Reports from these peer reviews are published by the respective bodies and the Unit is already making efforts to address, as far as possible, issues that were raised both in this year's and in previous year's reviews. Following the conclusion of these afore-mentioned submissions, preparation of the relevant submissions for 2014 was carried out.

Following Malta's change in status to Annex I in 2010, a national system that includes all institutional, legal and procedural arrangements made, is required to be established such as to ensure the estimation and reporting of emissions and removals of greenhouse gases, is in accordance with the relevant requirements under the UNFCCC and the Protocol. Following ratification by the EU and its Member States of the amendments to the Kyoto Protocol to the UNFCCC as adopted in Doha in 2012, whereby a quantified emission limitation or reduction target for Malta was established, preliminary discussions have been held at governmental level on the way forward in establishing a national inventory system.

The Climate Change Unit took the initiative to reactivate the outcome of a consultancy project undertaken some years back that addressed the issue of establishing a national system, and on the basis of this submitted a report to the Ministry responsible for the climate change portfolio with detailed recommendations on the design of such a system for Malta.

**Figure 7 : Greenhouse gas emissions by sector**

Source: National Greenhouse Gas Inventory for Malta 1990-2012; Malta Resources Authority, 2014.

## Policies and Measures 2013

Another major reporting obligation fulfilled by the Unit during this year was the submission of the biennial report on Policies and Measures and projections of greenhouse gas emissions. The compilation of this report builds on extensive consultations with, and input from, a number of local entities that are responsible for adopting and implementing measures that directly or indirectly affect national greenhouse gas emissions. This year's report also updates Malta's state of play in respect of its targets under the Effort-Sharing Decision, a principal pillar of EU climate action policy.

## THE EU EMISSIONS TRADING SCHEME

The Climate Change Unit's work related to emissions trading during 2013 focused principally on the responsibilities of the Authority as competent authority for the EU emissions trading scheme. This consists in routine administration of the scheme and a help-desk support to operators of installations and aircraft operators that fall within the administrative responsibility of Malta. During this year, extensive guidance to operators was provided on changes to procedures, such as those relating to monitoring plans, and amendments to the elements of the Directive relating to the inclusion of aviation activities in the scheme.

In parallel to this work, the Unit concluded the drafting of new local legislation transposing the EU ETS Directive in so far as it relates to stationary installations.

## TECHNICAL SUPPORT TO FORMULATION OF NATIONAL POSITIONS AND PARTICIPATION IN EUROPEAN UNION AND INTERNATIONAL FORA

The Climate Change Unit continued to provide expert input to the formulation of Malta's position on emerging and developing dossiers at both an EU and international level.

2013 saw the conclusion of co-decision processes related to two new pieces of EU legislation, namely the new Monitoring Mechanism Regulation and the Land Use, Land-Use Change and Forestry (LULUCF) Decision. The former sets out all major climate change related reporting requirements that apply to EU Member States, including the reporting of national GHG inventories, reporting on policies and measures and projections, reporting on climate change financing and adaptation, among others. The latter establishes the first steps towards a comprehensive accounting of emissions and removals from the LULUCF sector. In both cases, the technical input of the Climate Change Unit was important in establishing Malta's negotiating position.

Similarly, the Unit supported the country's negotiating stance on developing dossiers in the area of emissions trading. These included the amendments to the Aviation-EU ETS Directive and the adoption of several implementing acts. One may also mention a new proposal by the European Commission to establish a monitoring, reporting and verification regime for greenhouse gas emissions by the maritime sector and discussions relating to the international process aiming at setting up a global market-based measure to address greenhouse gas emissions from international aviation, under the auspices of the International Civil Aviation Organization (ICAO). In both areas, the Unit remains actively involved in the inter-Ministerial discussions that follow-up on the respective processes.

Officials from the Unit have represented Malta at a number of international and EU fora working on climate action policy and international climate change affairs. At an EU level the unit participated in the main fora for implementation of relevant legislation, including the Climate Change Committee and several of its working groups and the EU ETS Compliance Forum.

This year also saw an increased presence of technical officials from the Unit in meetings relating to the UNFCCC process, in particular the participation at the Conference of the Parties to the UNFCCC, held in November in Warsaw.



