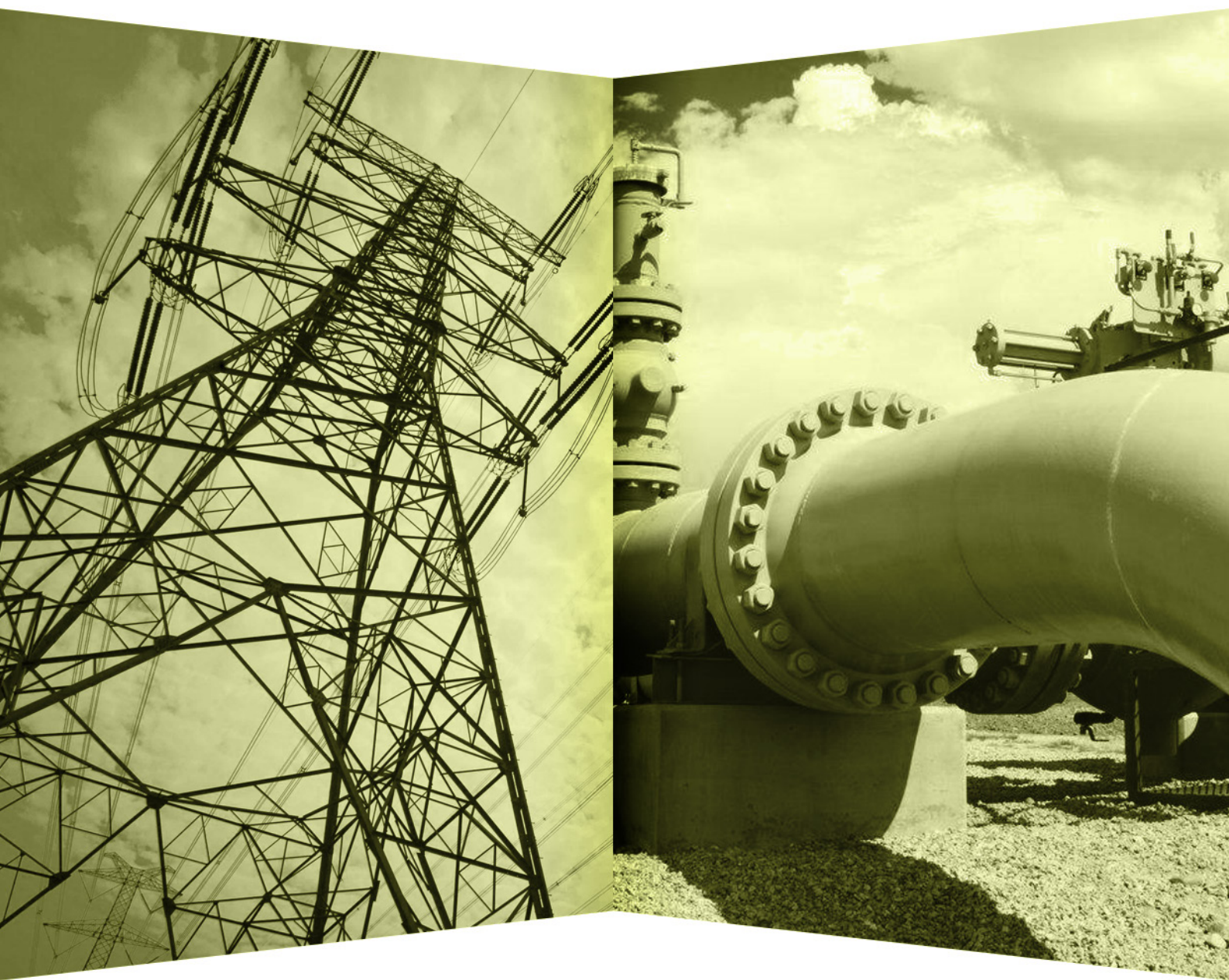


Malta Resources Authority

ANNUAL REPORT 2014



MRA

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THE AUTHORITY

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Chairman

Deputy Chairman

Members

Secretary

Chief Executive Officer



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

This is the annual report of the Malta Resources Authority, prepared in accordance with Article 24 of the Malta Resources Act (Chapter 423 of the Laws of Malta). This report provides an overview of the activities of the Authority during the financial year 1 January, 2014, to 31 December, 2014.

KEY REGULATORY ISSUES DURING 2014

Electricity and Water Tariff Review

In the early months of 2014, Enemalta Corporation and Water Services Corporation presented the Authority with a proposal to revise the electricity and water tariffs. Following a review of the proposals, using the fundamental principles and objectives set by the Authority and the "Full Cost Recovery" method, the tariffs were approved by the Authority on 24 March, 2014. The tariffs for residential customers were brought into effect on 31 March, 2014, and those for non-residential customers are to be brought into effect on 31 March, 2015.

LPG Price Mechanism and Stability

The Malta Resources Authority continued monitoring the LPG Price Mechanism. During 2014 the Authority approved the eligible costs included in the Price Mechanism and defined the methodology to determine the LPG volumes. Following ongoing discussion with Liquegas Malta Ltd, the consumer price of LPG cylinders continued to be stabilised over a number of months.

Authorisations

During 2014 the Authority continued to issue authorisations to a number of service providers within the energy, minerals and water sectors. It is worth noting that during this year the Authority issued an Authorisation for the bottling of LPG and 31 Authorisations to retail (Distribution) portable cylinders filled with LPG. Other authorisations issued were with respect to the setting up of Enemalta PLC, including the shareholding of Shanghai Electric Power and Enemed Ltd.

SIMPLIFICATION AND REDUCING ADMINISTRATIVE BURDEN

The Authority is constantly reviewing its procedures and processes to minimise bureaucracy, simplifying and reducing the administrative burden for service providers and the general public who use the Authority's services. Throughout 2014 the Authority revised a number of processes to reduce the administrative burden and establish a one-stop shop.

The processes that were changed included the application requirements for a number of authorisations, the use of automated systems to acknowledge receipt of documents and the acceptance of ARMS Ltd's meter applications for PV Systems.

FINANCIAL SUSTAINABILITY

As may be seen in the audited accounts for 2014, the Authority managed to strengthen its balance sheet and build up financial reserves to ensure the Authority's financial viability. The Authority maintained strict control on its budgets and expenditure, managed to control its expenses and, at the same time, ensured that all dues were collected in a timely manner. Special attention was given to the collection of swimming pool licence dues.

INTERNAL FINANCIAL CONTROLS

The Audit Committee set up last year continued with its work to review all the Authority's internal financial and operational procedures. Following the Committee's recommendations, the Authority issued a competitive call for compliance testing services on the procedures.

The setting up of the audit programme commenced in late 2014 and is expected to be completed during 2015.

INTERNATIONAL CO-OPERATION

As in previous years the Authority continued to participate regularly in a number of international meetings. In particular Authority representatives attended meetings of the Agency for the Co-operation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER) and the Mediterranean Energy Regulators (MEDREG).

In October the Authority hosted MEDREG's 26th Steering Committee meeting.

The European Water Regulators Network, WAREG

The Authority is one of the founding members of WAREG, the European Water Regulators. WAREG was officially founded in April 2014 during the 1st General Assembly, held in Milan.

The Authority recognises the importance to establish a co-operation platform among water sector regulators in Europe similar to the CEER set-up within the Energy Sector.

APPRECIATION

Finally I would like to thank the Members of the Authority for their continuous support and understanding. Special thanks go to the Chairmen, Mr Francis Cassar and Ing. James Camenzuli, and the Authority Board members for their advice and guidance throughout the year. Special thanks are also due to all the employees of the Authority for their dedication and commitment throughout 2014.

DEVELOPMENT OF LEGISLATIVE INSTRUMENTS

Legislation pursuant to EU commitments

Directive 2012/27/EU of the European Parliament and of the Council of 25 October, 2012, on energy efficiency was transposed into Maltese legislation by effect of the Energy Efficiency and Cogeneration Regulations, 2014. It revoked the Cogeneration Regulations, 2007, and, for the most part, the Energy End Use Efficiency and Energy Services Regulations, 2008.

The transposition process was carried out in collaboration with various entities, including the:

- Ministry for Energy and Health;
- Ministry for Transport and Infrastructure (with regard to provisions related to energy efficiency in buildings);
- Office of the Attorney General; and
- MEPA (with regard to provisions relating to reporting of emissions from combustion of fuels).

The following legislation, transposed into Maltese legislation from Directive 2012/33/EU, was also brought into force in 2014, namely:

- Legal Notice 300 of 2014 – Quality of Fuels (Amendment) Regulations, 2014; and
- Legal Notice 303 of 2014 – Quality of Fuels (Amendment No. 2) Regulations, 2014.

Work was also undertaken to update the Electricity Market Regulations and the Natural Gas Market Regulations in line with EU legal requirements.

A draft European Union Greenhouse Gas Emissions Trading Scheme for Aviation (Amendment) Regulations, 2014, was proposed to the Ministry for Sustainable Development, the Environment and Climate Change (MSDEC) in view of EU requirements.

The transposition of the amendments established by Directive 2012/33 amending Council Directive 1999/32/EC as regards the sulphur content of marine fuels was completed during this year. In 2014, the Authority was also involved in the drafting of the Implementation Act derived from this Directive. These acts focus mainly on sampling frequency, methodology and reporting. To date these are not harmonised between Member States and the Implementation Act focuses on this harmonisation. In the coming years, Member States will be required to lift and test more samples, including samples lifted during bunkering operations. Furthermore, the inspection requirements will be more onerous in the collection of data from ship logs and other documents. The reporting process will also be intensified.



Legislation pursuant to National Policy

Other legislation brought into effect during the year and which are not related to the transposition of EU legislation were the following:

- Legal Notice 7 of 2014 – Feed-in Tariffs Scheme (Electricity Generated from Solar Photovoltaic Installations) (Amendment) Regulations;
- Legal Notice 155 of 2014 – Feed-in Tariffs Scheme (Electricity Generated from Solar Photovoltaic Installations) (Amendment) (No. 2) Regulations; and
- Legal Notice 416 of 2014 – Feed-in Tariffs Scheme (Electricity Generated from Solar Photovoltaic Installations) (Amendment) (No. 3) Regulations.

ENERGY AND WATER SERVICES ACT

The aim of the Act is to provide for the establishment of a Regulator, to be known as the Regulator for Energy and Water Services (REWS), and for the exercise, by or on behalf of that Regulator, of the regulatory functions regarding services relating to energy and water, and to make provision with respect to matters ancillary thereto or connected therewith.

The draft REWS Act separates core functions of the Regulator for Energy and Water Services from those to be carried out by the new Environment Authority. It also streamlines subsidiary legislation which will pertain to REWS from legislation which shall be the responsibility of other entities, such as MEPA and SEWCU.

The REWS Act proposes to bring in line in accordance with EU obligations national provisions related to the powers and independence of the national regulatory authority for electricity.

LITIGATION

A number of judicial acts were filed in relation to the recovery of swimming pool fees. Most cases were settled favourably in view of the legal action taken.

Over 30 judicial acts were filed in relation to the imposition of administrative fines by the Authority.

INTERNAL CONTROL

During 2014 the Authority issued a competitive call for compliance testing services, and this contract was awarded to a local auditing firm. The auditing firm will perform a testing programme covering compliance with MRA's written financial and operational procedures and report on the results of its work to the Audit Committee and Board of the Authority. They will assist management to co-ordinate and ensure the timely and effective resolution of issues identified. Work on this service contract commenced in late 2014 and is expected to be completed in 2015.

HUMAN RESOURCES

The total number of sick leave availed of by MRA employees during 2014 was 188 days. This translates to an average of 4.47 sick leave days/employee, a reduction on the previous year's average of 5.52 sick leave days/employee.

During 2014 the Authority recruited one additional person to its staff complement.

At the end of 2014 the total number of MRA employees was 39. The Human Resource Management Plan and the Organisation Structure were updated during the year to reflect the Authority's planned human resource requirements for 2015-2016. Additional positions to sustain and strengthen the Authority's regulatory functions in line with Government's policy were identified and are in the process of being filled.

During the year, the Authority provided support amounting to 1,422.7 training hours for employees' continuous professional development. This translates to an average of 36.9 training hours/employee. In addition the Authority also continued to extend its support to three employees who were reading for a Masters degree, a postgraduate diploma and a diploma.

ICT

During 2014, various ICT projects were initiated or completed. These included:

- Upgrading the computer network and servers infrastructure, resulting in better performance, redundancy and scalability;
- Upgrading servers' operating systems and databases;
- Initiating an ICT security audit in December 2014. The projected completion date is scheduled for February 2015;
- Completion of the testing of the Electronic Document Management System; and
- Upgrading of the time and attendance system with face recognition and door access devices.



