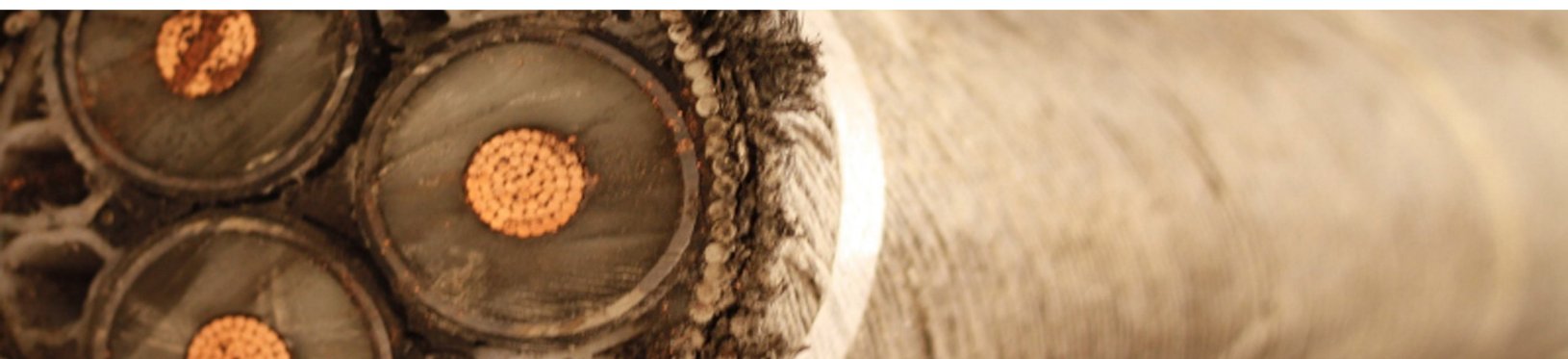




MALTA RESOURCES AUTHORITY

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**ANNUAL REPORT  
2015**



# **MALTA RESOURCES AUTHORITY**

## **ANNUAL REPORT**

### **2015**

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## THE AUTHORITY

### CHAIRMAN

**Mr. Mario J Azzopardi** (appointed 17/04/2015)  
B.A. (Hons.) Acctcy, M.A. (Fin.Ser.), B.Com., FIA, IIA, CPA

**Ing. James Camenzuli** (resigned 16/04/2015)  
B.Eng. (Hons.)

### DEPUTY CHAIRMAN

**Ing. Marjohn Abela** (resigned 16/04/2015)  
B.Mech.Eng. (Hons.), M.B.A. (Henley)

### MEMBERS

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

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

**Ing. Paul Fenech** (appointed 07/04/2015)  
B.Mech.Eng. (Hons.), EU Ing (FEANI) M.B.A. (Henley)

**Mr. Frederick Cutajar** (appointed 03/11/2015)

**Dr. Katrina Borg Cardona** (resigned 16/04/2015)  
LL.D

**Mr. Christopher Buttigieg** (resigned 16/04/2015)  
B.A. (Hons.) Accty, M.A. (Fin.Ser.). M.A. European Law and Soc. (Sussex), CPA

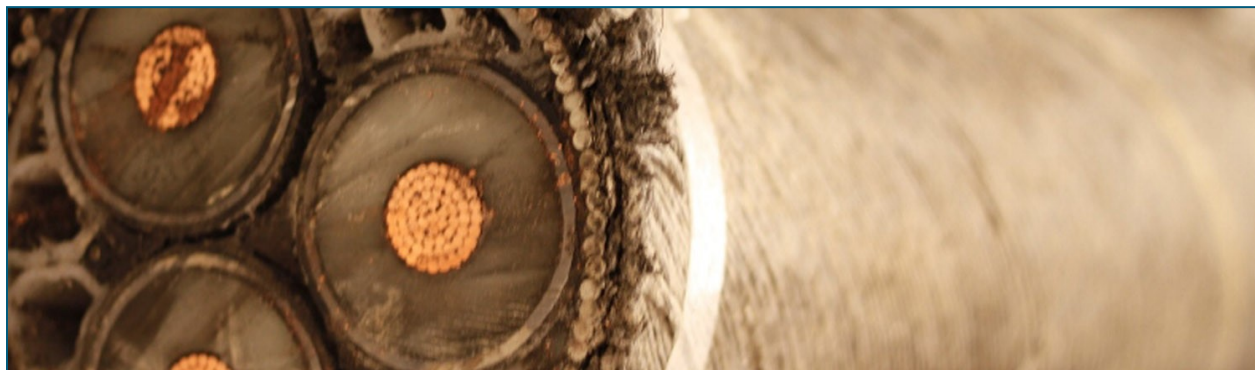
**Mr. Mario J Azzopardi** (appointed chairman)  
B.A. (Hons.) Acctcy., M.A. (Fin.Ser.), B.Com., FIA, IIA, CPA

### SECRETARY

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

### CHIEF EXECUTIVE OFFICER

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



## CHIEF EXECUTIVE OFFICER'S INTRODUCTION

### A Climate of Change

This report provides an overview of the activities of the Malta Resources Authority for the period 1<sup>st</sup> January 2015 to the 31<sup>st</sup> December 2015 and it also includes a summary of the annual reports of the Internal electricity markets, fuel quality monitoring and the biofuel substitution obligation for 2014.

2015 was characterised by a climate of change: in other words the anticipation and implementation of change. The first half of the year was dedicated to the drafting of the Act that would set-up the Regulator for Energy and Water Services and the remaining months of 2015 were dedicated to the implementation of the change in responsibilities of MRA as a result of the establishment of the new Regulator.

#### Pre 31<sup>st</sup> July 2015.

##### Regulatory

Although influenced by a climate of change, the period up to the 31<sup>st</sup> July to 2015 was “business as usual”. The Authority continued with its regulatory and enforcement functions. During 2015 the Authority continued to issue authorisations to a number of service providers within the energy, minerals and water sectors. Notably during the first 7 months of 2015, the door to door retail (distribution) of LPG cylinders was declared a service of general economic interest, the Authority issued two authorisations to retail (distribute) portable LPG cylinders and five authorisations to retail portable LPG cylinders filled with LPG from fixed points of sale.

### Oversight of Utilities

The Authority continued to monitor the regulated operations carried out by the Water Services Corporation and Enemalta plc .

Enemalta Corporation was registered as a Public Liability Company under the name of Enemalta plc. Ownership of Delimara 3 plant with a nominal capacity of 149MW was transferred from Enemalta plc to D3 Power Generation Ltd, which was a newly registered Government owned company. SEP (Malta) Holding Ltd acquired 33.3% of the shares in Enemalta plc and majority shares in D3 Power Generation Ltd. Enemalta plc continues to operate the Delimara 3 plant.

The Interconnector between Malta and Italy (Sicily) was completed and synchronised during the first quarter of 2015.

### Support Schemes

The MRA administered a number of Grant Schemes. It continued to administer the 2013 Photovoltaic scheme and the 2012 grant schemes in relation to Solar Water Heaters, Roof Insulation and Double Glazing and the Domestic Cisterns Restoration Scheme.



In addition to the above schemes, in July the Authority launched the 2015 Photovoltaic (PV) Scheme.

### Financial Standing

Up to 31<sup>st</sup> July 2015, the Authority strengthened its balance sheet and managed to build up financial reserves. Subsequently all assets were transferred to the Regulator in accordance with Act 25 of 2015 establishing the Regulator for Energy and Water Services (REWS).

### Post 1<sup>st</sup> August 2015

### Functions of the Authority

With the enactment of Act 25 of 2015 establishing the Regulator for Energy and Water Services (REWS), the Authority's functions were redefined. The functions can be summarised as follows:

- To regulate, monitor and keep under review all practices, operations and activities related to groundwater and mineral resources.
- To grant license permits or other authorisations for the carrying out of operations and activities related to groundwater resources.
- To ensure minimum quality, security standards and qualifications and to regulate such measures to ensure public and private safety.
- To establish measures for the protection of the environment and to promote the efficient use of groundwater and mineral resources.

- To ensure that International obligations entered into by Government related to the Act are complied with.

### Additional Functions

The Authority also carried out the functions of the competent authority under the European Community Gas Emissions Trading Scheme Regulations as per subsidiary legislation SL423.50.