## FINANCIAL ESTIMATES 2014

	2013 ACTUAL €	2014 ACTUAL €
Income	<b>2,697,528</b>	<b>2,336,007</b>
Net direct expenses	(484,630)	(532,600)
Staff costs	(1,183,234)	(1,208,886)
Administrative expenses	(362,219)	(439,396)
Depreciation	(38,894)	(51,437)
Finance Income	6,864	1,500
Surplus for the year before tax	<b>635,415</b>	<b>105,188</b>



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## FINANCIAL STATEMENTS

**MALTA RESOURCES AUTHORITY**

**Annual Report and Financial Statements  
31 December 2013**



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Independent auditor's report	3 - 4
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## **Authority Board report**

The members of the Authority board present their report and the audited financial statements for the year ended 31 December 2013.

### **Principal activities**

The Malta Resources Authority (MRA) is a public corporate body with regulatory responsibilities relating to water, energy and mineral resources in the Maltese Islands. It was set up by the Maltese Parliament through the Malta Resources Authority Act, Chapter 423. The MRA has a wide range of responsibilities essentially involving regulation of water and energy utilities, quarry operations, the protection of groundwater, the regulation of retailers, operations and tradesmen in the regulated sectors.

### **Review of the operations**

During the year under review the Authority received revenues from licenses and contributions of €2,696,648 (2012: €2,495,269). These revenues are generated in support of the Authority's regulatory responsibilities. The Authority is also responsible for the administration of energy efficiency and renewable energy rebate schemes. During 2013, the Authority carried out monitoring analyses, environmental and market studies and other initiatives entailing a total expenditure of €407,258 (2012: €434,780). Net expenditure on Government and EU initiatives amounted to €77,372 (2012: €60,607). The Authority registered a surplus for the year of €414,163 (2012: €278,199) after deducting taxation of €221,252 (2012: €117,649) and administrative costs of €1,584,347 (2012: €1,608,776).

### **Results and surplus funds**

The income statement is set out on page 6. The surplus for the year amounted to €414,163 (2012: €278,199).

### **Board members**

The board members of the Authority who held office during the year were:

Mr. Francis Cassar (Chairman) - appointed on 19 April 2013

Mr Mario Galea (Chairman) - resigned on 19 April 2013

Ing. Marjohn Abela (Deputy Chairman) - appointed on 19 April 2013

Dr Ing Matthew Spiteri (Deputy Chairman) - resigned on 19 April 2013

Professor Manfred Weissenbacher - appointed on 19 April 2013

Dr. Katrina Borg Cardona - appointed on 19 April 2013

Dr. Simon Schembri - appointed on 19 April 2013

Mr. Christopher Buttigieg - appointed on 19 April 2013

Mr. Mario Azzopardi - appointed on 19 April 2013

Mr. Godwin E. Bencini - resigned on 19 April 2013

Ing. Francis Bugeja - resigned on 19 April 2013

Dr. Pauline Galea - resigned on 19 April 2013

Ms. Ritienne Gauci - resigned on 19 April 2013

Dr. Kristian Balzan - resigned on 19 April 2013

Ing. Anthony Rizzo (Chief Executive Officer)



## **Authority Board report - continued**

### **Statement of board members' responsibilities**

In preparing the financial statements the board members are responsible for;

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU and the Malta Resources Authority Act;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation as a going concern.

The board members are also responsible for designing, implementing and maintaining internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Resources Authority Act. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of the Authority for the year ended 31 December 2013 are included in the Annual Report 2013, which is published in hard-copy printed form and may be made available on the Authority's website. The board members are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Authority's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

### **Auditors**

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed.

On behalf of the board



Mr. Francis Cassar  
Chairman



Ing. Anthony Rizzo  
Chief Executive Officer

Registered office  
Malta Resources Authority  
Millennia, 2nd Floor  
Aldo Moro Road  
Marsa MRS 9065  
Malta

6 February 2014



## **Independent auditor's report**

To the stakeholders of the Malta Resources Authority

### **Report on the Financial Statements for the year ended 31 December 2013**

We have audited the financial statements of the Malta Resources Authority on pages 5 to 24 which comprise the statement of financial position as at 31 December 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Board members' Responsibility for the Financial Statements*

As explained more comprehensively in the Statement of board members' responsibilities for the financial statements on page 2, the board members are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the Malta Resources Authority Act, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the governors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion the financial statements

- give a true and fair view of the financial position of the Authority as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU ; and
- have been properly prepared in accordance with the Malta Resources Authority Act.