ECONOMIC AND UTILITY REGULATION



PRICE MECHANISM STRUCTURE

LPG Price Mechanism

The Malta Resources Authority continued its ongoing monitoring of the LPG Price Mechanism to regulate the price setting of LPG cylinders. In its Decision on the subject dated 29 May, 2014, the Authority approved the eligible costs to be included in the Price Mechanism applicable for the year and defined the methodology to determine the LPG volumes to be used as the basis of apportionment of these eligible costs.

LPG Price Stability

In line with Government's policy for stability in prices, the Authority continued the process of implementing price stabilisation on LPG cylinder prices. The Authority appraised the report submitted on the subject by its consultants and, after further internal evaluation, arrived at a preferred methodology to establish the maximum consumer price during each price stabilisation period.

As a result of this methodology and after discussions with Liquigas Malta Ltd, the consumer price of LPG cylinders continued to be stabilised during 2014. In fact, instead of being changed on a monthly basis, the prices were stabilised for four distinct periods: January to end March, April to end June, July to end September and October to end December.

ENEMALTA CORPORATION

The Electricity Market Regulations (Legal Notice 166 of 2011) establish that the activities of generation, distribution and supply of electricity are required to be executed under a licence. In addition, the construction of generation capacity has to be authorised by the Authority.

Enemalta Corporation is currently the only entity in Malta holding a licence to perform all such three activities, namely: generation, distribution and supply of electricity to final customers.

During 2014 the Authority continued to monitor the operations of Enemalta Corporation and compliance to licence conditions. One of the main aims of the licence is to monitor the performance of Enemalta Corporation with respect to the quality of the electricity supply. The quality of supply is monitored from three aspects: continuity of supply, voltage quality and commercial quality.

Continuity of supply is monitored through indicators based on interruption of supply data. Voltage quality relates to the technical quality of the voltage supply. Commercial quality, on the other hand, covers the dealings between the service provider (ARMS Ltd/ Enemalta Corporation) and the customers, and includes the timing to provide service connections, the customer care relationship, technical service, metering and billing.

In the case of voltage quality monitoring, in addition to annual data to be reported by Enemalta Corporation, in July 2013 the Authority awarded a service contract for the provision of a voltage quality survey. The voltage quality survey covers Malta and Gozo, and includes the measurement of a number of voltage quality parameters.

The survey involves 104 different low voltage single phase connection points each monitored for 15 days and two three-phase low voltage points each monitored for a 12-month period. At the time of compilation of this report, the voltage survey was still ongoing and this survey is expected to be concluded in the first quarter of 2015.

Electricity Regulatory Accounts

The Authority continued with its efforts with Enemalta Corporation to ensure that the published audited accounts of the Electricity Division comply with the unbundling of accounts requirements as established by Article 17 of the Electricity Market Regulations (Legal Notice 166 of 2011). This Article 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.

Furthermore, the Enemalta Electricity licence conditions require that Enemalta submits to the Authority regulatory accounts that adhere to this article and that are in complete conformity with the audited financial results for the year.

Electricity Tariff Review

Early in 2014, Enemalta Corporation requested the Authority to approve a revision in the electricity tariffs. The Authority commissioned consultants, who reviewed and tested the information, assumptions and data used by Enemalta Corporation in its submissions. These revised tariffs were approved by the Authority with effect from 31 March, 2014.

Annual Report on the Internal Electricity Market 2014

The annual report on the implementation of the electricity internal market based on the year 2013 was submitted to the Council of European Energy Regulators (CEER) in July, 2014. The report provides an account of the key developments that occurred in the electricity market in Malta during 2013. The key developments in the market of note were:

- 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;



- During 2013 there were no additions of fossil fuel generation capacity and the Authority did not receive any applications for authorisation or license for new fossil fuel generation plants;
- The nominal fossil fuel generation capacity connected to the network remained at 620MW. The highest hourly demand covered by fossil fuel generation during 2013 was 408MW.
- By the end 2013 the total installed generation capacity from renewable energy sources reached 29,257 MW_p (provisional figure) of which 93% were solar photovoltaic installations. The major increase in RES capacity took place in the residential sector, driven mainly by the RES support schemes. The latest PV grant scheme for households was launched in May, 2013.
- Government agreed to the construction of a new gas fired 215MW CCGT power plant using an LNG floating storage unit (FSU) berthed at Delimara by private investment.
- The gas project proposed by Malta, consisting of a floating LNG terminal connected to Malta and a Sicily pipeline was included in the list of Projects of Common European Interest (PCI).
- The Authority continued to participate in a working group involved in the selection of candidate projects of European common interest (PCI) in the North-South gas interconnections in Western Europe ("NSI West Gas") corridor. The Authority's participation was in line with its role as the energy regulator in Malta and as required by the energy infrastructure regulations. The Authority's input in the selection process was mainly related to the natural gas project proposed by Malta as part of the EU PCI. The Authority continued to provide information to ACER on both the electricity interconnector and gas PCI project.
- The Authority approved a request from Enemalta Corporation for an amendment to the Network Code. The change concerned the steady-state tolerance (upper limit) for the 11kV voltage level, which was raised from +2%

to +5%. Prior to the Authority's approval, the proposed amendment to the Network Code was subject to public consultation and notification to the EU Commission in accordance with the notification procedure prescribed by Directive 98/34.

- The smart metering project being implemented by Enemalta Corporation continued during 2013, with 236,296 smart meters being installed by the end of the year, of which 117,383 are activated in the remote billing system. The replacement of the remaining electricity meters with smart meters complete with the remote reading and billing function continued during 2014.
- The Authority continued to monitor the progress made by Enemalta Corporation in the implementation of the 200MW HVAC electricity interconnector between Malta and Sicily. Progress was registered with respect to permitting from the Italian Authorities. However, at the end of the year (2013) permits required on the Sicilian side were still pending. During 2013 works were undertaken on land in Malta. The laying of the marine cable in Malta towards Sicily started in December 2013.

This Report may be found on the Authority's website.

Electricity Market future expected developments

During 2014, there were a number of key developments in the electricity market in Malta. Enemalta Corporation was registered as a Public Liability Company on 1 July, 2014, and Act XXXIV of 2014 Enemalta (transfer of assets, rights, liabilities and obligations) Act was enacted to enable this transition. In addition, the Delimara 3 plant was transferred to D3 Power Generation Ltd with the operation of the plant remaining under the responsibility of Enemalta PLC.

In view of these developments, two new licences were issued to Enemalta PLC. On the 27 November, 2014, a licence was issued to Enemalta PLC to perform the three activities of generation, distribution and supply of electricity to final customers, replacing the previous licence issued to Enemalta Corporation. On 11 December, 2014, a licence to generate electricity from the Delimara 3 plant was issued to Enemalta PLC. On 30 December, 2014, the transfer of 33.3% of Enemalta PLC's shares and 90% of D3 Power Generation Ltd's shares to SEP (Malta) Holding Ltd was brought into effect.

During 2014, the Authority received an application from Electrogas Malta Ltd for authorisation to construct a generation station (Delimara 4) at Delimara Power Station. The proposed new generation station consists of a CCGT with nominal capacity of 215MW and this will be operated using natural gas. The natural gas will be provided by a floating storage unit (FSU) docked in Delimara and an onshore re-gasification facility located on 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.

The 200MW HVAC interconnection between Malta and Sicily was completed by the end of 2014 and will become operational by the first quarter of 2015 following a testing period.

Electricity Market in figures

Operational installed nominal capacity in the power stations at the end of 2014:

- Marsa: 167MW
- DPS: 453MW.

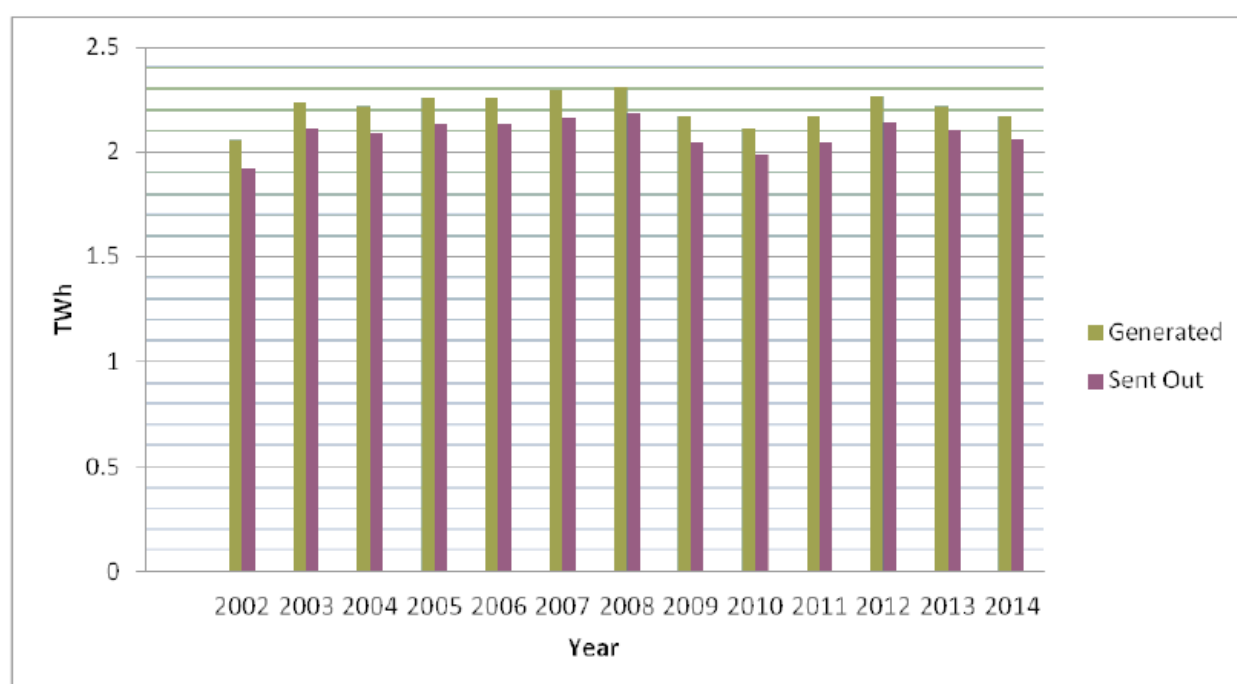


Figure 1: Electricity Generation and Sent out from Power Stations
Source: Enemalta Corporation

WATER SERVICES CORPORATION

Regulatory Review

The Authority continued to monitor the regulated operations carried out by the Water Services Corporation in accordance with the licence issued for the supply of potable water through the public distribution network and to provide sewerage services using the public sewerage collection system.

The Water Services Corporation submitted regulatory information (Licence Monitoring reports) to the Authority in accordance with the licence requirements and revised reporting formats. The Authority asked the Corporation to clarify certain data and carried out checks for consistency.

In addition, the Water Services Corporation further submitted a series of reports to the Authority as part of its licence reporting obligations, namely:

1. A Report on the Performance of the WSC Customer Contract for the period 2012-2013;
2. A Water Loss Management Plan (revision: June, 2014) outlining estimated leakage levels and projections of leakage levels for 2015-2016 on a regional and national basis. The report also outlined results of a study carried out on average system pressures in water supply zones; and
3. An Emergency Response and Security Plan (revision: April, 2014) outlining the various risks to WSC operations and established processes and procedures to address such emergency situations and to ensure continuity of service to consumers.

The Authority reviewed the reports and, where applicable, requested further clarifications and

submitted its comments on parts of the reports where it retained reservation to the submissions received.

The Authority also continued its work to ensure that the Water Services Corporation complied with the revised regulatory accounts reporting format as determined in 2013, such as to ensure that the costs are properly unbundled between the water supply and waste water treatment functions. This is being done also to ensure compliance with the Water Framework Directive 2000/60/EC as transposed into Maltese legislation by the Water Policy Framework Regulations.

Water Tariff Review

Early in 2014, the Water Services Corporation requested the Malta Resources Authority to approve a revision in the water tariffs. The Authority commissioned consultants, who reviewed and tested the information, assumptions and data used by the Water Services Corporation in its submissions. These revised tariffs were approved by the Authority with effect from 31 March, 2014.

DISPUTE REVIEW AND DECISION NOTICES

During the year, the Authority reviewed two disputes against Water Services Corporation and ARMS Ltd and one dispute against Enemalta Corporation and ARMS Ltd. These disputes were reviewed following unresolved complaints with the regulated entities.

Three Decision Notices were issued by the Authority, namely Decision 015/2014/WD of 21 April, 2014; Decision 016/2014/WD of 19 June, 2014; and Decision 02/2014/ED of 19 August, 2014, about these disputes.