On the 27<sup>th</sup> October 2015, the Authority was officially appointed as the competent inventory agency with respect to the National System for the Estimation of Anthropogenic Greenhouse Gas emissions by Sources and Removals by Sinks.

### Regulatory Legislation

The Authority performed its regulatory functions in accordance with the following subsidiary legislation:

- Notification of Groundwater Sources Regulations (SL423.12)
- Borehole Drilling and Excavation Works within the Saturated Zone Regulations (SL423.32)
- Groundwater Abstraction (Metering) Regulations (SL423.40)
- Users of Groundwater Sources (Application) Regulations (SL423.45)
- EU Greenhouse Gas Emissions Trading Scheme for Stationary Installations Regulations (SL423.50)
- EU Greenhouse Gas Emissions Trading Scheme for Aviation Regulations (SL425.51)

- Lifecycle Green Gas Emissions from Fuels Regulations (SL423.48)

### Transfer of Authority Resources to the Regulator for Energy and Water Services (REWS)

After the 31<sup>st</sup> July 2015, all Authority assets, liabilities, as well as right and obligations were transferred to the Regulator (REWS). The Authority “started operations” with a blank balance sheet and activities were financed from revenue pertaining to mineral resources and advances provided by REWS.

In the beginning of October a number of employees were transferred to the Regulator and eleven employees continued the work within the Authority.

### Appreciation

I would like to thank the Members of the Authority, past and present, for their continuous support and understanding and the employees of the Authority who, despite the changes that took place throughout the year, continued to provide sterling service to the general public and the Authority.

My gratitude also goes to the Chairmen, Mr Mario Azzopardi and Ing. James Camenzuli for their advice and guidance throughout the year.



## CORPORATE MATTERS

### Development of Legislative Instruments

#### *Separation of functions of regulation of resources and climate change from those relating to energy and water services*

The Regulator for Energy and Water Services Act ('REWS Act') entered into force on the 31st of July 2015.

The Act provides for the establishment of a Regulator, 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.

At the same time, the core residual functions pertaining to the Malta Resources Authority now relate to the regulation of minerals, groundwater sources and climate change.

The following is the subsidiary legislation which fall within the remit of the Authority after the entry into force of the REWS Act:

- Notification of Groundwater Sources Regulations (S.L. 423.12)
- Borehole Drilling and Excavation Works within the Saturated Zone Regulations (S.L. 423.32)
- Groundwater Abstraction (Metering) Regulations (S.L. 423.40)
- Assessment and Management of Flood Risks Regulations (S.L.423.41)
- Users of Groundwater Sources (Application) Regulations (S.L.423.45)
- Lifecycle Greenhouse Gas Emissions from Fuels Regulations (S.L.423.48)

- European Union Greenhouse Gas Emissions Trading Scheme for Stationary Installations Regulations (S.L. 504.66)
- European Community Greenhouse Gas Emissions Trading Scheme for Aviation Regulations (S.L. 504.115)

#### *Legislation pursuant to EU commitments and to national policy*

Legal Notice 168 of 2015 – the Quality of Fuels (Amendment) Regulations, 2015 transposed into Maltese legislation EU Directive 2014/77/EU.

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

Legal Notice 171 of 2005 - Feed-in Tariffs Scheme (Electricity Generated from Solar Photovoltaic Installations) (Amendment) Regulations

### 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. Seventeen judicial acts were filed in relation to the imposition of administrative fines by the Authority. These related to illegal fuel storage (4), insufficient security stocks (2), quality of fuels (1), return of LPG cylinders (2), non-compliance with licence conditions (7) and lack of provision of information/data (1).

### Internal Control

Through due attention to budgeting and expenditure, the Authority maintained a stable financial base during the period under

consideration. The Authority continued to focus on ensuring that all dues are collected in a timely manner, with a special focus on outstanding swimming pool licence fees.

During the period under review, the Authority also proceeded with the implementation of the internal audit programme consisting of compliance testing on its financial and operational procedures.

compliance testing. A VPN link with ACER was also setup.

## Human Resources

At the end of July 2015, the total number of MRA employees was 39. With the coming in force of Act XXV of 2015 (setting up of the Regulator for Energy and Water Services) 30 of the employees were transferred to REWS. After the 31<sup>st</sup> July 2015 the Authority recruited one additional person to its staff complement.

The total number of sick leave availed of by MRA employees was 84 days until the end of July 2015 and 3 days between August and December 2015.

During the year, the Authority provided training to one ICT student under the MITA student placement program, one career exposure experience for a Form 4 student (organised by e Skills), one German Intern, four University of Malta summer workers and one MCAST apprentice.

## ICT

During the first seven months of the year, the main focus was on participation in the regulatory ICT requirements arising from the implementation of the REMIT regulation, in coordination with the Agency for co-operation of the energy regulators (ACER). The bi-annual ICT audit, last carried out during December 2014, proved to be a good starting point for

## ECONOMIC AND UTILITY REGULATION



### Water Services Corporation

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. Clarification of data and checks for consistency were carried out.

The Authority also carried out a series of amendments and improvements to the licence monitoring reporting sheets to ensure consistency and thus improve the quality of the information submitted.

As part of its licence reporting obligations, the Water Services Corporation also submitted the following documents:

1. A report on the Corporation's performance in 2014 with respect to its Customer Contract Obligations;

2. A revised and updated Water Loss Management Plan (revision: February 2015);
3. A revised and updated Emergency Response and Security Plan (revision: June 2015).

The Authority continued with its efforts with Water Services Corporation to ensure that this complied with the revised regulatory accounts reporting format as determined in 2013 to ensure that the costs are properly unbundled between the water supply and waste water treatment functions. This is being done to ensure compliance with the Water Framework Directive 2000/60/EC as transposed into Maltese legislation by the Water Policy Framework Regulations (S.L. 423.20).

The regulation and licensing of water supply and sewerage services including the licensing of the Water Services Corporation in line with the provisions of the Water Supply and Sewerage Services Regulations, 2005 were transferred to the Regulator for Energy and Water Services on 31<sup>st</sup> July 2015.



## Enemalta plc

The electricity market is regulated mainly through the Electricity Market Regulations (Legal Notice 166 of 2011) which establish the requirement that the activities of generation, distribution and supply of electricity are carried out under a licence unless specifically exempted under the same Regulations. The construction of electricity generation capacity has to be authorised by the Authority and according to criteria established by these regulations.

Enemalta plc remains the main electricity producer from fossil fuels and the only holder of a licence to perform all the three activities of generation, distribution and supply of electricity to final customers.

The monitoring of the performance of Enemalta plc and its compliance to licence conditions continued during the first seven months of the year 2015. One of the main aims of the licence is

to monitor the performance of Enemalta plc 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.

Indicators such as SAIDI (average outage duration for each customer served) based on the data of interruptions of supply at 11KV level are used to monitor the continuity of supply. 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 plc) and the customers and includes the timing to provide service connections, handle satisfactorily customer issues, technical service, metering and billing.

Enemalta plc is required to submit on a monthly basis the data related to generation of electricity and on an annual basis aggregated data and indicators which include data related to investment in assets, maintenance and quality of service. This data has to be submitted by June of each year and refers to the data related to the previous calendar year.

Following the ongoing investments in the energy sector, the Authority continued with its efforts to ensure that Enemalta plc to ensure that the published audited accounts comply with the unbundling of accounts requirements as established by Article 17 of the Electricity Market Regulations (LN 166 of 2011). This Article states 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 submit to MRA, regulatory accounts that adhere to this article and that are in complete conformity with the audited financial results for the year.

## Voltage quality survey



The voltage quality survey involved the measurement and gathering of certain voltage quality data from 106 measuring sites distributed around Malta and Gozo. The sites included 104 single-phase measuring points, 8 sites in Gozo and 96 in Malta identified as M1 to M96. In addition to the single phase sites, two three-phase sites, one in Gozo and one in Malta.

Voltage quality is evaluated and expressed in terms of a set of defined criteria and expressed with respect to these criteria. The criteria include the parameters to be measured, the period during which the measurement takes place for each parameter, the index to be calculated and the limit to which this index is to be compared.