## **Independent auditor's report - continued**

### **Report on Other Legal and Regulatory Requirements**

We also have responsibilities to report to you if, in our opinion:

- The information given in the Board report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

### **PricewaterhouseCoopers**

78 Mill Street  
Qormi  
Malta

A handwritten signature in blue ink, appearing to read 'Stefan Bonello'.

Stefan Bonello  
Partner

6 February 2014

## Statement of financial position

		As at 31 December	
	Notes	2013 €	2012 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	68,729	48,817
Total non-current assets		68,729	48,817
<b>Current assets</b>			
Trade and other receivables	6	561,128	315,684
Cash and cash equivalents	7	3,360,141	1,995,562
Total current assets		3,921,269	2,311,246
<b>Total assets</b>		<b>3,989,998</b>	<b>2,360,063</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Accumulated surplus	9	698,441	284,278
Total equity		698,441	284,278
<b>Current liabilities</b>			
Trade and other payables	8	3,220,307	1,964,243
Current tax liabilities		71,250	111,542
Total liabilities		3,291,557	2,075,785
<b>Total equity and liabilities</b>		<b>3,989,998</b>	<b>2,360,063</b>

The notes on pages 9 to 24 are an integral part of these financial statements.

The financial statements on pages 5 to 24 were authorised for issue by the board members on 6 February 2014 and were signed on its behalf by:



Mr. Francis Cassar  
Chairman



Ing. Anthony Rizzo  
Chief Executive Officer



## Statement of comprehensive income

		Year ended 31 December	
	Notes	2013 €	2012 €
<b>Revenue</b>	10	<b>2,696,648</b>	2,495,269
Excess expenditure over funds received	17	(77,372)	(60,607)
Direct expenditure	11	(407,258)	(434,780)
Administrative expenses	11	(1,584,347)	(1,608,776)
Other operating income	16	880	3,711
<b>Operating surplus</b>		<b>628,551</b>	394,817
Finance income	14	6,864	1,409
Finance costs	15	-	(378)
<b>Surplus before tax</b>		<b>635,415</b>	395,848
Taxation	18	(221,252)	(117,649)
<b>Surplus for the year - total comprehensive income</b>		<b>414,163</b>	278,199

The notes on pages 9 to 24 are an integral part of these financial statements.

## Statement of changes in equity

	Accumulated surplus €
Balance at 1 January 2012	6,079
<b>Comprehensive income</b> Surplus for the year	278,199
Balance at 31 December 2012	284,278
<b>Comprehensive income</b> Surplus for the year	414,163
Balance at 31 December 2013	<b>698,441</b>

The notes on pages 9 to 24 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2013 €	2012 €
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations	19	1,628,545	(1,559,348)
Interest received		6,864	1,409
Interest paid		-	(378)
Income tax paid		(261,544)	-
<b>Net cash generated from/(used in) operating activities</b>		<b>1,373,865</b>	<b>(1,558,317)</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	4	(9,286)	(24,558)
<b>Cash flows used in financing activities</b>			
Capital repayments under finance lease		-	(23,126)
<b>Net movement in cash and cash equivalents</b>		<b>1,364,579</b>	<b>(1,606,001)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>1,995,562</b>	<b>3,601,563</b>
<b>Cash and cash equivalents at end of year</b>	7	<b>3,360,141</b>	<b>1,995,562</b>

The notes on pages 9 to 24 are an integral part of these financial statements.



## Notes to the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Malta Resources Authority Act. They have been prepared under the historical cost.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the board members to exercise judgement in the process of applying the Authority's accounting policies (see Note 3 – Critical accounting estimates and judgements).

#### *Standards, interpretations and amendments to published standards effective in 2013*

In 2013, the Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on 1 January 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Authority's accounting policies.

#### *Standards, interpretations and amendments to published standards effective in 2013*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Authority's accounting periods beginning after 1 January 2013. The Authority has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Board is of the opinion that, with the exception of the pronouncements below, there are no requirements that will have a possible significant impact on the Authority's financial statements in the period of initial application.

#### 1.2 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Authority's functional and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains or losses are presented in the income statement.



**1. Summary of significant accounting policies - continued**

**1.3 Property, plant and equipment**

All property, plant and equipment is initially recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Items of property plant and equipment comprise leasehold improvements, computer equipment, computer software, motor vehicles, and furniture, fixtures and other equipment and are initially recognised at acquisition cost. Subsequently they are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amount to their residual values over their estimated useful lives, as follows:

	%
Leasehold improvements	10
Computer equipment	30
Computer software	30
Motor vehicles	20
Furniture, fixtures and other equipment	10 – 30
Assets held under finance lease	over the term of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in the income statement.