SECURITY OF SUPPLY



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

The new Council Directive 2009/119/EC transposed into national law by means of Legal Notice 109 of 2013 imposes an obligation on Member States to maintain a minimum of 90 days of average daily net imports or 61 days of average daily inland consumption, whichever of the two quantities is greater. For 2014, Malta qualified under a transposition derogation whereby it had to maintain oil stocks corresponding to 81 days of average daily net imports.

The aim of this obligation is to make oil supply in the Community more secure by maintaining minimum stocks through reliable and transparent mechanisms and by putting in place contingency plans to be used in the event of a crisis in this sector.

Stockholding Obligation Calculation

During 2014, the obligation to maintain security stocks was delegated to the authorised importers and/or wholesalers, who release fuel for inland operations in proportion to their share of the market. The Authority calculated and communicated the delegated obligation to each operator for the period April to December 2014, while the period January to March 2014 was covered by the previous stockholding obligation.

Data Reporting on Security Stocks

The Authority collected, validated, compiled and submitted monthly statistical summaries to the National Statistics Office on the level of security and commercial stocks held on the last day of the reporting month according to the type of stocks held, namely: stocks held in Malta, stocks held as tickets abroad and stocks held locally for other EU Member States.

Figure 2 below shows that during 2014, 94% of the minimum stock obligation was held in the form of tickets located abroad, while physical stock held locally amounted to 6% of the total composition.

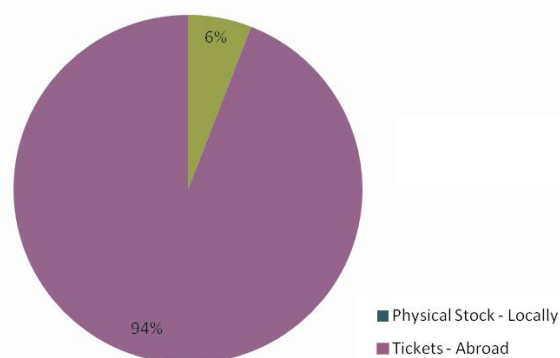


Figure 2: Composition of Security Stocks 2014

All the Maltese security stocks held as tickets abroad were located in the Netherlands. For the period January to December 2014, Italy and the United Kingdom held security stocks as tickets in Malta.

Register of Emergency Stocks

The Authority has kept a continually updated register of all the security stocks held. This register provides information about the location and volume of the stock and the nature of the fuel. In the case of security stocks held as tickets, the register also provides information about the buyer of the ticket arrangement, the company holding the stocks and the contract period.

In terms of Regulation 6(2) of Legal Notice 109 of 2013, in February, 2014, the Authority submitted a copy of the register of the level of security stocks held as at 31 December, 2013, to the European Commission.

Annual Report – Article 9(5)

In terms of Regulation 9(8) of Legal Notice 109 of 2013, the Authority has drawn up an annual report, which analyses the measures taken to ensure and verify the availability and physical accessibility of the emergency stocks held during 2014. The report was submitted to the European Commission at the end of January, 2014.

The report provided details on the reporting system for the collection of data regarding security stocks and describes how arrangements for locating stocks had been amalgamated together with the monthly security stocks reporting.

Details regarding the physical inspections and audits planned during the year were provided together with a description of the arrangements made for certain ‘special’ stocks, such as emergency stocks held under bilateral agreements or contractual rights locally or abroad.

The report documents arrangements made to allow the Government to control the use of security stocks in the case of oil supply disruptions.

Provision of Control Audit Services on Security Oil Stock

To ensure that 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 licensed audit firm on a quarterly basis covering all operators. In fact, in August, 2014, a local company was awarded the tender to perform the required work for the year September, 2014, to September, 2015.

The first spot checks on all economic operators took place during September, 2014, and the first interim report was handed to the Authority on 1 October, 2014.

Oil Supply Disruption Emergency Plan

The Authority updated the Oil Supply Disruption Emergency Plan to ensure that, as far as possible, the institutions, information, hardware and infrastructure are available, ready, and co-ordinated so as to perform efficiently and expeditiously in any emergency, while leaving the freedom and flexibility to respond to any circumstances as they arise.

The objectives of this plan are to provide a blueprint in dealing rapidly and effectively with a disruption in the supply of oil and in mitigating the impact and offsetting the negative effects arising from such a disruption. It highlights the arrangements established between the oil industry, the Authority and the Commission for the safe and effective management of oil supply emergencies.

Furthermore, since MRA is a member of the Oil Co-ordination Group, in April, 2014, the Authority was invited to participate in a hypothetical oil supply disruption scenario via audio/web conferencing.



In fact, the main objective of the exercise was to get acquainted with the national emergency plan and the communication tools necessary so that these can run smoothly in case of a real emergency.

RELEVANT STUDIES

Maintenance of ‘Specific Stocks’ Petroleum Products

Council Directive 2009/119/EC as transposed into national law by means of Legal Notice 109 of 2013 concerning the obligation of Member States to maintain minimum stocks of crude oil and/or petroleum products, makes provisions for the holding of “specific” stocks. The objective of holding “specific” stocks is to ensure that minimum oil stocks held, to provide for the eventuality of supply difficulties, correspond with the actual needs of the country in case of such a crisis.

To this end, fuel categories that are determined to qualify as “specific” stocks must at least equal 75% of inland consumption of these products. In respect of such “specific” stocks, Member States are required either to own, directly or through a Central Stockholding Entity, at least the equivalent of 30 days consumption or ensure that at least one third of the minimum oil/fuel stockholding obligation is held in the form of such fuel categories.

An exercise to identify which fuel categories could form part of such “specific” stocks was undertaken, together with analyses of options available to ensure compliance thereto.

COMPETENCE, LICENSING AND ENFORCEMENT

AUTHORISATIONS

The 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 provide a service in different trades

within the same sectors. Permits issued are related to the regulatory responsibilities of the Authority. During 2014, the Competence, Licensing and Enforcement Unit processed the following applications for authorisations and permits.

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	89	5	9
Authorisation for the Bottling of LPG	1	1	Nil
Authorisation to retail portable cylinders filled with LPG	31	Nil	Nil
Authorisation to carry out the activity of a bulk LPG distributor	Nil	4	Nil
Authorisation to operate a Secondary Storage facility of LPG	22	250	Nil
Authorisation to operate a Fixed Piped Network of LPG	1	7	Nil
Authorisation to operate an AutoGas Retail Station	1	3	Nil
Authorisation to carry out the activity of Importer (including Wholesale) of Petroleum	4	11	1
Authorisation for a Primary Storage Facility	2	5	4
Authorisation to carry out the activity of a fuel distributor	2	12	1
Authorisation to operate a Petroleum-Filling Station	Nil	86	1
Notification/Authorisation to operate a Secondary Storage facility of Petroleum	Nil	Nil	Nil
Authorisation to Load, Discharge and Transfer fuels from a Road tanker to a Receiving Ship	3	9	Nil
Authorisation to operate a barge or a marine terminal / facility	1	8	Nil
Authorisation to operate a Marine Fuel Retail Station	Nil	1	Nil
Licence to operate a quarry			
Hardstone	Nil	22	Nil
Softstone	Nil	34	Nil
Licence to operate a swimming pool	60	2,750	Nil
Licence to Supply Water:			
to a customer by water tanker(s)	2	67	Nil
exclusively for own use by water tanker(s)	5	31	Nil

Table 1: Applications for Authorisations and Licences

AUTHORISATION	NEW	RENEWAL
Authorisation A for the Installation, Alteration, Extension and Certification of Single Phase Electrical Installations	81	1,420
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	44	1,087
Authorisation as a Competent Person as established by the Petroleum for the Inland (Wholesale) Fuel Market Regulations	4	NA
Authorisation as a Competent Person as established by the Liquefied Petroleum Gas Market Regulations	1	NA
Authorisation as a Competent Person as established by the Petroleum for the Inland (Retail) Fuel Market Regulations	Nil	NA
Authorisation as a Competent Person – AutoGas (installation and certification) Regulations	4	NA

Table 2: Applications for Authorisations of Competent Persons

REGISTRATIONS/NOTIFICATIONS	NEW	TRANSFERRED
Electricity generation using small combined heat and power (CHP) plant and microwind turbines (not larger than 16 Amps per phase @ 230/400 V)	Nil	Nil
Electricity generation using photovoltaic system (not larger than 16 Amps per phase @ 230/400 V)	960	17
Registration of a Drilling Rig / Boring Equipment	1	Nil
Registration of users of groundwater sources	10	Nil
Notification of a Groundwater Source	2	Nil

Table 3: One-time Registrations or Notifications

PERMITS	REQUESTED	ACCEPTED	REFUSED	PENDING
Application for the exportation of stone products	Nil	Nil	Nil	Nil
Application for the closure, sealing and decommissioning of a groundwater source	2	2	Nil	Nil
Borehole Drilling and Excavation Works within the Saturated Zone (sea-wells, cleaning of boreholes and replacement boreholes)	14	14	Nil	Nil
Permit to construct a Soakaway	1	1	Nil	Nil
Permit to construct a Geothermal Cooling System	Nil	Nil	Nil	Nil

Table 4: Applications for Permits Processed by MRA



Energy

Electricity and Renewable Energy Sources

Authorisation A and B in electrical installation works

Throughout 2014, the Authority continued to receive applications from eligible candidates for authorisation to enable them to perform 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 once the applicant shows evidence of having the required qualifications and experience, and following recommendation by a Technical Committee, which evaluates the candidate's competence during an interview.

Applications for this type of authorisation were also received from a number of foreign candidates. In most cases, the applicants requested clarification on whether their qualifications and training could be regarded as alternative training to that established locally. The procedure developed during the previous year continued to be adopted to evaluate such cases.

When different qualifications were submitted, the Technical Committee reviewed these qualifications and submitted its recommendations on the qualifications' equivalence in relation to the local requirements. To ensure transparency and impartiality in the entire process, a database is being maintained as a reference list of approved qualifications, other than those obtained as a result of the local Wireman Examinations carried out by the Examinations Department.

The Authority regularly published a list of authorised providers on its website to provide the general public with confirmation on whether a hired electrical installer was authorised to carry out such works. This list provides the public information on all the authorised electrical installers.

During January, 2014, existing authorised providers were required to renew their authorisation for a further three (3) years, as established by the Electrical Installation Regulations. The Authority issued a set of new identification cards for the authorised providers showing details of respective authorisations. During the renewal process, the authorised providers were requested to submit additional certification indicating a clean conduct and certification regarding any colour blindness impairment.

During the period under review, the Authority conducted an on-line survey to determine the extent of awareness by the public on the requirement that works on electrical installations should be performed by authorised providers. The survey also assessed the extent of knowledge on the requirements of testing, certification and periodic recertification of the electrical wiring installations. These were the main survey findings:

- The majority of consumers request the services of an authorised electrician for services related to installation of electrical wiring and related protection.



- A considerable proportion (13%) would carry out the works themselves (unauthorised) and would only request an authorised electrician to certify the works.
- Only a quarter of the authorised electricians provide a signed copy of the test certificate and most of these certificates (70%) do not recommend the due date for the next recertification.
- Most consumers are unaware that an electrical installation requires testing or regular retesting.
- Regular scheduled maintenance in most cases is neglected. Intervention is mostly done during alterations and when addressing faults.

The Authority intends to use the feedback from the survey to create awareness on the requirements of the Regulations and the health and safety issues related to electrical installations.

Notifications and Authorisations of Photovoltaic (PV) systems

As with previous years, the Authority continued to streamline the procedures for the notification and authorisation of photovoltaic systems to reduce bureaucracy for potential applicants, while ensuring that the requirements of both the Electricity Market Regulations (Legal Notice 166 of 2011) and the revised Feed-in Tariff Scheme Regulations (Legal Notice 253 of 2013) were fully met. These improvements were registered:

- The adoption of a more transparent method of application registration on a first come, first served basis. The requirement arose with the introduction of capping on the amount of units allocated per annum for payment of each feed-in tariff scheme.
- Simplification of the Authority's application process by eliminating MEPA clearances to be submitted with applications for authorisations for a PV in residential

premises on single phase; while informing applicants that their responsibility for adherence to development permit legislation still applied.

- Issuance of a clarification on the interpretation of the exemption of the requirement of an Authorisation and a Licence for PV systems generating not more than 16 Amps per phase at 230/400V, as established by the Electricity Market Regulations (Legal Notice 166 of 2011). This capacity is being interpreted on the rated output of the inverter or an aggregate of inverters feeding current on the same electrical phase.
- Publication of a list of approved notifications and authorisations on the Authority's website. These lists are updated regularly so that prospective applicants are informed on the take-up and subsequent availability of Feed-in Tariff schemes.