The most relevant standards when measuring and assessing voltage quality are the EN 50160 and IEC 61000-4-30. The IEC 61000-4-30-Testing and measurement techniques–power quality measurements cover the methodology and accuracy of the measurements. The EN 50160-Voltage characteristics of electricity supplied by public distribution networks provide requirements and limits for deviations from the nominal value for a number of voltage characteristics. In this regard the EN 50160 differentiates between continuous phenomena and voltage events. Continuous phenomena are deviations from the nominal value that occur continuously over time normally caused by changes in the load patterns, changes in load or

nonlinear loads. Supply voltage variations, flicker, voltage unbalance, harmonic voltage, inter-harmonic voltage and mains signalling voltage fall into the category of continuous phenomena. Continuous phenomena can be satisfactorily monitored for a limited period e.g. 1 week. The measurement methodology requires continuous monitoring of these parameters with values recorded at least every 10 minutes using the time-aggregation methodology in EN 61000-4-30.

Voltage events require an event triggering mechanism as well as characteristics to be calculated upon triggering. Voltage supply interruptions, voltage dips, voltage swells, single rapid voltage changes and transient over voltage fall under the category of voltage events. Voltage events typically occur due to unpredictable faults or external causes such as weather or third party actions. Voltage events are deemed to occur rarely and therefore require continuous monitoring for a longer time, at least one year.

The EN 50160 standard includes limits for deviations and indices for a number of voltage parameters. To some extent the requirements of the EN 50160 standard are considered as minimum requirements and some countries have set their own limits, sometimes stricter than those required by this standard. The Energy Community Regulatory Board (ECRB) Guidelines of Good practice on the implementation and use of voltage quality monitoring systems for regulatory purposes recommends a number of indices related to voltage characteristics that may eventually be used to benchmark and compare the voltage quality in different countries. The ECRB Guidelines recommend the calculation of a series of indices for each voltage parameter which are sometimes different from or additional to those required by EN 50160. In certain cases the guidelines propose the calculation of certain indices where the EN 50160 does not provide any.





In general, the measurements and the analysis of the data collated from each of the monitored sites were carried out in line with EN 50160 and the EN 61000-4-30. However, analysis also included the calculation of indices recommended by ECRB guidelines. Where possible the indices calculated were compared to those provided by the EN 50160 for compliance.

In the case of power frequency monitoring, reference has been made to the Network Code for Malta.

The survey on the voltage quality was carried out over twelve months and involved the monitoring of certain voltage disturbances and other electricity supply parameters on a selection of low voltage measurement points. The voltage measurement points were located in the premises of customers connected to the low

voltage part of the electricity distribution system.

The customers that participated in the survey were randomly selected from the low voltage customers currently supplied from the public electricity distribution network. The 104 customers each served with a single phase 230V 40A service and two customers each served with a three phase service 60A service.

Each of the 104 single phase measuring sites, 8 located in Gozo identified as G1 to G8 and 96 in Malta identified as M1 to M96, was monitored continuously for 15-days. The two three phase sites, one in Gozo and one in Malta identified as G9 and M97 respectively were monitored for 12 months.

The equipment used for measurements was of the type Class S in line with EN61000-4-30 which

indicates this class as suitable for statistical purposes.

Each one of the single phase sites selected was continuously monitored for 15 days for the following voltage parameters:

- 1 Supply voltage variations
- 2 Flicker
- 3 Harmonic voltage
- 4 Inter harmonic voltage
- 5 Total Harmonic distortion
- 6 Mains signalling

The two three-phase measuring sites were monitored continuously for 12 months for the following voltage disturbances and other electricity supply parameters:

- 1 Supply voltage variations
- 2 Flicker
- 3 Voltage unbalance
- 4 Harmonic voltage
- 5 Inter harmonic voltage
- 6 Total harmonic distortion
- 7 Mains signalling
- 8 Frequency
- 9 Voltage swells
- 10 Voltage dips
- 11 Voltage interruptions
- 12 Single rapid voltage changes
- 13 Transient over voltages

The above is an extract from the report. The results are highly technical and need engineering background for their analysis. Detailed results are available in the full report. These results are currently being investigated with Enemalta plc. Another survey has been commissioned during 2015 and data due to be collected in 2016.



### Electricity Interconnector Italy-Malta

The 200MW HVAC interconnection between Malta and Italy (Sicily) completed during the first quarter of 2015 was synchronised with the Italian grid for the first time on the 24 March 2015.

On the 30 July 2015, AEEGSI launched a consultation on the dispatch regime that should be adopted for the Italy-Malta electricity Interconnection and other grid interconnections operated without control of planned exchanges. The main theme of the consultation document is the methodology that should be adopted to determine the price for the settlement of unbalances between programmed and actual electricity imports.

The responsibility for the interconnector was transferred to REWS after the end of July 2015.



## Wholesale Energy Market Integrity and Transparency – REMIT

The Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency (“REMIT”) introduced a framework specific to wholesale energy markets aimed at detecting and discouraging market abuse in these markets. The Regulation establishes a new framework for monitoring wholesale energy markets and a requirement on Member States to make provisions at a national level to punish breaches of market abuse. Article 9 of REMIT requires market participants entering into energy transactions that are reportable to ACER to register with the National

Regulatory Authority of the Member State where they are established or where they are most active if established in a non-EU Member State.

The adoption of the Implementing Acts on 17 December 2014, and their entry into force on 7 January 2015, triggered important deadlines for data collection under REMIT. Market participants and third parties reporting on their behalf had:

- nine months, i.e. until 7 October 2015, to prepare for the reporting of reportable wholesale energy contracts admitted to trading at Organised Market Places and of fundamental data from the ENTSOs central information transparency platforms, and
- fifteen months, i.e. until 7 April 2016, to prepare for the reporting of the remaining reportable wholesale energy contracts (OTC standard and non-standard supply contracts; transportation contracts) and of reportable fundamental data from TSOs, LSOs and SSOs.

The Authority participated actively in the preparations for these activities because, although there is no market in Malta, market participants can still register in Malta and be subject to the Authority’s oversight.

The MRA homepage on the platform provided by ACER for the registration of market participants was activated in March 2015. By the end of July 2015 when responsibility for Remit was transferred to REWS, one energy market participant established in Malta registered with the MRA in terms of REMIT.



## Gas Interconnector between Malta and Sicily

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. Further listing of the candidate PCI was carried out by the Commission. The Authority participated in the request for feedback on the JRC methodology for the Project Evaluation. 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 related to the natural gas project proposed by Malta.

The Authority participated in ACER through meetings related to Gas infrastructure projects mainly related to the Cross Border Cost Allocation and Unit Investment Costs. The Authority provided feedback in the drafting of the CBCA document (Cross Border Cost Allocation) and the Unit Investment Cost documents. The Authority was required to participate in an online survey related to PCI projects that are of concern to Malta. This survey had to be completed in conjunction with the Italian regulatory Authority that declared itself as a concerned member state in relation to the Malta's project proposal on the natural gas project.

During the consultation of Regulation 994/2010 on security of gas supply, the Authority participated on the feedback on the amendments that were being discussed.

In its role as the energy regulator and as required by the energy infrastructure regulation, the Authority reviewed the studies submitted by the project promoter on the PCI in order to be able to contribute to the requests presented by ACER on the PCI assessment.

The responsibility for regulation of the gas infrastructure was transferred to REWS on the 31 July 2015.



## Economic regulation of fuels

### *LPG Price Mechanism*

The LPG Price Mechanism which was set up by the Malta Resources Authority continued to be used in monitoring the consumer prices of the LPG cylinders. The mechanism remained under scrutiny of the Board as Liquigas Malta Ltd submitted its budgeted expenses for 2015 for inclusion.

### *LPG Price Stability*

The Authority has continued the government's policy to ensure the long term price stability of LPG cylinders with the objective of reducing uncertainty and price volatility and competitive prices for the consumer. To this effect, with the cooperation of the leading operator in the LPG market up to July 2015, LPG cylinder consumer prices were maintained stable and reduced in March and May.



### **Petroleum Filling Stations**

The Authority received a report from the Petrol Station Owners Section representatives 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 to 2016. The Authority examined this report and validated the underlying assumptions and evaluated various investment scenarios that may be done by the Petrol Station Owners. Due to competition consideration a request for clarifications made to the Malta Competition and Consumer Affairs Authority is still pending.