**1.4 Impairment of non-financial assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).



**1. Summary of significant accounting policies - continued**

**1.5 Financial assets**

**1.5.1 Classification**

The Authority classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Authority's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (note 1.6 and 1.7).

**1.5.2 Recognition and measurement**

The Authority recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Authority. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

**1.5.3 Impairment**

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Authority first assesses whether objective evidence of impairment exists. The criteria that the Authority uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.



**1. Summary of significant accounting policies - continued**

**1.5 Financial assets - continued**

**1.5.3 Impairment - continued**

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

**1.6 Trade and other receivables**

Trade receivables generally comprise amounts due from utility organisations and other operators. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

**1.7 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call together with short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

**1.8 Reserves**

The reserve fund includes all current and prior period retained surpluses and deficits.

**1.9 Trade and other payables**

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers and service providers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Other payables include amounts related to committed and approved grants allocated to the Authority by the EU and the Government of Malta with respect to the renewable energy rebate schemes administered by the Authority.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



**1. Summary of significant accounting policies - continued**

**1.10 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**1.11 Provisions**

Provisions for legal claims are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**1.12 Revenue recognition**

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for the Authority's activities has been met.

**1. Summary of significant accounting policies - continued**

**1.12 Revenue recognition - continued**

- (i) Income from licences and contributions from utility organisations is recognised on an accrual basis.
- (ii) Interest income from investments is reported in an accrual basis using the effective interest method.

Income derived from grants allocated to the Authority by the EU and the Government of Malta with respect to the renewable energy rebate schemes is recognised over the periods necessary to match with related refunds paid to eligible scheme applicants.

**1.13 Operating expenses**

Operating expenses are recognised in the income statement upon utilisation of the service rendered.

**1.14 Finance leases**

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Authority is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

See note 1.3 for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to the income statements, within 'finance cost' over the period of the lease.

**1.15 Operating leases**

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

**1.16 Borrowing costs**

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.



## 2. Financial risk management

### 2.1 Financial risk factors

The Authority's activities potentially expose it to a variety of financial risks namely market risk, credit risk and liquidity risk. The Authority's risk management is coordinated by the board members and focuses on actively securing the Authority's short to medium term cash flows by minimising the exposure to financial markets.

The Authority does not actively engage in trading of financial assets for speculative purposes nor does it write options. The most significant financial risks that the Authority is exposed to are described below.

#### (a) Cash flow and fair value interest rate risk

The Authority has no significant interest-bearing assets and liabilities, and its income and operating cash flows are substantially independent of changes in market interest rates.

#### (b) Credit risk

The Authority's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The Authority's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2013 €	2012 €
Trade and other receivables (Note 6)	344,862	104,468
Cash and cash equivalents (Note 7)	3,360,141	1,995,562
	<b>3,705,003</b>	<b>2,100,030</b>

The Authority monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the Authority's receivables, taking into account historical experience.

The Authority's receivables, which are not impaired financial assets, are principally in respect of transactions with operators for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers. None of the Authority's financial assets is secured by collateral.

As at 31 December 2013, trade receivables of €81,815 (2012: €81,815) were impaired, and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Authority does not hold any collateral as security in respect of the impaired assets.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

**(c) Liquidity risk**

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 8). Prudent liquidity risk management includes maintaining sufficient cash reserves to ensure the availability of an adequate amount of funding to meet the Authority's obligations.

The Authority monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Authority's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments and commitments.

**2.2 Capital risk management**

The Authority's equity, which constitutes its capital base, as disclosed in the statement of financial position. The Authority's objectives when managing capital are to safeguard the respective entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In view of the nature of the Authority's activities and its financial position, the capital level as at the end of the reporting period is deemed adequate by the board members.

Furthermore, in accordance with section 14(3) of the provisions of the Malta Resources Authority Act, the Authority shall be paid by the Government of Malta out of the Consolidated Fund such sums as Parliament may from time to time authorise to be appropriated to meet any of its expenditure that cannot be met out of its revenue and the costs of specified works to be continued or otherwise carried out by the Authority, being works of infrastructure or a similar capital nature.

**3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the board members, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.