Apart from applications submitted through the residential grant scheme, the Authority registered 674 Notifications and 59 requests for Authorisations to the Feed-in Tariff scheme during the period under review.

Scheme for the registration of training courses leading to the certification of Renewable Energy Systems installers

Following the publication of Government Notice 404 in 2013, the Authority established a register of training courses leading to the certification of Renewable Energy Systems (RES) installers. Another register, listing persons who successfully completed these registered courses, was also established.

Both registers can be viewed on the Authority's website.

Government Notice 404 was further amended in December, 2014, to cater for the registration of courses for Energy Auditors and Energy Managers.

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

During 2014, the Authority continued to contribute towards the establishment of a national standard as guidance to RES installers and engineers on how to electrically wire a PV system in single phase. The standard is currently in the public consultation phase.

Fuels

During 2014, the Competence, Licensing and Enforcement Unit continued with the work of previous years with regard to activities regulated by the following 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 Regulations (Legal Notice 53 of 2010);
- Bunkering (Authorisation) Regulations (Legal Notice 270 of 2010);
- AutoGas (Installation and Certification) Regulations (Legal Notice 393 of 2010); and
- Natural Gas Market Regulations (Legal Notice 167 of 2011).



Petroleum for the Inland Wholesale Fuel Regulations (LN 278 of 2007) regulating Fuel Importation, Primary Storages and Bottling of LPG

The Authority received four (4) applications for authorisation for importation and wholesale of petroleum, one of which was a transfer of an existing authorisation. This transfer and two of the new applications were authorised and the fourth one is still pending submission of further documentation by the applicant. Three (3) renewal applications were also processed.

During the same period, two (2) applications for operation of primary storage facilities were received. These were duly processed and Authorisations were awarded. There were also four (4) requests for the transfer of existing authorisations, which were approved. At the end of the year, six (6) applications for operation of primary storage facilities were at the vetting stage pending submission of additional documentation or permits from other Competent Authorities.

To date, operators of primary storage facilities were obliged to present the Control of Major Accident Hazards (COMAH) report to the Authority as a replacement for the Competent Person's report. This was necessary since there were no approved competent persons in this field. Following the organisation of training courses, competent persons have now been approved and the Authority will be requesting reports on the operation of these storage facilities by the same competent persons, as

established by the respective Regulations.

An LPG importer, who is an operator of a primary storage facility, applied to perform the activity of bottling of transportable LPG cylinders. The authorisation was issued.

A warranted engineer applied for certification as a competent person in Primary Storages of LPG after he attended a training course in Italy. The Authority approved his application, bringing the total number of competent persons in this field to two (2).

Report on Substitution Obligations and Sustainability Criteria of Biofuels

Regulation 33 of the Petroleum for the Inland (Wholesale) Fuel Market, Bottling of LPG and Primary Storage Facilities Regulations (Legal Notice 278 of 2007) obliges the authorised importers and/or wholesalers of petroleum to place a fuel with a minimum biofuel content on the market. This is required to comply with the substitution obligations, as listed in the Sixth Schedule of these Regulations.

The biofuel content has to be expressed as a percentage of the total energy content of the petroleum placed on the market. The same schedule establishes that the minimum biofuel content as a percentage of the total energy content of petroleum placed on the market for 2013 and 2014 is 3.5% and 4.5%, respectively. Furthermore, the biofuel itself has to originate from a sustainable source to comply with the obligations set by the Biofuel (Sustainability Criteria) Regulations (Legal Notice 553 of 2010).



In order to ensure the fulfilment of the above obligations, the Authority requests an annual report from the local producer of biodiesel and the importers of EN 590 Diesel. The report must comply with the criteria established in Regulation 4 of the Biofuel (Sustainability Criteria) Regulations. The reports received in 2014 from the importers indicated that the substitution obligations (for 2013) were met.

Currently there is no bioethanol substitution in EN 228 Petrol.

Liquefied Petroleum Gas Market Regulations (Legal Notice 249 of 2008)

During 2014, the Authority continued processing applications for the authorisation of LPG Secondary Storages (bulk tanks and interconnected cylinders). The majority of these applications were for bulk LPG tanks whose water capacity exceeded 300 litres. At the same time monitoring of existing authorisations continued to be carried out. The status of the bulk LPG secondary storages by the end of the year was as shown in Table 5 below:

BULK LPG SECONDARY STORAGE FACILITIES	QUANTITY
Total registered storages	553
Total authorised	358
Existing storage facilities still to be vetted and applications for authorisation of new storage facilities	195

Table 5: Bulk LPG Secondary Storage Facilities

The Authority issued one (1) Authorisation regulating operation of a LPG pipe-network, bringing the total of authorised LPG Piped Networks to eight (8). There are two (2) other installations that are still under construction and pending authorisation after their commissioning.

During the same period, the Authority issued an additional authorisation for the operation of an AutoGas Retail Station, bringing the total authorised AutoGas Retail Stations to four (4). There are also 13 other applications, which have been given clearance from the

Authority and are now awaiting development permits. In May, 2014, the Authority received 31 applications for the retail and distribution of portable cylinders and the respective Authorisations were issued. An application for the renewal of an existing authorisation was also processed.

Following the issue of these authorisations, the Authority instructed that identification marking showing the authorisation number had to be fixed to each vehicle authorised to distribute transportable cylinders. The identification marking has security features and needs to be fixed to the door of the vehicle on the driver's side. Customers may thus be aware of whether they are purchasing cylinders from an authorised provider. During the labelling exercise the Authority's compliance officers checked that the equipment required by the authorisation conditions was present on the distributor's vehicle.

Petroleum for the Inland Retail Fuel Market Regulations (Legal Notice 53 of 2010)

The Authority is currently processing six (6) applications for new Petroleum Filling Stations (PFSs) in various locations in Malta. The technical submissions have been presented to the Authority and clearance was given, pending approvals from other competent authorities before proceeding with the development.

During 2014 the Authority received applications for the transfer of three (3) PFSes and these were processed and eventually authorisations for transfer were issued. One of these transfers was coupled with the decommissioning of a kerbside pump.

During the same period, three applicants have submitted documents for relocation of their PFSes.

During 2014 the submission of refurbishment reports by PFSes' authorised providers was completed, with the exception of two stations that are still waiting clearance on issues with other entities or third parties. After being granted clearance by the Authority, these reports were consequently forwarded by the applicants to the Malta Environment and Planning Authority for the issue of the respective development permits. One (1) station was refurbished during 2014.

With the entry into force of Legal Notice 134 of 2014, the Petroleum for the Inland Retail Fuel Regulations were amended such that the definition of Petroleum Filling Station now includes commercial sites. The same Regulations define a commercial site as a site that is not open to the public but where automotive fuel is dispensed. All sites where dispensing of automotive fuel takes place require an authorisation from the Authority. During 2014 the procedures for the processing of these applications were established and the first applications were received and processed.

The sites now being defined as commercial PFSEs were previously considered as secondary storages under the same Regulations. Therefore, the issue of Legal Notice 134 of 2014 introduced a distinction based on the intended use being made among secondary storages. This led to the revision of the procedure for the processing of applications for authorisation of these storages. This revision is intended to improve existing procedures by developing an adequate technical procedure to monitor adherence of secondary storages to the relevant technical and safety standards, which shall, nonetheless, still be ensured by independent competent persons.

During 2014 the Authority received and processed an application for fuel distribution for the inland market. An application for transfer of an existing authorisation was also received and this was granted. Three (3) authorised providers in this category also requested to increase the number of vehicles registered in their authorisations.

A warranted engineer applied for certification as a competent person in Petroleum Filling Stations after he attended a training course with the Association for Petroleum and Explosives Administration (APEA) in the UK. The Authority approved this application, bringing the total number of competent persons in this field to 11.

Bunkering (Authorisation) Regulations (Legal Notice 270 of 2010)

During 2014 the following new authorisations were issued by the Authority under these Regulations:

AUTHORISATION	QUANTITY
Authorisation for the loading, discharging and transferring of fuels between a bunker barge or a marine terminal or a marine facility or any two or more of the preceding, to a receiving ship where those fuels are for fuelling the same ship or its machinery;	2
Authorisation for the loading, discharging and transferring of fuels between a road tanker and a receiving ship:	1

Table 6: Authorisations for Bunkering Operations

A further two (2) applications were received from applicants for operation as fuel distributors by road tankers for bunkering purposes, and two (2) authorised distributors applied to increase their authorised fleet by a total of seven (7) tankers.

AutoGas (Installation and Certification) Regulations (Legal Notice 393 of 2010)

The total number of approved persons authorised to carry out conversions on vehicles driven by petrol to run on LPG at end of 2014 stood at 11. The Authority received a further two (2) applications by foreign technicians, who were awaiting verification of their qualifications by the National Commission for Higher and Further Education. A list of approved persons can be found on the Authority's website.

Courses for Competent Persons

During the year under review the Authority facilitated a number of courses for Competent Persons working in the fields of designing, installing and certifying fuel storage installations. This ensures that these personnel are updated with the latest developments in their respective fields, thereby being able to give a better service to their clients, the authorised providers and other persons using the installations.

Course for Competence in LPG Technology

A refresher course was held in early July for those approved competent persons whose approval had expired in November 2013. The course was accredited by the European Registration Scheme (ERS) for personnel competence and was held at the Malta College of Arts, Science and Technology (MCAST).

The refresher course content was the same as that of a new course and consequently three 'new' engineers applied and successfully completed the course. The list of Competent Persons in this field now stands at 19.

Course for Competence in Primary Storage Facilities

Following the previous year's contact with Matthews Engineering Training Ltd of the UK, the Authority held two (2) courses for warranted engineers interested to be certified as competent persons in this field. One was held in February and the other at the end of July. In all 15 engineers attended and passed the course. Five (5) of these applied for approval to act as competent persons for Primary Storage Facilities.

Minerals

In 2014, the Authority renewed all quarry operating licences. The Malta Environmental and Planning Authority continued to issue environmental permits for quarries. The Authority was consulted during the drafting of these permits to ensure that regulatory requirements were included. Furthermore, the Authority was involved in consultations from the Planning Directorate at MEPA in cases where quarry perimeters were extended or operators requested an increase in allowable excavation depths.

Water

Groundwater Sources

The Competence, Licensing and Enforcement Unit continued with the updating of the database of groundwater sources. Inspections of groundwater sources exempt from metering according to Groundwater Abstraction (Metering) Regulations (Legal Notice 241 of 2010) were carried out.

Ten (10) applications for the addition/change of users of already registered groundwater sources were received during 2014. These increased the number of users by six (6). These inclusions and the additional users for newly registered sources brought the total number of users registered with the Malta Resources Authority by the end of 2014 to 13,114.

The metering of groundwater sources continued throughout 2014 and by the end of the year a total of 232 groundwater sources used for commercial purposes and 1,844 groundwater sources used for agricultural purposes were metered.

During 2014, the Authority received two (2) 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 Authority supervised the cleaning operations of three (3) boreholes (the approval of the third request was issued in 2013).

During 2014 one (1) application for the drilling of a replacement borehole was processed by the Authority.

Authorisation of suppliers of water by water tanker

The process for the regulation of the supply of water by water tankers continued in 2014. The number of licensed operators at the end of 2014 stood at 105.

In 2014 the Authority continued to intensify the monitoring of the authorisation conditions on operators. The Authority is enforcing the markings required by the authorisation conditions and has finished fixing identification markings, issued by the Authority, on the rear side of the water tankers. These markings outline the details of the water tankers and the MRA Authorisation Number.



TYPE	QUANTITY
Applications submitted for a licence to supply water by water tanker for commercial purposes	2
Applications submitted for a licence to supply water by water tanker for own use	5
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	36
Licences/Applications withdrawn	9

Table 7: Supply of Water by Water Tankers

By the end of 2014, 144 identification markings were fixed to water tankers. The operators of 69 vehicles used for commercial purposes adopted the markings required by these authorisations.

Once the affixing of the identification markings was completed, monitoring and enforcement could be initiated. The Authority has now embarked on a programme to address water tankers that are not authorised to supply water. These could now be easily identified from the lack of identification markings.

Applications for Permits to Construct a Soakaway

During 2014, one (1) application for the construction of a soakaway was received. Clearance, with conditions, was given to this application.

MONITORING FUEL QUALITY

Petroleum Filling Stations

Fuel quality tests performed by the Authority act as an active deterrent to any abuses in the quality of fuels offered for retail at petroleum filling stations. The Malta Resources Authority continued to collect and test samples of petrol and diesel from various petroleum filling stations, according to the requirement of Directive 98/70/EC. This Directive obliges Member States to carry out a comprehensive fuel quality monitoring system (FQMS) to ascertain that the automotive fuels being sold on the local market are to the required standard.