### **Market monitoring and reporting**

#### **Annual Report on the Internal Electricity Market 2014**

Malta's Report to the European Commission on the Implementation of Directive 2009/72/EC, Directive 2009/73/EC and Directive 2005/89/EC for the 2015 was completed by the 30 July 2015 and submitted to Council for European Energy Regulators (CEER) and the EU Commission. This report is prepared on an annual basis and mainly refers to developments and sector data pertaining to the previous calendar year. The

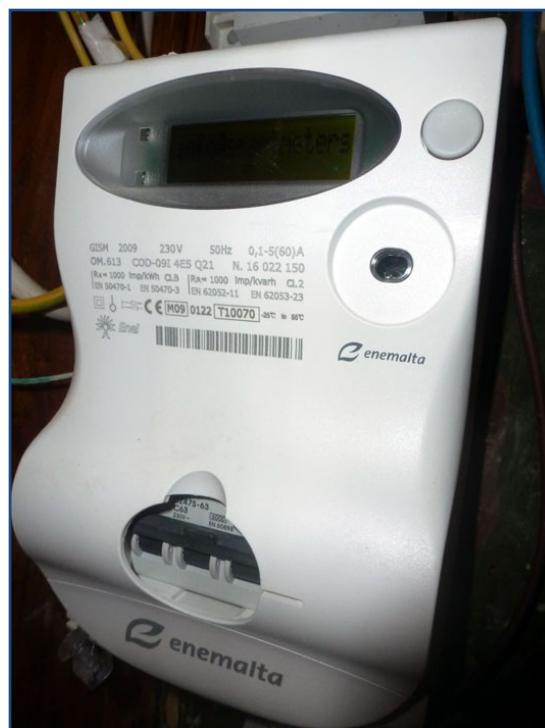
main developments in the electricity and natural gas market reported for 2014 are the following:-

Enemalta Corporation was registered as a Public Liability Company under the name of Enemalta plc. Ownership of Delimara 3 plant with a nominal capacity of 149MW was transferred from Enemalta plc to D3 Power Generation Ltd, which was a newly registered Government owned company. SEP (Malta) Holding Ltd acquired 33.3% of the shares in Enemalta plc and majority shares in D3 Power Generation Ltd. Enemalta plc continues to operate the Delimara 3 plant.

Enemalta plc remains the main producer of electricity with the exception of a number of relatively small producers producing electricity from renewable energy.

The electricity generation market is open to competition and generators may produce electricity for their own consumption and/or sell to Enemalta plc.

There were no gas interconnections with other countries as at end of 2014.



Enemalta plc continues to perform the functions of distribution system operator and that of the sole supplier of electricity to final customers.

Meter reading, billing and customer relationship were subcontracted to ARMS Ltd., which is a subsidiary company of Enemalta plc and Water Services Corporation.

All customers of electricity remain on a regulated retail tariff. During 2014 the Authority approved a proposal submitted by Enemalta plc for a revision of the retail tariffs. The revised retail tariffs for the residential and domestic customers came into effect on the 31 March 2014. In general, the revision of tariffs resulted in a significant reduction in the electricity tariffs and consumption bills.

The programme for the replacement of electricity meters with smart meters continued during 2014 with the total number of smart meters installed reaching 209839 by the end of the year. This means that by the end of the year under review 71% of the electricity meters were replaced by smart meters.



The fossil fuel generation nominal capacity as at the end of 2014 was 620MW. The electricity generation capacity from renewable energy sources installed by the end of 2014 was 56.6MWp. The generation capacity for renewable electricity is composed mainly of photovoltaic installations which during the year 2014 increased by 26.3MWp and representing an increase in installed capacity of 93% in one year.

The Authority continued to monitor the progress made in the implementation of the 200MW HVAC electricity interconnector between Malta and Sicily.

During the period under view, in this case 2015, the Authority received an application from ElectroGas Malta Ltd for authorisation to construct a generation station (Delimara 4) at Delimara Power Station consisting of a 215MW CCGT plant. The same investor will also be providing the natural gas infrastructure.

The MRA continued to provide input to the EU Commission and the Agency for the Cooperation of Energy Regulations with respect to the European Projects of Common Interest and the electricity interconnector between Malta-Italy.

The main contributions with respect to PCI's were related to Malta's natural gas project proposed to be included in the 2<sup>nd</sup> PCI list for consideration in 2015.

### *Electricity Market in figures until 31 July*

Data for the generation from renewable energy is provisional.

Operational installed nominal capacity in the power station as on 31 July 2015

- Marsa: 37 MW
- DPS: 453MW

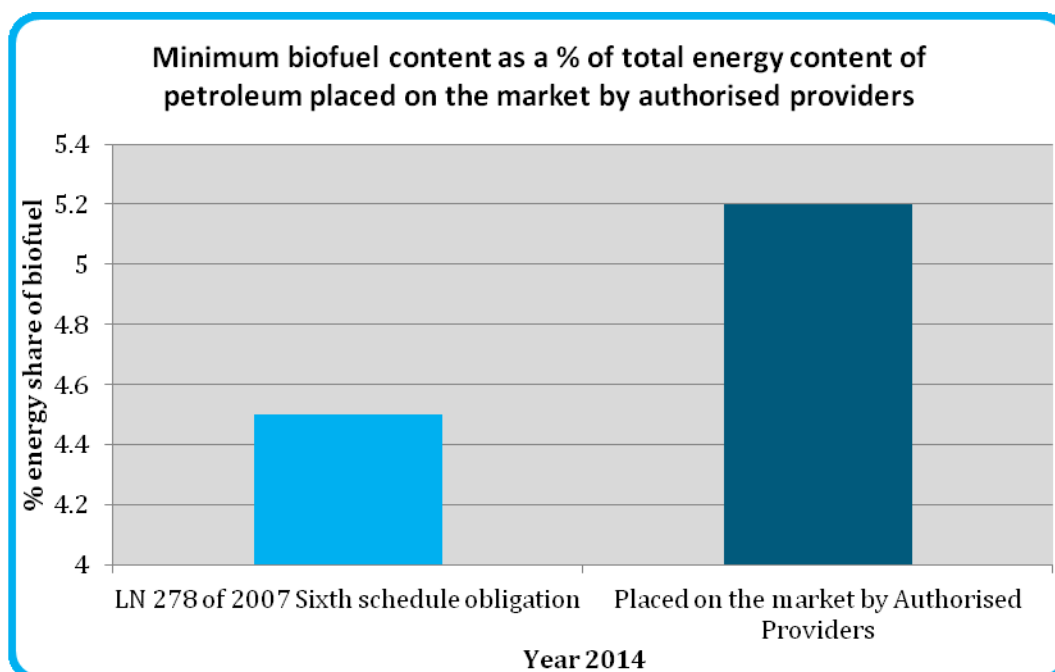
Marsa Power Station was shut down on cold standby. Works on the decommissioning of the Marsa Power Station are underway.

### *Report on substitution obligations and sustainability criteria of biofuels.*

Regulation 33 of the Petroleum for the Inland (Wholesale) Fuel Market, Regulations 2007 (LN 278 of 2007) as amended by LN 68 of 2011

establishes that authorised providers who carry out the activity of importers and/ or wholesalers of petroleum may be required to place on the market an amount of biofuel which has to be equivalent to a percentage of the total energy content of petroleum placed on the market. A minimum percentage of biofuel must be placed on the market by importers and/or wholesalers of MSA EN228 petrol and NSA EN590 diesel imports or wholesaled.

This substitution obligation, as listed in the Sixth Schedule of the same regulations, establishes that for the year 2014 the percentage energy resulting from biofuel should not be less than 4.5%. The reports submitted by the active importers of EN 590 Diesel and EN228 Petrol indicate that the substitution obligation for the year 2014 was met. In fact, the combined % share of biofuel content placed on the Maltese market by the authorised providers was of 5.2%, exceeding the stipulated target by 0.7%.