**4. Property, plant and equipment**

	Leaseholds improvements €	Motor vehicles €	Furniture, fixtures and other equipment €	Assets held under finance lease €	Total €
<b>At 1 January 2012</b>					
Cost or valuation	18,981	64,105	246,636	287,508	617,230
Accumulated depreciation	(15,525)	(47,305)	(212,509)	(265,947)	(541,286)
Net book amount	3,456	16,800	34,127	21,561	75,944
<b>Year ended 31 December 2012</b>					
Opening net book amount	3,456	16,800	34,127	21,561	75,944
Additions	-	-	24,558	-	24,558
Depreciation charge	(3,456)	(5,600)	(21,068)	(21,561)	(51,685)
Closing net book amount	-	11,200	37,617	-	48,817
<b>At 31 December 2012</b>					
Cost or valuation	18,981	64,105	271,194	287,508	641,788
Accumulated depreciation	(18,981)	(52,905)	(233,577)	(287,508)	(592,971)
Net book amount	-	11,200	37,617	-	48,817
<b>Year ended 31 December 2013</b>					
Opening net book amount	-	11,200	37,617	-	48,817
Additions	-	-	58,806	-	58,806
Depreciation charge	-	(5,600)	(33,294)	-	(38,894)
Closing net book amount	-	5,600	63,129	-	68,729
<b>At 31 December 2013</b>					
Cost or valuation	18,981	64,105	330,000	287,508	700,594
Accumulated depreciation	(18,981)	(58,505)	(266,871)	(287,508)	(631,865)
Net book amount	-	5,600	63,129	-	68,729



**5. Finance lease**

The Authority's electrical installations, ventilation systems and partitioning carried out on the leasehold premises were held under a finance lease arrangement. The lease expired in the prior year. The assets are included under 'assets held under finance lease' which form an integral part of 'property, plant and equipment' (note 4).

The lease agreement for the finishing works on the Authority's leasehold premises included fixed lease payments and the asset is transferred to the lessee at the end of the 10 year lease term. The agreement is non-cancellable but does not contain any further restrictions.

No contingent rents were recognised as an expense in the reporting periods under review, and no future sublease income is expected to be received as all assets are used exclusively by the Authority.

**6. Trade and other receivables**

	2013 €	2012 €
<b>Current</b>		
Receivables on licences and contributions	344,862	104,468
Receivables on EU projects - net of provision	141,376	159,735
Prepayments and accrued income	74,890	51,481
	<u>561,128</u>	<u>315,684</u>

Receivables on EU projects are stated net of provisions for impairment as follows:

	2013 €	2012 €
Receivables on EU projects	223,191	241,550
Provision for impairment	(81,815)	(81,815)
	<u>141,376</u>	<u>159,735</u>

**7. Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2013 €	2012 €
Cash and cash equivalents	<u>3,360,141</u>	<u>1,995,562</u>

A substantial amount of cash and cash equivalents relate to funds advanced to the Authority with respect to the renewable energy rebate schemes.

**8. Trade and other payables**

	2013 €	2012 €
<b>Current</b>		
Trade and other payables	279,170	326,031
Other payables	2,423,167	1,318,681
Accruals	517,970	319,531
	<u>3,220,307</u>	<u>1,964,243</u>

Other payables comprise:

	2013 €	2012 €
Funds received in advance for EU projects and rebate schemes	2,253,060	964,583
Funds received in advance from utility organisations	-	144,900
Funds received for training programmes	139,372	166,189
Funds received in advance from wiremen	-	43,009
Others	30,735	-
	<u>2,423,167</u>	<u>1,318,681</u>

**9. Accumulated surplus**

	2013 €	2012 €
Balance as at 1 January	284,278	6,079
Surplus for the year	414,163	278,199
As at 31 December	<u>698,441</u>	<u>284,278</u>

In accordance with section 14(4) of the provisions of the Malta Resources Authority Act, any excess of revenue over expenditure shall, subject to such directives as the responsible Minister, after consultation with the Minister responsible for Finance, may from time to time give, be applied by the Authority to the formation of reserve funds to be used for the purpose of the Authority.

**10. Revenue**

Income represents licenses and contributions charged to utility organisations and other operators.