During the last quarter of 2014, the number of samples was increased in line with the requirements of the standard MSA EN 14274 (Automotive fuels – Assessment of petrol and diesel quality – Fuel quality monitoring system (FQMS)). This standard establishes that for the Maltese Islands, 100 samples per fuel grade per year have to be lifted and tested. Furthermore, these have to be equally divided between the summer and winter periods. Currently two (2) fuel grades are used for automotive propulsion in Malta and therefore 200 samples per year are required to be tested.

Samples are collected by the Authority's compliance officers and submitted to an accredited laboratory to be tested against the full suite of parameters established in the respective schedules of the Quality of Fuels Regulations (Legal Notice 44 of 2008). The dispensing stations sampled are selected randomly to ensure transparency. Commercial petroleum filling stations will also be included in the list of stations that require regular sampling. The average sulphur content in 49 petrol samples collected decreased from last year to 4.30 mg/kg and the average sulphur content in 49 diesel samples collected remained relatively stable at 7.34 mg/kg. There

were no non-compliances for this parameter for samples collected from petroleum filling stations.

Testing also confirmed that the amount of Fatty Acid Methyl Ester (FAME) found in diesel did not exceed the 7% established in the standard MSA EN 590. In all, 62 samples were tested for this parameter and the average FAME content was found to be 4.45%. To reinforce testing protocols, the Authority performed inspections and sampling on a number of heavy vehicles (including trucks, buses and construction equipment) that are operated by companies having a storage of liquid fuels. Samples were lifted from the vehicles' tanks.

In total 24 tanks were sampled and the samples were subsequently tested for sulphur content. This exercise resulted in a number of non-compliances, whereby the sulphur content exceeded the maximum value established by the standard for diesel that can be used for automotive purposes and the Authority took enforcement actions against 11 companies.

Table 8 and Table 9 show the number of fuel samples lifted throughout 2014 and the type of tests performed on these samples, together with the results for selected parameters.

Fuel for Marine Use

The Quality of Fuels Regulations also establish that the Authority should maintain a fuel quality monitoring programme for marine fuels used by vessels. The types of marine fuels found on board vessels are mainly fuel oil and gasoil.

The fuel is tested for sulphur content according to the requirements of Directive 99/32/EC. The maximum sulphur content allowed for fuel oil is 3.5% and the maximum for gasoil 0.1%.

TEST	SAMPLES LIFTED FROM PETROLEUM FILLING STATIONS	RESULT
EN 228 Unleaded Petrol – as per parameters established in Legal Notice 44 of 2008	49	Average sulphur content of 4.30 ppm. No non-conformities.
EN 590 Diesel – as per parameters established in Legal Notice 44 of 2008	49	Average sulphur content of 7.34 ppm. No non-conformities.
EN 590 Diesel – Tested for FAME content	62	Average FAME content of 4.45%. No non-conformities.

Table 8: Fuel Sampling – Petroleum Filling Stations

TEST	SAMPLES LIFTED FROM LIQUID FUEL STORAGE	RESULT
EN590 Diesel – Tested for Sulphur content only	59 (24 samples lifted from propulsion tanks in vehicles)	Average sulphur content of 215 ⁽¹⁾ ppm. 11 non-conformities found and enforcement action taken.
Gasoil (used in industry)	14	Average sulphur content of 574 ppm (maximum allowable limit of 1,000 ppm). No non-conformities.

Table 9: Fuel Sampling – Fuel Storage Facilities

(1) Average value is high due to non-conformities detected.

TEST	SAMPLES LIFTED FROM VESSELS (MARINE)	RESULT
Gasoil Sulphur Content	23	Average sulphur content of 669 ppm (maximum allowable limit of 1,000 ppm). No non-conformities.
Fuel Oil Sulphur Content	3	Average sulphur content of 21,400 ppm (maximum allowable limit of 35,000 ppm). No non-conformities.

Table 10: Fuel Sampling – Marine Use

INSPECTION TYPE	QUANTITY
Photovoltaic Panels	25
Registered Boreholes	30
Non-registered Boreholes and customer complaints	5
Cleaning of Boreholes	4
Fixing of identification marking to water tankers	20
Swimming pools	25
LPG – Registration issues and complaints	20
LPG – Primary storage facilities	12
Fixing of identification marking to LPG Distributors' vehicles	55

Table 11: Inspections Carried out

Tests are performed on samples taken from vessels used for national maritime transport operations and on samples taken from the larger vessels that fall under the MARPOL convention and travel to other EU and non-EU ports. No non-conformities were observed in tests carried out during 2014.

The results of the testing programme of fuels used by marine vessels in 2014 are shown in Table 10.

MONITORING OF AUTHORISATIONS

During 2014 the Compliance, Licensing and Enforcement Unit intensified its checks on compliance by Authorised Providers to specific Authorisation conditions. These are detailed in the sections dedicated to different authorisations.

In a number of cases on-site inspections were necessary to determine compliance to the requirements of various authorisations and/or to verify reports of an illegal/unauthorised activity taking place without the necessary authorisation/permit. Table 11 lists the inspections that were performed during 2014, apart from inspections related to fuel quality monitoring.

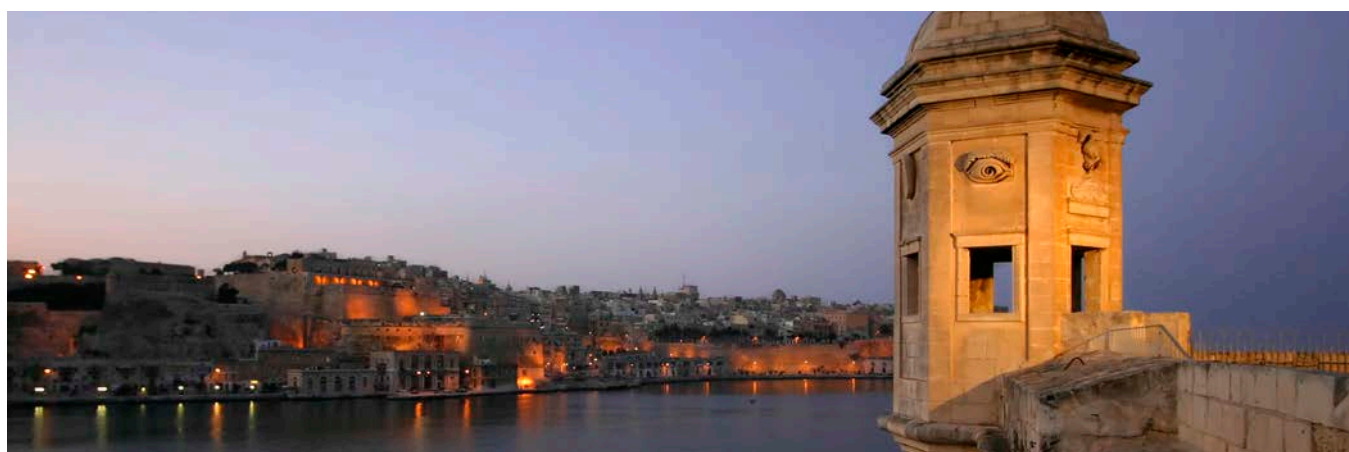
ENFORCEMENT

During 2014 the Authority continued to take enforcement action as was considered necessary following cases of non-compliance. These cases were revealed during checks on compliance to authorisation conditions, inspections by Authority personnel and complaints received from customers of authorised providers or the public. Where the alleged non-compliance arose as a result of customer complaints, the first step adopted was to determine whether the alleged non-compliance was actually founded.

MRA officials assisted the Police Force in a number of investigations. During the year, the Authority's officers also attended several Court sittings related mainly to enforcement duties in connection with fuel quality, swimming pool licences and quarry licensing. Officers also attended sittings of the Administrative Review Tribunal.

Breaches to Authorisation/Permit Conditions

In March, 2013, the Authority requested all Petroleum Filling Stations Authorised Providers to submit a technical report and a development planning application to MEPA for the refurbishment of their station. The reports were to be presented by the end of March, 2014. One PFS Authorised Provider did not comply with these requirements and administrative fines were imposed on this Authorised Provider. A report on an alleged fuel leak in a Petroleum Filling Station resulted in the closure of the station following enforcement action by the Authority. The station remained closed until the problem was identified and resolved.



The owner took the necessary action and replaced the damaged pipe-work, and is submitting wet-stock reports to ensure that no further fuel losses occur.

In 2014, the Authority received three (3) complaints from Petroleum Filling Station Authorised Providers against authorised fuel distributors. In two cases the fuel distribution vehicle was found to have malfunctioned and substantial volumes of fuel were spilled onto the PFS forecourt during deliveries. The fuel distributor was informed by an official letter, and appropriate remedial action was requested. A third case is still at the investigation stage.

During the reporting period, ten executive letters were sent to randomly selected operators that supply water by water tanker to customers and who had failed to comply with the licence conditions regarding identification markings. The executive letters were eventually revoked since all the operators served with the letters took action to regularise their position and submitted proof of the markings.

During 2014 the Licensing, Competence and Enforcement Unit focused on updating the swimming pool licences database with the objective of reducing the number of debtors.

Investigations regarding Regulated Activities without Authorisation/Permit

During 2014 the Authority received and investigated five (5) cases of resale of electricity through unauthorised sub-metering. The resale of electricity consequently billed on the readings of sub-meters is prohibited as per Electricity Market Regulations. The persons found in breach of the Electricity Market regulations were required to regularise their position.

The Authority received a number of complaints regarding unauthorised storage of Liquid Petroleum Gas. Examples of such situations were:

- Bulk LPG tanks located indoors;
- Bulk LPG tanks located in basements; and
- Illegal storage of transportable LPG-filled cylinders.

Following these complaints, the Authority contacted the owners and requested them to regularise their position. In cases where this was not possible because the storage facilities could not comply with the relevant Codes of Practice, the storage facilities had to be removed.



MRA officials intercepted the illegal transfer of fuels from a Petroleum Filling Station into various Intermediary Bulk Containers (IBC), which were loaded on a flat bed truck. During the inspection the Police was requested to intervene and, subsequently, a letter to prosecute against the unauthorised distribution of fuel was issued.

Infringements relating to Fuel Quality

The Authority took enforcement action against 11 companies that were found to be using non-compliant diesel in their vehicles. The action taken consisted of four (4) letters to the Police Force to prosecute against repeat offenders and seven (7) executive letters imposing administrative fines for first-time offenders.

During the same period, the Authority received three (3) complaints from ship captains, or their shipping agents, alleging that bunker operators had supplied them with gasoil that was not up to the required specifications. The Authority investigated all the cases. In none of them was further action deemed necessary.

SUPPORT TO GOVERNMENT, SECTORAL CO-ORDINATION AND REPORTING



REPORTING ON ENERGY RESOURCES

Petroleum Filling Stations Report

The Authority received a report from the Petrol Station Owners Section of the GRTU on the estimation of the required Petrol Filling Stations mark-up, in order for them to recover their costs and obtain a fair rate of return on their investment during the three-year period 2014- 2016. The Authority examined this report, validated the underlying assumptions and evaluated various investment scenarios that may be done by the Petrol Station Owners. A request for clarifications made to the consultants of the Petrol Station Owners was still pending at end 2014.

Combined Heat and Power (CHP) Report

The Annual Report on Statistics on National Electricity and Heat Production from Cogeneration was drafted. This 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.

Statistics on Energy Flows

The Authority is the entity responsible for reporting data to the National Statistics Office on the importation, storage and sale of petroleum products to fulfil the obligations of Regulation (EC) No. 1099/2008, and as required by other legislative obligations and government entities.

Data is collected each month from all the licensed primary storage operators, importers and/or inland wholesalers and bunker operators. The data is checked for completeness and correctness, and undergoes a series of validations to increase data quality.

A monthly oil balance report, which shows the flow of the fuels supplied into the country from the importation stage to the sale of these products, is compiled by the Authority.

In 2014, the Authority mainly focused on increasing the quality of energy statistics. To this end, the Authority engaged in discussions with the Customs Department to cross check and align the data collected by the Authority with that available at the Customs Department.

The Authority is further requiring that data be independently audited by a duly qualified independent auditor on an annual basis. The first certification with reference to the 2014 annual data is to be submitted by the licensed operators by the end of February, 2015.