**Figure 1: Minimum biofuel content as a % of the total energy content of petroleum placed on the market by authorised providers in 2014.**

In order to be used to fulfil the substitution obligation, the authorised providers should prove that the biofuel satisfies the sustainable criteria as established in the Biofuel (Sustainability Criteria) Regulations (LN 85 of 2012). Producers of biofuel should submit such proof of sustainability. The energy share of sustainable biofuel produced from wastes, residues, non-food cellulosic material and lingo-cellulosic material is being considered to be twice that made by other biofuels. The biofuel placed on the Maltese market for year 2014 was

produced from used cooking oil. The default greenhouse gas emission savings of biofuel produced from used cooking oil (waste vegetable or animal oil biodiesel) is 83%.

### *Fuel Statistics*

The Malta Resources Authority was the entity responsible for reporting fuel statistics to the National Statistics Office for the period January



to June 2015. The monthly oil balance reports show the flow of the fuels supplied into the country from the importation stage to the sale of these products. In 2015, the Authority has mainly focused on increasing the quality of energy statistics. To this end, the Authority has

requested for the submitted data to be independently audited by a duly qualified independent auditor each year. The first certification with reference to the 2014 annual data was submitted by the licensed operators during the first quarter of 2015.



## SECURITY OF SUPPLY



### Maintenance of Minimum Stocks of Crude Oil and/or Petroleum Products

Council Directive 2009/119/EC, which was 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 2015, Malta had to maintain oil stocks corresponding to at least 90 days of average daily net imports. Up to 31 July 2015, the Malta Resources Authority was the entity responsible to administer the legal obligations emanating from the aforementioned Directive.

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 2015, 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 January to March 2015 and for the period April 2015 to March 2016.

### Data Reporting on Security Stocks

For the period January to June 2015, 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 physically and

as tickets in Malta, stocks held as tickets abroad and stocks held locally for other EU Member States.

Figure 2 shows that up to the second quarter of 2015, 68% of the total amount of security stocks held on behalf of Malta was in the form of tickets located abroad, while physical stock and tickets held locally amounted to 32% of the total composition.

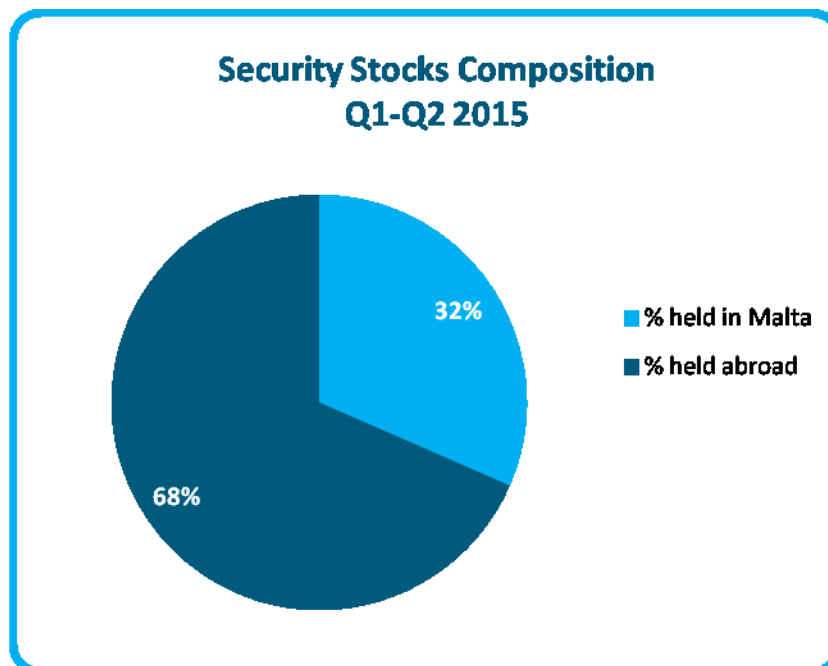


Figure 2: Composition of Security Stocks – Q1 and Q2, 2015

The Maltese security stocks held as tickets abroad were located in the Netherlands, Spain, Belgium and Sweden. For the period January to June 2015, the United Kingdom held security stocks as tickets in Malta.

Up to July 2015, 17 contracts for ticket arrangements were approved: 4 contracts for tickets held locally and 12 contracts for tickets held abroad by Maltese operators during the year 2015. In addition, the Authority approved 1

ticket arrangement held in Malta on behalf of a foreign operator.

### 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, 2015, the Authority submitted a copy of the register of the level of security stocks held as at 31<sup>st</sup> December, 2014, to the European Commission. The register became the responsibility of REWS after July 2015.

### **Annual Report – Article 9(8)**

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 2015. The report was submitted in advance to the European Commission at the end of December, 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.

## Audits on Security Oil Stock

To ensure that the operators are maintaining their share of security stocks in line with the obligations of the Directive, the Authority had issued a tender for the provision of control audit services to carry out physical spot checks by a qualified and licensed audit firm covering all the relevant operators. The first report was delivered in October 2014 while the second, third and fourth reports were delivered in January, March and June 2015 respectively.

Action was taken against one operator who was found not to be holding the required stock.

Following the aforementioned control audit, during the second quarter of 2015, the Authority started the process to issue a second tender for the provision of control audit services on security oil stock. These functions were taken over by the REWS after July 2015.

## 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 the first quarter of 2015, the Authority reviewed and provided feedback on the draft MoU to the Ministry for Energy and Health.

## COMPETENCE, LICENSING AND ENFORCEMENT

### Licensing

The Malta Resources Authority continued to issue authorisations and permits in the Energy, Minerals and Water sectors until the coming

into force of the Regulator for Energy and Water Services Act on the 31<sup>st</sup> July 2015. The authorisations and permits were related to operations, activities and competences required in the regulated sectors.

Up to the 31<sup>st</sup> July 2015 the Competence, Licensing and Enforcement Unit within the Malta Resources Authority processed the following authorisations and permits.

**Table 1:** Authorisations and licenses (up to end July 2015)

AUTHORISATION / LICENSE	NEW	RENEWAL	TRANSFER
Authorisation to construct or reconstruct a generating station other than PV systems	Nil	N/A	N/A
Authorisation to construct or reconstruct a PV installation larger than 16Amps per phase at 230V	76	Nil	Nil
Authorisation for the Bottling of LPG	Nil	2	Nil
Authorisation to retail portable cylinders filled with LPG	Nil	17	2
Authorisation to retail portable cylinders filled with LPG from fixed point of sale	4	0	Nil
Authorisation to carry out the activity of a bulk LPG distributor	Nil	2	Nil
Authorisation to operate a Secondary Storage facility of LPG	86	156	Nil
Authorisation to operate a Fixed Piped Network of LPG	Nil	4	Nil
Authorisation to operate an AutoGas Retail Station	Nil	4	Nil
Authorisation to carry out the activity of Importer (including Wholesale) of Petroleum	Nil	11	1
Authorisation for a Primary Storage Facility	Nil	7	Nil
Authorisation to carry out the activity of a fuel distributor	1	6	Nil
Authorisation to operate a Petroleum-Filling Station	Nil	74	1
Notification/Authorisation to operate a Secondary Storage facility of Petroleum	4	Nil	Nil
Authorisation to Load, Discharge and Transfer fuels from a Road tanker to a Receiving Ship	Nil	9	1
Authorisation to operate a barge or a marine terminal / facility	2	8	Nil
Authorisation to operate a Marine Fuel Retail Station	Nil	1	Nil
License to operate a quarry Hardstone Softstone	Nil 1	20 31	Nil Nil
License to operate a swimming pool	44	2758	Nil
License to Supply Water: (i) to a customer by water tanker(s) (ii) exclusively for own use by water tanker(s)	4 2	68 34	Nil Nil

**Table 2:** Authorisations of competent persons (up to end July 2015)

AUTHORISATION	NEW	RENEWAL
Authorisation A for the Installation, Alteration, Extension and Certification of Single Phase Electrical Installations	115	N/A
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	74	N/A
Authorisation as a Competent Person as established by the Petroleum for the Inland (Wholesale) Fuel Market Regulations	Nil	N/A
Authorisation as a Competent Person as established by the Liquefied Petroleum Gas Market Regulations	Nil	N/A
Authorisation as a Competent Person as established by the Petroleum for the Inland (Retail) Fuel Market Regulations	Nil	N/A
Authorisation as a Competent Person - Autogas (installation and certification) Regulations	1	N/A

**Table 3:** One time registrations or notifications (up to end July 2015)

REGISTRATIONS / NOTIFICATIONS	NEW	TRANSFER
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)	778	5
Registration of a Drilling Rig / Boring Equipment	Nil	Nil
Registration of users of groundwater sources	171	N/A
Notification of a Groundwater Source	2	N/A

**Table 4:** Permits (January to December 2015)

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	4	4	Nil	Nil
Borehole Drilling and Excavation Works within the Saturated Zone (sea-wells, cleaning of boreholes and replacement boreholes)	16	15	1	Nil
Permit to construct a Soakaway	Nil	Nil	Nil	Nil
Permit to construct a Geothermal Cooling System	3	3	Nil	Nil

#### *Authorisation A and B in electrical installation works.*

Between January and July 2015, the Malta Resources Authority continued receiving applications from interested candidates for the provision of an authorisation enabling these persons to carry out electrical installation works on single phase and three phase systems as per the Electrical Installations Regulations (L.N 225 of 2010). Authorisation is granted once the applicant provides evidence of having the required qualifications and experience and after

being recommended by a Technical Committee following an interview. The Authority also processed a number of requests for clarifications from foreign applicants, most requests were related to qualifications and training.