**11. Expenses by nature**

	2013 €	2012 €
Excess expenditure over refunds received (Note 17)	77,372	60,607
Direct expenditure	407,258	434,780
Employee benefit expense (Note 12)	1,183,234	1,138,834
Depreciation of property, plant and equipment (Note 4)	38,894	51,685
Rent payable	104,128	100,856
Travelling expenses	58,890	72,838
Motor vehicle expenses	40,049	57,227
Other expenses	159,152	187,336
Total direct expenditure, excess expenditure and administrative expenses	<u>2,068,977</u>	<u>2,104,163</u>

Auditor's fees

Fees charged by the auditor for the statutory audit amount to €5,500 (2012: €5,403).

**12. Employee benefit expense**

	2013 €	2012 €
Wages and salaries	1,105,102	1,069,822
Social security costs	78,132	69,012
	<u>1,183,234</u>	<u>1,138,834</u>



**12. Employee benefit expense - continued**

Average number of persons employed by the Authority during the year:

	2013	2012
Board members	8	8
Operations	41	39
	<u>49</u>	<u>47</u>

Salary expenses relating to staff seconded from and with Government entities amounting to €46,321 (2012: €108,650) are included above. Salaries in relation to the administration of EU projects and rebate schemes amounting to €92,518 (2012: €94,494) are excluded from the above noted amounts and included within excess expenditure over funds received (Note 17).

**13. Board remuneration**

	2013 €	2012 €
Board members' honoraria	41,541	37,916
Board secretary's honoraria	3,146	3,444
	<u>44,687</u>	<u>41,360</u>

**14. Finance income**

	2013 €	2012 €
Interest income from demand deposits	6,864	1,409

**15. Finance costs**

	2013 €	2012 €
Interest expense on finance lease liability	-	378

**16. Other income**

	2013 €	2012 €
Tender fees	680	750
Other sundry income	200	2,961
	<b>880</b>	<b>3,711</b>

**17. Excess expenditure over funds received**

	2013 €	2012 €
Rebate schemes, EU projects and other initiatives:		
Funds allocated by the Government of Malta and EU	4,979,767	9,117,101
Related refunds to eligible scheme applicants	(5,057,139)	(9,177,708)
	<b>(77,372)</b>	<b>(60,607)</b>

**18. Tax expense**

	2013 €	2012 €
Current tax	<b>221,252</b>	117,649
The tax on the Authority's surplus before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
	2013 €	2012 €
Surplus for the year before tax	<b>635,415</b>	395,848
Tax on surplus at 35%	<b>222,395</b>	138,547
Tax effect of:		
Expenses not allowed for tax purposes	-	980
Under provision in prior years	1,965	6,107
Movement in unrecognised deferred tax assets	(3,108)	(27,985)
Tax charge in the accounts	<b>221,252</b>	117,649

The company also had net deductible temporary differences on provisions and property, plant and equipment as at 31 December 2013 amounting to €135,331 (2012: €138,597). The resulting deferred tax asset of €47,366 (2012: €48,509) has not been recognised in these financial statements due to the uncertainty of the realisation of these tax benefits.

**19. Cash generated from/(used in) operations**

Reconciliation of operating surplus generated from operations:

	2013 €	2012 €
Operating surplus	628,551	394,817
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	38,894	51,685
Changes in working capital:		
Trade and other receivables	(245,444)	(148,367)
Trade and other payables	1,206,544	(1,857,483)
Cash generated from/(used in) operations	<u>1,628,545</u>	<u>(1,559,348)</u>

**20. Commitments**

	2013 €	2012 €
Grants awaiting payment approval under renewable energy schemes	10,351,159	136,000
Studies, analysis and operational equipment	86,048	57,743
Capital commitments	<u>11,600</u>	<u>61,120</u>

**21. Contingencies**

Due to the nature of its functions, the Authority is currently a co-defendant vis-à-vis several cases. The Board notes that the attribution of responsibility, if any, in these court cases is still undetermined. Thus, quantification of any potential liability is premature and hence no provision has been recognised in these financial statements.



**22. Related party transactions**

The Malta Resources Authority is an autonomous public institution and reports to Parliament on an annual basis. The Board members of the Authority are appointed by the Government of Malta.

During the period under review, the Authority entered into transactions with a number of Government-related entities.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Transactions with related parties are unsecured and interest free. Outstanding balances are usually settled in cash.

Income recognised for the year under review relating to licenses and contributions from utility organisations and refunds on previous year's expenditure on other studies (if any), are disclosed in notes 10 and 17.

**23. Comparative information**

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.



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