Survey on Energy Consumption in the Industrial Sector

The Authority completed a joint survey with the National Statistics Office on the use of petroleum products by economic operators (NACE Rev.2). Data stated being collected in 2013. The aim of this survey is to provide a better understanding of the end use of various fuel types and of their intended use, as well as to fulfil the reporting obligations required by Regulation No 1099/2008 on Energy Statistics, Directive 98/70/EC on the Quality of Fuels Regulations, Regulation No 525/2013 on a Mechanism for Monitoring and Reporting Greenhouse Gas Emissions, Directive 2001/81/EC on National Emission Ceilings for Certain Atmospheric Pollutants, and Malta's obligations under the United Nations Framework Convention on Climate Change (UNFCCC), which require the reporting of national inventories of anthropogenic emissions.

In addition and to support the compilation of the National greenhouse gas emissions and removal inventory (National GHG Inventory), and in particular to establish more robust GHG projections, the Authority is in the process of developing a modelling tool to better understand and quantify the factors that contribute to GHG emissions in Malta. It is envisaged that this tool will enable the projections of emissions up to a policy horizon of 2050 and to thus better inform policymakers on realistic scenarios and on cost-effectively ways to reduce GHG emissions in line with the Commission's long-term emissions reduction targets.

International Agreements

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

In fact, following the start of the process in 2013, the Authority continued its work to agree on a Memorandum of Understanding (MoU) on the reciprocal holding of security stocks with the United Kingdom. During 2014, the Authority reviewed and provided feedback on the draft MoU to the Ministry for Energy and Health.

SUPPORT SCHEMES

Cost-Benefit Analysis on the Residential Photovoltaic Grant Scheme

The Authority has engaged an independent consultant to carry out a cost-benefit analysis (CBA) on the implementation of a grant scheme to promote the investment in photovoltaic systems by the domestic sector.

The CBA will assess the feasibility of the options that may lead to the achievement of the project's objectives and will set out the considerations leading to the selected option. Based on a preferred feasible option, a financial and economic analysis will be carried out to estimate the benefit-to-cost ratio of the project and other indicators.

A sensitivity analysis and a risk assessment will be presented on the results of the financial and economic analysis to determine the 'critical' variables, variations on which affect mostly the present value of the project. The CBA supports the Authority's application for the European Regional Development Fund co-funding under Malta's Cohesion Policy Programme 2014-2020.

Schemes to Promote Renewable Energy Use

One of the primary objectives of the Authority is to promote the use 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 2014, the Authority continued to administer the 2013 Photovoltaic (PV) scheme and the 2011 and 2012 grant schemes in relation to Solar Water Heaters (SWH) and Roof Insulation and Double Glazing (Ri & Dg), respectively.

SCHEME	APPLICATIONS RECEIVED IN 2014	LOCATION
2011 Solar water heater National	352	Malta
2011 Solar water heater National	65	Gozo
2012 Roof insulation/double glazing	46	Gozo
2012 Roof insulation/double glazing	319	Malta
2013 Domestic wells	29	Gozo
2013 Domestic wells	168	Malta
2013 PV ERDF	412	Gozo
2013 PV ERDF	2,201	Malta

Table 12: Administration of Support Schemes

SCHEME	AMOUNT	NUMBER OF APPLICATIONS APPROVED FOR PAYMENT	GRANTS AUTHORISED FOR PAYMENT	TOTAL INVESTMENT	LOCATION
2011 PV ERDF	1.84 kW _p	1	€3,000.00	€6,500.01	Malta
2011 Solar water heater National	1,252 m ²	501	€188,225.12	€764,864.88	Malta
2011 Solar water heater National	265 m ²	106	€41,950.00	€162,527.59	Gozo
2012 Roof insulation/double glazing	30,009 m ²	290	€82,091.09	€1,040,436.29	Malta
2012 Roof insulation/double glazing	4,248 m ²	48	€11,112.61	€133,752.05	Gozo
2013 Domestic wells	11,932 m ³	148	€93,551.59	€194,359.94	Malta
2013 Domestic wells	1,063 m ³	17	€11,591.88	€24,475.45	Gozo
2013 PV ERDF	2,915 kW _p	1,077	€2,640,236.23	€6,800,599.97	Gozo
2013 PV ERDF	13,867 kW _p	4,912	€11,953,313.37	€31,334,483.51	Malta

Table 13: Applications Approved for Payment

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 417 applicants. The ERDF-funded scheme related to PV applications, offering a grant of 50% of the eligible expenditure up to a maximum of €2,500, closed on 12 March, 2014, and attracted over 5,600 applications during 2014, with close to 16 MW_p.

Schemes to Promote Energy and Water Efficiency

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 264 grants were issued to eligible applicants in 2014. The Domestic Cisterns scheme issued in 2013, which offers a grant of 50% of the eligible expenditure up to a maximum of €1,000, attracted around 200 applicants.

REQUESTS FOR CONSULTATION BY MEPA

Throughout 2014, the Authority continued to provide consultation services on various applications for permits issued by the Malta Environmental and Planning Authority (MEPA). These permits include both development permits and operational Environmental Permits, including Integrated Pollution Prevention and Control (IPPC) Permits. Consultation mainly concerns issues related to groundwater protection and fuel storages, with the main focus being applications for development Outside Development Zones and applications for development that could give rise to groundwater contamination.

Table 14 lists the requests for consultations received in 2014 by category. These were mainly related to groundwater protection.

It was noted that during the year under review there was a shift from consultations related to applications for agricultural development to applications related to industrial and commercial development. This shift required a larger input from Authority personnel since such applications brought different challenges due to the presence of different raw materials and waste generated in industrial and commercial development.

TYPE OF DEVELOPMENT	APPLICATIONS RECEIVED
Industrial concerns	32
Farm	28
Reservoir	28
Farmhouse Residential	21
Agricultural store/Tool Room	20
Pump room	15
Developments in Quarries	14
Residential + offices	10
Greenhouse	9
Stable	8
Cesspit	7
Swimming pool	4
Hotel	4
Stores for Filtration Unit	4
Trenching for sewers	4
Public Playground/Park	3
Snack Bar/Kiosk	3
Tunnel	3
Quay	2
Others	74

Table 14: Requests for Consultation by MEPA
– Development planning applications

In total, 259 requests for consultation were received, of which more than 135 were received directly from Periti on behalf of the applicants, with the remainder being received from MEPA. The Authority was also consulted on several applications for development permits related to fuel storage, including:

- 5 consultations on liquid fuel installations;
- 4 consultations on LPG bulk installations;
- 8 consultations on the construction of new Petroleum Filling Stations and material changes to existing Petroleum Filling Stations; and
- 1 consultation on an LNG storage.

During 2014, the Authority received seven requests for consultation from the MEPA Environmental Permitting and Industry Unit on IPPC permitted sites. Consultations were also requested on environmental permits issued to quarry operators.

APPLICATION NUMBER	NAME	ACTIVITY
IP 0001/05	Ta' Żwejra	Non-hazardous landfill
IP 0003/06	Amino Chemicals Ltd	Production of active pharmaceutical ingredients
IP 0005/12	Ricasoli Port Facility Ltd	Storage and processing of oily waste mixtures
IP 0002/13	Metalco Ltd	Temporary storage of hazardous waste
IP 0003/13	Tar-Robba Recycling Centre Ltd	End-of-life vehicles and WEEE storage
IP 0005/13	Sant'Antnin Waste Treatment Plant	Material recovery facility and mechanical treatment plant with anaerobic digester
IP 0007/13	Malta North Waste Treatment Plant	Operation of a mechanical treatment plant and biogas plant

Table 15: Requests for Consultation to MEPA – IPPC Permits



Revision of MEPA Policies

During the year under review, MEPA initiated the process to revise a number of policies to be used for processing of applications for development permits. In view of its statutory regulatory and resource protection functions, the Authority was requested to review and comment on a number of these draft policies, including:

- Fuel Stations Policy;
- Rural Policy and Design Guidance;
- Supplementary Planning Guidance for Shooting Ranges; and
- Solar Farm Policy.

PARTICIPATION IN INTERNATIONAL FORA

ACER

The Agency for the Co-operation of Energy Regulators (ACER) is an EU body with legal personality set up to complement and co-ordinate the work of national energy regulators at EU level and to work towards a single EU energy market for electricity and natural gas.

The Authority continued participating in ACER through regular attendance at the Board of Regulators. In particular, work continued on tasks relating to the completion of the Internal Energy Market, the development of transmission networks and the tasks for completion of the REMIT (Regulation No. 1227/2011 on Wholesale Energy Market Integrity and Transparency).

ACER worked on the drafting of Framework Guidelines and the adoption of opinions on draft network codes prepared by the ENTSOs. The work on transmission networks was particularly relevant to Malta, since the gas interconnector is now considered a Project of Common Interest by the EU. The work

on REMIT included the adoption of guidelines on the implementation of REMIT, the adoption of a recommendation to the Commission on the records of wholesale energy market transactions and the adoption of a Decision determining the registration format to be used for the establishment of a European register of market participants. The Authority is implementing the necessary IT infrastructure to enable implementation of the tasks necessary to carry out the functions required of it by the Regulation.

In the second quarter of 2014, ACER issued a call for National Experts to assist it in the assessment of Cost Border Cost Allocation (CBCA) Decisions. The Malta Resources Authority duly obliged and sent an expert to provide the required technical assistance on a CBCA concerning the construction of an LNG pipeline between Poland and Lithuania that would open up the gas markets of the Baltic States and further enhance the EU's gas transmission network.

CEER

The Authority also continued its participation in the Council of European Energy Regulators (CEER). CEER is a network of all EU energy regulators, and its objective is to facilitate the creation of an EU Internal Energy Market to the benefit of its businesses and citizens. Europe's national regulators of electricity and gas co-operate and share best practice not only with each other but also with fellow regulators outside of Europe, including on issues such as climate change and affordability.

During 2014, CEER focused on customer rights, fostering competitive markets, and the future role of Distribution System Operators (DSOs). A consultation paper on the future role of DSOs was published in December, 2014.

MEDREG

The Authority continued its active participation in Medreg (the Association of Mediterranean Energy Regulators), particularly through its Vice-Chairmanship of the Institutional Working Group and through its active collaboration within Medreg structures.

The Authority was again invited to attend all the Ad hoc meetings and the two Medreg general assemblies. A representative of the Authority attended the Communication officers' meeting and the Institutional Working Group meeting held in Cyprus on 8 April, 2014. Another representative attended the 15th General Assembly, held in Amman, Jordan, on 4 June, 2014.

The Authority hosted the 26th Steering Committee meeting on 9 October, 2014. The Medreg Secretariat also met MRA employees to discuss the role and objectives of the association and how Medreg and the MRA can improve collaboration. A presentation to this effect was made to MRA personnel on the same day.

WAREG

The Authority was one of the founding members of WAREG, the European Water Regulators Network, which aims to establish a co-operation platform among water sector regulators in Europe.

WAREG was officially founded in April 2014 in Milan during the 1st General Assembly of 11 EU water regulators from a Bulgaria (SEWRC), Denmark (NST), Hungary (HEA), Ireland (CER), Italy (AEEGSI), Latvia (SPRK), Lithuania (NCC), Malta (MRA), Portugal (ERSAR), Scotland (WICS) and Spain (MAGRAMA).

WAREG was set up with these objectives:

- to promote a harmonised, effective, efficient and stable regulation framework of water and waste

water services at EU level, aimed at supporting the sustainability of the services, adequate infrastructure investment, proper service quality standards and consumer protection;

- to exchange common practices, information, joint analysis and comparison of existing water sector regulatory models and performance of water utilities;
- to organise specialised training, technical assistance, exchange of know-how and experience;
- to prepare common positions on regulatory issues and speak with a stronger voice at European Community level; and
- to conduct an open dialogue with other relevant regional and international organisations and national institutions, with a particular focus on European issues in the field of water services.

During the year, a second General Assembly was held in Lisbon in September to coincide with the 9th IWA World Water Congress and the 1st International Water Regulators' Forum. During this General Assembly WAREG saw the addition of regulators from Greece (SSW), Romania (ANRSC) and the Azores (ERSARA) and interest in participation expressed by regulators from Northern Ireland and Belgium.

Authority officials attended the WAREG General Assemblies in Milan and Lisbon and the 1st International Water Regulators' Forum. This Forum also brought together 250 participants from 100 regulatory authorities from across the world, and saw a discussion between water regulators on regulatory principles, independence and accountability, economic regulation, quality of service regulation, drinking water quality regulation and as well as provided opportunities for networking. It also set the foundations for the drafting of the Lisbon Charter with a set of basic recommendations for governments, regulatory bodies, water utilities and consumers to promote efficiency in water services.



SUPPORT TO GOVERNMENT ON CLIMATE CHANGE

During 2014 the Climate Change Unit continued to support Government in meeting Malta's obligations under international climate change treaties and the European Union's climate action acquis. The three core functions that define the work of the Unit are:

- meeting reporting obligations relating to climate change;
- administering the EU Emissions Trading Scheme (EU ETS); and
- 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.