The Malta Resources Authority continued to update the list of authorised providers published on its website, for ease of reference for the general public requiring confirmation whether a hired electrical installer is authorised to carry out such works.

Licensing activity transferred to REWS as at end of July 2015.





### *Notifications and authorisations of photovoltaic systems.*

Throughout the first 7 months of 2015, the Malta Resources Authority streamlined the procedure for processing Authorisations to construct a Photovoltaic system as required by the Electricity Market Regulations (L.N. 166 of 2011) and the regulation of the Feed-in Tariff Schemes Regulations (L.N. 253 of 2013). A transparent method of application registration on a first-come first served basis has been maintained for all requests for a feed-in tariff.

Licensing activity transferred to REWS as at end of July 2015.

### *Feed-in Tariff schemes – grant schemes*

Between January and July 2015 the Malta Resources Authority continued to administer the feed-in tariff scheme announced in 2014. This scheme ended in April 2015.

Licensing activity transferred to REWS as at end of July 2015.

### *Scheme for the registration of training courses leading to the certification of renewable energy systems installers.*

Following the requirement of the EU Directive 2009/28/EC on the promotion of the use of energy from renewable sources whereby a member state should provide means for the registering of renewable energy sources

equipment installers' certification schemes and the subsequent publication of the Government Notice 404 in 2013, the Malta Resources Authority started compiling registers for approved course providers and for the certified installers. These registers were published on the website.

Similarly, as per the requirements of the Energy Efficiency and Cogeneration Regulations, (LN 196 of 2014) the Authority registered course providers for Energy Auditors and Energy Managers, together with the successful candidates attending these courses.

As at end July 2015, there were 2 registered courses for PV installations in single phase, 2 for PV installations in three phase, 2 for Solar Thermal installations and a course each for Energy Auditing (non-buildings) and for Energy Managers.

Up to end July 2015, the Authority registered 9 new PV single phase installers, 39 new Energy Auditors (non-buildings) and nine 9 new Energy Managers.

Licensing activity transferred to REWS as at end of July 2015.

***Petroleum for the Inland Wholesale Fuel Regulations (L.N 278 of 2007), regulating fuel importation, primary storages and bottling of LPG***

The Authority received 2 applications for the transfer of existing authorisations for Importation and Wholesaling of Petroleum. Up to end July 2015, these transfers could not be processed due to incomplete submissions by the applicants.

Between January and July 2015, an authorisation for an existing Primary Storage was issued.

Following the course held in 2014 for competence in Primary Storages, the Authority received an application for approval of competence from three engineers. These were approved, bringing the total number of competent persons in this field to 7. Licensing activity transferred to REWS as at end of July 2015.

***Liquefied Petroleum Gas Market Regulations (L.N. 249 of 2008)***

The Authority continued monitoring existing authorisations and processing new applications for Liquefied Petroleum Gas (LPG) secondary storages (bulk tanks and interconnected cylinders) between January and July 2015. The majority of the installations are bulk LPG tanks whose water capacity exceeds 300 litres. The status of the bulk LPG secondary storages as on the 31 July 2015 was as follows:

- Total registered storages – Qty 590
- Total Authorised – Qty 390
- Old existing storages still to be vetted – Qty 69
- New applications – Qty 86

The Authority also issued clearance for 10 additional Autogas Retail Stations thus bringing the total amount cleared by the Authority to 27. However only 4 of these are in operation and duly authorised, with the rest still awaiting the relevant MEPA permits.

Two authorisations for Bulk LPG distribution were renewed following the lapse of their original 6-year authorisation.

In February 2015, the Authority issued 2 authorisations for the distribution of LPG cylinders by truck and 5 other authorisations for the retail of LPG cylinders from fixed points of sale. Licensing activity transferred to REWS as at end of July 2015.

### *Petroleum for the Inland Retail Fuel Market Regulations (L.N. 53 of 2010)*

Between January and July 2015, the Authority continued to receive applications for new petroleum filling stations. There are currently 9 applications for new petroleum filling stations in various locations in Malta. The Authority has issued a clearance for these stations subject to approval from other competent authorities. The Authority also received and processed an application for the transfer of an authorisation of a kerbside petroleum filling station.

The Authority continued to monitor the submission of applications by petroleum filling stations' authorised providers to the Malta Environmental and Planning Authority, so that works can start on the refurbishment of respective stations.

With the coming 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 general public but where automotive fuel is dispensed. Following this definition, several applications for liquid fuel secondary storages had to be resubmitted as applications for a commercial petroleum filling station because the fuel is used to replenish the vehicle fleets of the applicants. Four sites were authorised.

The Authority also received and processed an application for fuel distribution for the inland market. A transfer of an existing authorisation was also processed. A number of authorised providers also requested changes to the fleet registered in their authorisations.

Licensing activity transferred to REWS as at end of July 2015.

### *Bunkering (Authorisation) Regulations (L.N. 270 of 2010)*

Up to 31 July, the Authority issued 2 new authorisations 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.

In the same period, the Authority processed a transfer of an Authorisation for the loading, discharging and transferring of fuels - between a road tanker and a receiving ship, due to a change in company name.

Licensing activity transferred to REWS as at end of July 2015.

### *Autogas (Installation and Certification) Regulations (L.N. 393 of 2010)*

The total number of approved persons authorised to carry out conversions on vehicles to run on LPG instead of petrol has risen to 12 as at end of July 2015, since another applicant was given an authorisation during the period under review.

Licensing activity transferred to REWS as at end of July 2015.



### *Biofuels and Bioliquids Market Regulations (L.N. 85 of 2012)*

The Biofuels and Bioliquids Market Regulations (L.N. 85 of 2012) establish that biofuel and/or bioliquid operators who intend to import, store, produce, blend, wholesale or retail biofuel or bioliquid have to acquire an authorisation from or submit a notification to the Authority. An authorisation would be required should the biofuel/bioliquid for the functions mentioned above, exceed 2,000 litres in the course of one calendar year. If this volume is not exceeded a notification is required.

Up to 31 July, the Compliance, Licensing and Enforcement Unit revised and updated the application forms to include further information as required by the regulations. As a result of this update inspections and commissioning reports are now being requested for installations in

order to ensure compliance. More emphasis is also being made on product quality and sustainability.

Up to 31 July, the Authority received two applications for the granting, renewal or transfer of an Authorisation under these regulations.

Licensing activity transferred to REWS as at end of July 2015.

### *Authorisation of suppliers of water by water tanker*

The process for the registration and authorisation of the transport of water by water tankers continued in 2015. The number of licensed operators at the end of July 2015 stood at 96. A number of applicants withdrew their application.

**Table 5:** Supply of Water by Water Tankers (up to end July 2015)

TYPE	NO
Applications submitted for a license to supply water by water tanker for commercial purposes (January – July 2015)	2
Applications submitted for a license to supply water by water tanker for own use (January – July 2015)	2
Current licenses for the supply of water by water tanker for commercial purposes	64
Current licenses for the supply of water by water tanker for own use	32
Licenses / Applications withdrawn (January – July 2015)	1

In 2015 the MRA continued monitoring the license conditions of licensed operators. The Authority continued with the enforcement procedures to ensure compliance to the license conditions on markings to identify the type of water being transported was completed.

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

Licensing activity transferred to REWS as at end of July 2015.



## Groundwater Sources

The Malta Resources Authority continued consolidating the groundwater sources database through a number of questionnaires, inspections and updates made available through applications from users of these sources and through the information gathered from the questionnaires.

The Authority received applications for the registration of additional users on already registered groundwater sources. One hundred and seventy one applications for the addition/change of users were received during January – July 2015. These increased the number of users by 76, and together with the registration of new sources, the total number of users registered with the Malta Resources Authority by the end of 2015 stands at 13,190

The process for the metering of agricultural sources continued during 2015. By the end of 2015, WSC reported the installation of 3,034 meters on boreholes.

During 2015, the Malta Resources Authority received three 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 borehole structure. The MRA supervised the cleaning operations of all the requests.

During the same period, two applications for the drilling of replacement boreholes were processed by the Authority, together with seven applications for the drilling of sea-wells. The

Authority rejected one application for the drilling of a seawell due to the negative impact on the quantitative and, or qualitative status of a fresh groundwater body.

## Minerals

MRA renewed the quarry operating licences for quarries which were still active.

The Malta Environmental and Planning Authority continued to issue environmental permits for quarries. The MRA was consulted during the drafting of these permits to ensure that regulatory requirements were included. Furthermore MRA was involved in consultations from the Planning Directorate in MEPA in cases where extension in quarry perimeters or an increase in allowable excavation depths was being requested by operators.

## Monitoring

### Inspections

The Authority continued to implement its programme to check on compliance by authorised providers.

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 6 lists the type and number of inspections that were performed in the first seven months of 2015; apart from inspections related to fuel quality monitoring.

**Table 6:** Inspections on authorisations / permits between January and July 2015

Photovoltaic Panels	34
Boreholes - Registered	51
Boreholes - Cleaning	5
Fixing of water tankers license sticker	12
Swimming pools	16
LPG - Registration issues and complaints	31
LPG - Primary storage facilities	2
Petroleum Filling Stations	3
Fuel Storage facilities - Registration issues and complaints	7
Fixing of LPG distributor license sticker	12

### *Fuel Quality*

During the last quarter of 2014, the Malta Resources Authority had started to implement a fuel monitoring programme in line with Model C of the European Standard MSA EN 14274<sup>1</sup>, to ascertain comprehensive fuel quality monitoring as required by Directive 98/70/EC. This programme was adopted for 2015, with the objective of collecting 100 samples of unleaded petrol and a further 100 samples of diesel from randomly selected petroleum filling stations per

<sup>1</sup> Automotive fuels – Assessment of petrol and diesel quality – Fuel quality monitoring system (FQMS)

year. This programme ensures that the fuel quality of automotive fuels sold on the local market is up to the respective standards MSA EN 228 for petrol and MSA EN 590 for diesel. Furthermore, the programme has an element of seasonality and the samples have to be equally divided between the summer and winter periods.

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 (LN 44 of 2008). The dispensing stations sampled are selected by a random process in order to ensure transparency. In

2015, four commercial petroleum filling stations were authorized and included in the database used for random sample selection.

Between January 2015 and July 2015, 57 Petrol (EN 228) and 65 diesel (EN 590) samples were collected and tested. The average sulphur content in the petrol samples was of 5.01 mg/kg, whilst the average sulphur content for the diesel samples was of 7.65 mg/kg.

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, 73 samples were collected and tested for this parameter and the average FAME content was found to be 4.34%.

Table 7 shows the number of fuel samples lifted between January and July 2015 and the type of tests performed on these samples, together with the results for selected parameters.

**Table 7:** Fuel samples and tests carried out - January to July 2015

TEST	SAMPLES LIFTED FROM PETROLEUM FILLING STATIONS	RESULT
EN 228 Unleaded Petrol - as per parameters established in LN 44 of 2008	57	Average sulphur content of 5.01 ppm No non-conformities
EN 590 Diesel - as per parameters established in LN 44 of 2008	65	Average sulphur content of 7.65 ppm 1 non-compliance – administrative fine was issued and paid by the authorised provider
EN 590 Diesel - Tested for FAME content	73	Average FAME content of 4.34 % No non-conformities
TEST	SAMPLES LIFTED FROM LIQUID FUEL STORAGE FACILITIES MRA PERIOD	RESULT
Gasoil (used in industry)	13	Average sulphur content of 612 ppm (or 0.0612%) (maximum allowable limit of 1000 ppm (or 0.1%)) No non-conformities
Fuel Oil (used in industry)	1	Average sulphur content of 0.49% (maximum allowable limit of 1%) No non-conformities
TEST	SAMPLES LIFTED FROM VESSELS (MARINE) MRA PERIOD	RESULT
Gasoil – Sulphur Content	10	Average sulphur content of 0.0778 % (maximum allowable limit of 0.1%) No non-conformities
Fuel Oil - Sulphur Content	6	Average sulphur content of 2.8 % (maximum allowable limit of 3.5%) No non-conformities



## Marine Fuels

The Quality of Fuels Regulations (LN 44 of 2008) also establish that the Authority has to maintain a fuel quality monitoring programme for marine fuels used by vessels as established in Council Directive 1999/32/EC and as amended by Directive 2012/33. In 2015, the programme was consolidated by Commission Implementing Decision (CID) EU 2015/253, which was issued in February 2015. This decision focuses on the nature and frequencies of inspections.

The inspections involve vetting of documents related to fuel found on board the vessel and sampling of fuels present, to check the sulphur content. The types of marine fuels used by vessels are mainly fuel oil and gasoil. The maximum sulphur content allowed for fuel oil is 3.5% while the maximum for gasoil is 0.1%.

Inspections are performed on vessels which operate for the national maritime transport and on larger vessels which fall under the MARPOL convention and travel to Malta from other EU and non-EU ports. The frequency of inspection is based on the average number of port calls in Malta in the three years preceding the year of reporting.

Between January and July 2015, the Authority checked the vessel's documentation aboard ten (10) vessels and lifted ten gasoil samples and six fuel oil samples. Average sulphur contents for the tests are presented in [Table 7](#). These were subsequently reported using an online reporting tool called THETIS-S. This tool was designed and put on line at the beginning of 2015 by the European Maritime Safety Agency, to work in tandem with CID EU 2015/253.

## Enforcement

Between January and July 2015, the Authority continued to take appropriate enforcement

action on cases of non-compliance. These cases were identified during checks on compliance to authorisation conditions, inspections by the Authority's personnel or through complaints received from customers of authorised providers or the general public. Where the alleged non-compliance arises from customer complaints the first step is to determine whether the alleged non-compliance is actually founded.

A number of investigations were initiated by the Police Department and in these cases technical assistance was provided by the Authority.

During the same period Authority's officers attended several Court sittings related mainly to fuel quality, swimming pool licences and quarry licenses. Officers also attended sittings of the Administrative Review Tribunal.

### *Breaches of authorisation conditions and directions given by the Authority to authorised providers*

During the first seven months of 2015 the Authority received three reports from third parties on alleged fuel leakages from Petroleum Filling Stations. Thorough investigations were performed in all cases with the authorised providers in each case being requested to report wet-stock monitoring data to the Authority. In two cases the reports proved to be unfounded, whilst in the other case the leakage was traced to a leaking holding tank. In all three cases, the Authorised facilities were monitored for a number of months.

Another leakage was reported at a Primary Storage facility. In this case the leak was substantial and a cleanup operation was required. Several entities were involved in this operation.

Between January and July 2015 the Authority received two complaints from Enemalta Plc claiming that when they visited a site to introduce the electricity service they noticed that the electrical installation was not complete. At the same time, the electrical installations authorised provider who had signed the application form had declared that the installation was tested and commissioned. Authorised providers in this field are responsible for the safety of installations and therefore the Authority investigates such allegations to determine if any action is required as regards authorisation of these individuals.

Between January and July 2015, 16 executive letters were sent to operators that supply water by water tanker to customers and who had failed to comply with the licence conditions re markings. The executive letters were eventually revoked in view that all the operators served with the letters took action to regularise their position and submitted proof of the markings. Another water supplier was issued with a cease and desist letter because he was distributing water outside the hours allowed by his licence conditions.