Each year brings with it new challenges that need to be accommodated within the work plan of the Unit. 2014 was no exception, especially with European Union discussions on a new climate and energy framework for 2030 being in the forefront of the EU political agenda.

Fulfilling reporting obligations

Three main reporting obligations were fulfilled during 2014, namely:

1. the co-ordination of the preparation and submission of Malta's combined 3rd, 4th, 5th and 6th National Communication (NC6) and Malta's 1st Biennial Report (BR1), both reports pursuant to the United Nations Framework Convention on Climate Change (UNFCCC); and

2. the preparation and submission of the annual national inventory of greenhouse gas emissions and removals (national GHG inventory) pursuant to the UNFCCC and the EU's Monitoring Mechanism Regulation
3. the ongoing work for the reporting to the Commission on the development of Malta's Low Carbon Development Strategy and Malta's Land-Use Change Action Plan.

Starting in the second half of 2013 and continuing throughout the first quarter of 2014, the Unit co-ordinated the drafting of Malta's NC6 on behalf of the Ministry for Sustainable Development, Environment and Climate Change (MSDEC). The drafting process included, among others, the assistance of experts from the University of Malta, engaged by the Authority to provide input to a number of specific items of the NC6.

In parallel to the drafting of the NC6, work was also ongoing on the preparation of BR1. The Communication and the Biennial report were subsequently submitted to the UNFCCC Secretariat in early April (a delay of more than three months over the binding deadline, due to logistical and resource constraints), following which they were then subjected to in-depth review in accordance with review requirements under the UNFCCC.

The annual compilation and submission of the national GHG inventory continues to be a major work effort for the Unit. 2014 saw the finalisation of the reports to be submitted during 2014 and the start of work for the 2015 submissions. The inventory cycle includes the:

- gathering of activity data and other information relevant to the estimation of emissions by sources and removals by sinks of greenhouse gases;

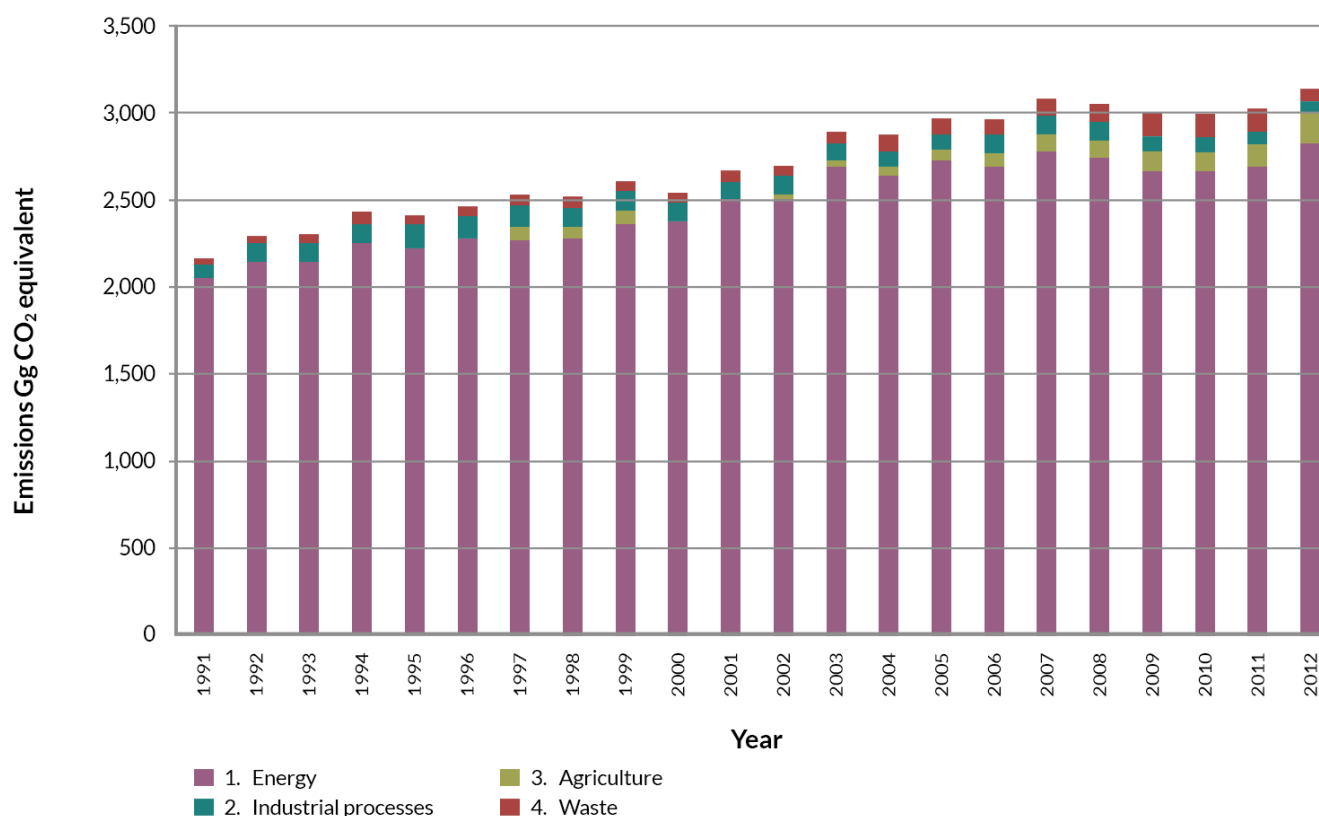


Figure 3: An overview of greenhouse gas emissions and removals by sector

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



- actual estimation of emissions and removals in accordance with established rules and methodologies;
- performance of quality assurance/quality control activities to ensure the reliability of the inventory;
- compilation of detailed information and data into standard tabular format (the Common Reporting Format tables); and
- compilation and submission of a written report explaining the work carried out.

The 2014 national GHG inventory also represents the renewed effort to enhance the quality of Malta's submissions, the emphasis for this submission being on the written report, in particular general and overview elements. Further work on sector-specific improvements of the inventory are in hand, as part of the preparation of the 2015 submission, including through engagement of external consultants, both foreign and local, the latter involving projects with the University of Malta. These improvements complement the ongoing development of a quality system for the GHG inventory process, albeit this process being rather slow due to resource constraints.

In accordance with established procedures under EU legislation, a preliminary submission of the 2014 national GHG inventory (covering the years 1990-2012) was made to the European Commission in January. This was followed by a final submission in March. The completed inventory was then also submitted to the Secretariat of the UNFCCC in April, 2014. The national GHG inventory was subject to an expert review by the European Commission and an assessment by the UNFCCC Secretariat, the results of which providing the basis for continued improvement in the GHG inventory preparation process.

Following the 2014 submission, work commenced immediately on the preparation of the 2015 submission. The compilation of the 2015 report has, however,

been delayed substantially due to problems with the reporting system, which are beyond the control of the Unit or Malta and have affected submissions by all EU Member States.

In the meantime, efforts to establish a national greenhouse gas inventory system, in accordance with requirements under the UNFCCC, have now proceeded to a new phase, with the commencement, during 2014, of the drafting of national legislation that will provide the legal framework for such a national system. This legislation is being drafted in parallel with, and in the context of, work being carried out by the MSDEC for the adoption of a Climate Action Bill. This work is also seeing active participation of the Unit. Both these legislative dossiers are expected to be concluded during 2015.

EU Emissions Trading Scheme

The Unit's work related to emissions trading during 2014 continued primarily in fulfilling the Authority's responsibilities as competent authority for the EU Emissions Trading Scheme (EU ETS), including the routine administration of the scheme for stationary installations (that is, the two local power plants) and aircraft operators that fall within the administrative responsibility of Malta.

For aircraft operators, 2014 was another year of important changes, since the scope was limited, through legislation adopted by the Council and European Parliament, to intra-European Economic Area flights. This was in response to progress made at the International Civil Aviation Organisation (ICAO) on the development of a global market-based measure for greenhouse gas emissions from international aviation. This meant that the Unit had to pay particular attention to providing guidance to aircraft operators to facilitate their adaptation to the new rules and procedures resulting from the legislative changes taking place.

European Union climate action dossiers

The EU political agenda for climate action was dominated in 2014 by discussions on a new framework for climate and energy policy up to 2030. The framework, which was adopted by EU Heads of Government at the European Council meeting in October, provides the political basis for legislative proposals to revise existing climate and energy policies for the period from 2021 to 2030, serving also as the EU's contribution to international efforts on a new climate agreement under the UNFCCC.

The Climate Change Unit provided support to Government in the inter-ministerial discussions leading to the formulation of Malta's position on this framework. The Unit recommended that Government propose a mechanism that would allow certain Member States to make use of emission reduction achievements in EU ETS sectors, which would partially offset emission reduction efforts in those sectors not covered by the EU ETS. Malta successfully negotiated the inclusion of such a linking mechanism in the agreed framework.

2014 also saw the continuation of the co-decision process on a proposal for monitoring, reporting and verification of greenhouse gas emissions from maritime transport. The relevant EU regulation was adopted in late 2014. Negotiations at EU level also started, and continue into 2015, on a proposal for a market stability reserve for the EU ETS. In both instances, the Climate Change Unit was an important stakeholder, providing technical input in the formulation of national positions on both dossiers from a climate action perspective.

Other technical support through participation in European Union and international fora

The MRA represented Malta at a number of international and EU fora related to climate change issues. At EU level, the Unit participated throughout the year in the main forum for the implementation of EU climate-related legislation, namely the Climate Change Committee, and in several of its working groups. The Unit also participated in a number of workshops related to reporting obligations organised by the EU and the Inter-Governmental Panel on Climate Change (IPCC), Commission workshops on the implementation of the EU ETS, the annual EU ETS Compliance Forum, and the annual Verification and Accreditation Forum.

2014 again saw the presence of technical officials from the Unit at meetings relating to the UNFCCC process, primarily at the Ministerial segment held as part of the UNFCCC intersessional debate, held in June in Bonn, Germany, and at the Conference of the Parties to the UNFCCC, held in December in Lima, Peru.

OTHER INITIATIVES

Decommissioning of Wind Measuring Mast

During the year, the Authority co-ordinated the sensitive decommissioning of the wind measuring mast at I-Aħrax tal-Mellieha and the restoration of the site to its original condition after wind measuring monitoring was brought to an end. The mast was donated to the Institute for Sustainable Energy for research purposes.





ENERGY RESOURCES

Educational Campaign to Promote Energy Savings in the Domestic Sector

On 25 October, 2012, the EU adopted Directive 2012/27/EU on energy efficiency, a significant milestone in promoting EU energy efficiency objectives. EU Member States agreed that by 2020 a 20% reduction in primary energy use should be reached within the EU.

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. The Authority submitted applications for funding and these were granted by the European Regional Development Fund (ERDF) under Operation Programme 1 – Cohesion Policy 2007-2013.

On 27 May, 2013, the Authority launched an Educational Campaign on Energy Efficiency through an information seminar. The overall objective of this campaign 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; and
- Energy efficient lighting.

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. For a whole year, a wide range of initiatives were undertaken and various media were used to disseminate the information, which mainly included:

- distribution of 500,000 educational brochures among households (on a door-to-door basis);
- organising four information sessions mainly focusing on energy efficiency in buildings and transport;
- displaying six billboards representing different messages for a whole year;
- participating in two main exhibitions (a general trade fair and a specialised boat fair);
- airing some 100 TV adverts on the three local TV stations;
- publishing 98 newspaper adverts; and
- launching and continuously updating the Energy Efficiency Website.

Workshops and Local Council Meetings

Following the Educational Campaign, the Authority was invited to participate in several seminars and workshops related to energy efficiency. These included:

- The MESHARTILITY and SMILEGOV workshops;
- The SeeMore Seminar;
- ManagEnergy Conference;
- Marie Seminar;
- Various local councils information meetings ;
- Local Council Association Annual Meeting;
- Society for the Blind Information Meeting.

Although the official Educational Campaign on Energy Efficiency was brought to a close in June, 2014, the Authority noted that there was still the need for more dissemination of useful information on this topic among local households. So the Authority is working on a similar project, which is expected to be launched in 2015.

State of Biofuels in Malta

The Authority updated the report published in 2007 on the State of Biofuels in Malta. The revised report took into consideration developments in the legislative framework and new measures being proposed to promote this fuel product in the local market. A copy of this report can be found on the Authority's website.

Review on Data Reporting of Licensed Fuel Operators

In line with the Authority's policy to minimise the administrative burden on operators, a detailed review of the current data reporting requirements of licensed fuel operators was carried out to identify areas where these requirements can be reduced and to further streamline these requirements.

WATER RESOURCES

Economic Characterisation of Groundwater

In line with the requirements of the Water Framework Directive (WFD) 2000/60/EC and, as transposed by Legal Notice 194/2004, the Authority revised the draft 2013 report on the economic characterisation of groundwater. The revised document examined in greater detail the various aspects involved in attaining the objective of a good ecological status of this resource. These aspects included:

- a detailed profile of groundwater demand and supply;
- projections of groundwater end use;



- an analysis of the level of financial cost recovery for the provision of water services; and
- an estimation of environmental and resource costs of abstracting groundwater.

At an EU level, the Authority participated, and provided feedback, in the Working Group on Water Economics to draft guidelines for the assessment of environmental issues to support the implementation of the WFD and to address affordability concerns in the programme of measures to attain the WFD objectives.

FINANCIAL ESTIMATES 2015

INCOME	2014 ACTUAL €	2015 ESTIMATE €
Income	2,738,853	2,554,975
Net Direct Expenditure	299,322	426,300
Staff Costs	1,072,913	1,608,052
Other Administrative Expenses	318,599	446,301
Depreciation	50,595	69,172
Finance Income	15,515	15,000
Surplus before tax	1,012,939	20,150



FINANCIAL STATEMENTS

MALTA RESOURCES AUTHORITY

Annual Report and Financial Statements
31 December 2014

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Statement of comprehensive income	6
Statement of changes in equity	7
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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 2014.

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 €2,738,023 (2013: €2,696,648). 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 2014, the Authority carried out monitoring analyses, environmental and market studies and other initiatives entailing a total expenditure of €258,122 (2013: €407,258). Net expenditure on Government and EU initiatives amounted to €41,200 (2013: €77,372). The Authority registered a surplus for the year of €660,068 (2013: €414,163) after deducting taxation of €352,871 (2013: €221,252) and administrative costs of €1,442,107 (2013: €1,584,347).

Results and surplus funds

The statement of comprehensive income is set out on page 6. The surplus for the year amounted to €660,068 (2013: €414,163).

Board members

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

Ing. James Camenzuli (Chairman) - (appointed 5 March 2014)
Mr. Francis Cassar (Chairman) - (resigned 4 March 2014)
Ing. Marjohn Abela (Deputy Chairman)
Professor Manfred Weissenbacher
Dr. Katrina Borg Cardona
Dr. Simon Schembri
Mr. Christopher Buttigieg
Mr. Mario Azzopardi

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 2014 are included in the Annual Report 2014, 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



Ing. James Camenzuli
Chairman

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



Ing. Anthony Rizzo
Chief Executive Officer

12 February 2015



Independent auditor's report

To the stakeholders of the Malta Resources Authority

Report on the Financial Statements for the year ended 31 December 2014

We have audited the financial statements of the Malta Resources Authority on pages 5 to 25 which comprise the statement of financial position as at 31 December 2014 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.



Independent auditor's report - continued

To the stakeholders of the Malta Resources Authority

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Authority as at 31 December 2014, 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.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Stefan Bonello
Partner

12 February 2015

Statement of financial position

		As at 31 December	
	Notes	2014 €	2013 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	76,953	68,729
Total non-current assets		76,953	68,729
Current assets			
Trade and other receivables	6	342,454	561,128
Cash and cash equivalents	7	4,904,149	3,360,141
Total current assets		5,246,603	3,921,269
Total assets		5,323,556	3,989,998
EQUITY AND LIABILITIES			
Capital and reserves			
Accumulated surplus	8	1,358,509	698,441
Total equity		1,358,509	698,441
Current liabilities			
Trade and other payables	9	3,721,681	3,220,307
Current tax liabilities		243,366	71,250
Total liabilities		3,965,047	3,291,557
Total equity and liabilities		5,323,556	3,989,998

The notes on pages 9 to 25 are an integral part of these financial statements.

The financial statements on pages 5 to 25 were authorised for issue by the board members on 12 February 2015 and were signed on its behalf by:



Ing. James Camenzuli
Chairman



Ing. Anthony Rizzo
Chief Executive Officer

Statement of comprehensive income

		Year ended 31 December	
	Notes	2014 €	2013 €
Revenue	10	2,738,023	2,696,648
Excess expenditure over funds received	11	(41,200)	(77,372)
Direct expenditure	12	(258,122)	(407,258)
Administrative expenses	12	(1,442,107)	(1,584,347)
Other income	15	830	880
Operating surplus		997,424	628,551
Finance income	16	15,515	6,864
Surplus before tax		1,012,939	635,415
Tax expense	17	(352,871)	(221,252)
Surplus for the year - total comprehensive income		660,068	414,163

The notes on pages 9 to 25 are an integral part of these financial statements.

Statement of changes in equity

	Accumulated surplus €
Balance at 1 January 2013	284,278
Comprehensive income Surplus for the year	414,163
Balance at 31 December 2013	698,441
Comprehensive income Surplus for the year	660,068
Balance at 31 December 2014	1,358,509

The notes on pages 9 to 25 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2014 €	2013 €
Cash flows from operating activities			
Cash generated from operations	18	1,768,067	1,628,545
Interest received		15,515	6,864
Income tax paid		(180,755)	(261,544)
Net cash generated from operating activities		1,602,827	1,373,865
Cash flows used in investing activities			
Purchase of property, plant and equipment	4	(58,819)	(9,286)
Net cash used in investing activities		(58,819)	(9,286)
Net movement in cash and cash equivalents		1,544,008	1,364,579
Cash and cash equivalents at beginning of year		3,360,141	1,995,562
Cash and cash equivalents at end of year	7	4,904,149	3,360,141

The notes on pages 9 to 25 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 2014

In 2014, the Authority adopted new standards, amendments and interpretations to existing standards that are mandatory for the Authority's accounting period beginning on 1 January 2014. 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 2014

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 2014. 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 IFRS 9, 'Financial instruments', 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 profit or loss.

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. Summary of significant accounting policies - continued

1.5 Financial assets - continued

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.

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. Summary of significant accounting policies - continued

1.8 Reserves

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

1.9 Financial liabilities

The authority recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The authority's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The authority derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 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 administrated by the Authority.

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

1.11 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. Summary of significant accounting policies - continued

1.12 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.

1.13 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.

- (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.

1.14 Operating expenses

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

1.15 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.

1.16 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. Summary of significant accounting policies - continued

1.17 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. Notwithstanding this, the Authority has short-term bank deposits with an average maturity date of three months from the end of the reporting period (Note 7).

(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:

	2014	2013
	€	€
Trade and other receivables (Note 6)	257,354	486,238
Cash and cash equivalents (Note 7)	4,904,149	3,360,141
	5,161,503	3,846,379

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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 2014, trade receivables of €86,261 (2013: €81,815) were impaired, and the amount of the provisions in this respect are equivalent to these amounts. Reversal of provisions for impairment arises 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.

(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 9). 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 €
At 1 January 2013					
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
Year ended 31 December 2013					
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
At 31 December 2013					
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
Year ended 31 December 2014					
Opening net book amount	-	5,600	63,129	-	68,729
Additions	-	17,080	41,739	-	58,819
Depreciation charge	-	(9,016)	(41,579)	-	(50,595)
Closing net book amount	-	13,664	63,289	-	76,953
At 31 December 2014					
Cost or valuation	18,981	81,185	371,739	287,508	759,413
Accumulated depreciation	(18,981)	(67,521)	(308,450)	(287,508)	(682,460)
Net book amount	-	13,664	63,289	-	76,953

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 reporting periods. 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

	2014 €	2013 €
Current		
Receivables on licences and contributions	184,121	311,975
Receivables on EU projects - net of provision	73,233	174,263
Prepayments and accrued income	85,100	74,890
	342,454	561,128

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

	2014 €	2013 €
Receivables on EU projects	155,048	256,078
Provision for impairment	(81,815)	(81,815)
	73,233	174,263

7. Cash and cash equivalents

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

	2014 €	2013 €
Cash and cash equivalents	4,904,149	3,360,141

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

7. Cash and cash equivalents – continued

Cash and cash equivalents include short-term bank deposits amounting to €1,500,000 (2013: €600,000). The weighted average effective interest rate of the short-term bank deposits as at end of the reporting period was 1.5% (2013: 1.7%). These deposits had an average maturity date of three months from the end of the reporting period.

8. Accumulated surplus

	2014 €	2013 €
Balance as at 1 January	698,441	284,278
Surplus for the year	660,068	414,163
As at 31 December	<u>1,358,509</u>	<u>698,441</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.

9. Trade and other payables

	2014 €	2013 €
Current		
Trade and other payables	284,318	279,170
Other payables	2,880,252	2,423,167
Accruals and deferred income	557,111	517,970
	<u>3,721,681</u>	<u>3,220,307</u>

Other payables comprise:

	2014 €	2013 €
Funds received in advance for EU projects and rebate schemes	2,714,589	2,253,060
Funds received for training programmes	123,503	139,372
Others	42,160	30,735
	<u>2,880,252</u>	<u>2,423,167</u>

10. Revenue

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

11. Excess expenditure over funds received

	2014 €	2013 €
Rebate schemes, EU projects and other initiatives:		
Funds allocated by the Government of Malta and EU	15,570,152	4,979,767
Related refunds to eligible scheme applicants	(15,611,352)	(5,057,139)
	<u>(41,200)</u>	<u>(77,372)</u>

12. Expenses by nature

	2014 €	2013 €
Excess expenditure over refunds received (Note 11)	41,200	77,372
Direct expenditure	258,122	407,258
Employee benefit expense (Note 13)	1,072,913	1,183,234
Depreciation of property, plant and equipment (Note 4)	50,595	38,894
Rent payable	103,828	104,128
Travelling expenses	46,229	58,890
Motor vehicle expenses	34,089	40,049
Other expenses	134,453	159,152
Total excess expenditure, direct expenditure and administrative expenses	<u>1,741,429</u>	<u>2,068,977</u>

Auditor's fees

Fees charged by the auditor for the statutory audit amount to €5,500 (2013: €5,500).

13. Employee benefit expense

	2014 €	2013 €
Wages and salaries	995,051	1,105,102
Social security costs	77,862	78,132
	<u>1,072,913</u>	<u>1,183,234</u>

13. Employee benefit expense - continued

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

	2014	2013
Board members	7	7
Board secretary	1	1
Operations	43	41
	51	49

Salary expenses relating to staff seconded from and with Government entities amounting to €31,385 (2013: €46,321) are included above. Salaries in relation to the administration of EU projects and rebate schemes amounting to €54,238 (2013: €92,518) are excluded from the above noted amounts and included within excess expenditure over funds received (Note 11). Salary expenses related to seconded employees of the Authority amounting to €113,237 (2013: €2,521) have been refunded by other Government entities during the year.

14. Board remuneration

	2014 €	2013 €
Board members' honoraria	37,920	41,541
Board secretary's honoraria	3,012	3,146
	40,932	44,687

For the financial year ended 31 December 2014, employee benefit expenses include an amount of €17,217 related to salaries received by the deputy chairman in his capacity as consultant with the Authority.

15. Other income

	2014 €	2013 €
Tender fees	830	680
Other sundry income	-	200
	830	880

16. Finance income

	2014 €	2013 €
Interest income from demand deposits	15,515	6,864

17. Tax expense

	2014 €	2013 €
Current tax	352,871	221,252

The tax on the Authority's surplus before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2014 €	2013 €
Surplus for the year before tax	1,012,939	635,415
Tax on surplus at 35%	354,529	222,395
Tax effect of:		
Income taxed at reduced rates	(2,692)	-
Expenses not allowed for tax purposes	214	-
Under provision in prior years	-	1,965
Movement in unrecognised deferred tax assets	820	(3,108)
Tax expense	352,871	221,252

The authority also had net deductible temporary differences on provisions and property, plant and equipment as at 31 December 2014 amounting to €137,675 (2013: €135,331). The resulting deferred tax asset of €48,187 (2013: €47,367) has not been recognised in these financial statements due to the uncertainty of the realisation of these tax benefits.

18. Cash generated from operations

Reconciliation of operating surplus generated from operations:

	2014 €	2013 €
Operating surplus	997,424	628,551
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	50,595	38,894
Movement in provision for trade receivables (Note 6)	4,446	-
Changes in working capital:		
Trade and other receivables	214,228	(245,444)
Trade and other payables	501,374	1,206,544
Cash generated from operations	<u>1,768,067</u>	<u>1,628,545</u>

19. Commitments

	2014 €	2013 €
Grants awaiting payment approval under renewable energy schemes	1,167,036	10,351,159
Studies, analysis and operational equipment	51,673	86,048
Capital commitments	-	11,600

20. 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.

21. 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 11.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 14 to the financial statements.

22. 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.

MALTA RESOURCES AUTHORITY

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