### ***Cases of Performing a Regulated Activity without the relevant Authorisations and or Permits***

Between January and July 2015, the Authority received a number of complaints re unauthorised storage of liquid fuels and Liquid Petroleum Gas. In each case, site inspections were performed. When storages were actually found the owners were requested to regularise their position by commissioning a technical report drawn up by a competent person and seeking authorization from the Authority. In cases where this was not possible because the storage could not be made to comply with the relevant Codes of Practice, the storage had to be removed altogether.

The Authority was notified that a fuel distributor was supplying fuel to an unauthorised storage facility. On inspection, it transpired that the distributor was not placing the fuel into a storage facility but actually refuelling vehicles directly from the fuel tanker. This is prohibited by his authorisation conditions and a cease and desist letter was issued.

### ***Infringements regarding fuel quality***

Between January and July 2015, the Authority handled two cases of non-compliance to fuel quality standards at Petroleum Filling Stations. The first case involved high sulphur content observed during the routine monitoring programme detailed out in Section B1 of this report. The other case was brought to the attention of the Authority by a number of individuals who had purchased petrol from a particular station.

In April, a fuel sample collected from a petroleum filling station was found to contain a sulphur level higher than that stipulated by standards. A warning letter was issued and a fine imposed on the Authorised provider and furthermore he was requested to remove all the contaminated fuel.

In May, the Authority received a number of complaints that petrol bought from a particular petroleum filling station was causing engine seizures. The station was immediately requested to stop retail and to investigate the likely cause of these complaints. The investigation determined that a mixture of petrol and diesel fuels had occurred during the filling of the station's fuel tanks. The station was ordered to clean its tanks and perform precautionary testing. Both the petroleum filling station authorised provider and the fuel distributor involved were reprimanded and requested to put in place preventive measures.

## SCHEMES PROMOTING RENEWABLE ENERGY SOURCES



National and European Union funds spurred improvement in energy efficiency and the growth of renewable energy use within the domestic sector. The Authority managed and administered twenty three (23) schemes with 77,000 applications resulting in a total investment (by the public) of € 150 million, of which €50 million were refunded as capital grants. The schemes covered diverse technologies e.g. washing machines, fridges, freezers, air conditioners, dryers, dishwashers, roof insulation, glazing, Compact Fluorescent Lamps, electric vehicles, wind turbines, domestic wells, solar water heaters and PV's. Apart from adverts on TV and radio and billboards, staff from the Authority participated in more than 50 events organised by local councils, schools and other organisations to raise awareness about energy efficiency and renewable energy.

These efforts brought about a positive change in consumer choices. In particular, Malta

experienced a transformation in the appliances and lighting markets and witnessed the growth in the demand for solar water heaters and PVs.

Between January and July 2015, the MRA received applications re the 2015 Photovoltaic (PV) scheme, continued to administer the Photovoltaic scheme and the grant schemes in relation to Solar Water Heaters and Roof Insulation and Double Glazing.

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 259 applicants between January and July 2015.

The ERDF funded scheme related to 2013 PV applications, offering a grant of 50% of the eligible expenditure up to a maximum of €2,500, closed on the 12<sup>th</sup> March 2014. During 2015, the remaining 302 applications were processed and the project was finally closed. During July 2015,

a new call re the 2015 PV scheme was launched and MRA started receiving applications.

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 201 grants were issued to eligible applicants this year.

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 46 applicants.

After July 2015 schemes were administered by the REWS.

### *Preparation for PV Grant Schemes for 2016*

During the first and second quarter of 2015, the Authority has continued to liaise with the engaged independent consultant to finalise the cost-benefit analysis (CBA) on the implementation of a grant scheme to promote the investment in photovoltaic systems by the domestic sector.

The CBA assesses the feasibility of the options that lead to the achievement of the project's objectives and sets out the considerations leading to the selected option. Based on a preferred feasible option, a financial and economic analysis was carried out to estimate

the benefit-to-cost ratio of the project and other indicators.

A sensitivity analysis and a risk assessment were presented on the results of the financial and economic analysis to determine the 'critical' variables, variations which mostly affect the present value of the project.

This analysis was used for the application for EU funds once calls were issued by the Planning and Priorities Coordination Division.

## INTERNATIONAL AND NATIONAL COOPERATION

The Authority continued to regularly participate till July 2015 in a number of international meetings. In particular, Authority representatives attended meetings of the Board of Regulators of the Agency for the Co-operation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER) and the Mediterranean Energy Regulators (MEDREG) and European Water Regulators Network (WAREG).

### ACER - Board of Regulators

The Board of Regulators (BoR) consists of representatives of the National Regulatory Authorities similar to the Malta Resources Authority and a non-voting representative of the European Commission. The BoR plays a key role within ACER. It decides on the regulatory policy of ACER and it provides opinions to the Director. In addition, the Board of Regulators, within its field of competence, provides guidance to the ACER Director in the execution of his tasks and it approves the appointment of ACER's Director and ACER's work programme.

The Authority continued participating in ACER through regular attendance at the Board of Regulators. The MRA attended the 7 meetings held prior to the end of July 2015.

The following were the key decisions approved by the BoR during the period January to July 2015. In chronological order:

- The approval of the Revised 2015 ACER Work programme.
- The re-appointment of Lord Mogg (United Kingdom) as Chair of the BoR for a new term of office of two and a half years to take effect on the 6<sup>th</sup> May 2015.

- The appointments of Mr Tomislav Jurekovic (Croatia) as the member of the BoR review Panel and Mr Remko Bos (Netherlands) as the alternate to any of the three panel members.
- The appointment of Mr Walter Boltz (Austria) as the vice chair of the ACER BoR for a new term of office to take effect on the 6<sup>th</sup> May 2015.
- The approval of the independent section of the ACER annual activity report for the year 2014 concerning the regulatory activities of the ACER
- The approval to extend the ACER Director's mandate for a further three year.
- The Approval in principle of the 2016 ACER Work Programme.

The following were the favorable opinions of the BoR during the period January to July 2015. In chronological order:

- The ACER Opinion on the ENTSO-E TYNDP 2014
- ACER Budget 2016 and the Multi-Annual Staff Policy Plan 2016-2018
- The Draft ACER recommendation on technical advice of ESMA
- ACER Opinion on the draft ACER opinion on the Network Code on harmonised Tariff Structures for gas
- ACER Opinion and Recommendation on the ENTSO-E winter Outlook report 2014/2015 and the Summer Review 2014
- ACER Opinion on the Compliance of the decision of the National Commission for Energy control and Prices of the Republic of Lithuania with the guidelines referred to Directive 2009/73/EC, Regulation (EC) no 715/2009 or with the relevant provisions of the Directive or Regulation.
- ACER Recommendation on the ENTSO-E Balancing Network Code
- ACER Opinion on the ENTSO-E Research and Development Plan 2016-2018



During the period January to July 2015 the BOR was regularly updated on the progress of the REMIT implementation, the 2<sup>nd</sup> Projects of Common Interest (PCI) list and selection process and the various discussions held within the various BoR working Groups.



## 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 the period January and July 2015, the Authority was regularly represented at CEER meetings and conferences.

CEER continued to concentrate on enhancing the capability of EU NRAs to fulfill effectively their individual responsibilities for achieving a competitive, sustainable and secure energy market in Europe.

It continued the work started in previous years together with Policy makers to develop a sound and sustainable single European energy market.

In particular CEER discussions focused on Consumers and retail markets, the role of the Distribution System Operators, new legislation/policy Development – specifically the Energy Union and the 2030 Climate and Energy proposals and international co-operation beyond the EU.

CEER continued to take a leading role in promoting consumer protection and empowerment and market design to ensure that consumer interests are protected as indicated in the paper Energy Regulation: A bridge to 2025, which was issued September 2014 and the core principles of the 2020 Vision for energy customers namely Reliability, Affordability, Simplicity, Protection and Empowerment.

## MEDREG

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

As in previous years the Malta Resources Authority was again invited to all the Adhoc Working Group meetings and the General Assemblies of the Association of Mediterranean Regulators of Electricity and Gas (MEDREG). The Authority sent one representative for the Communication officers meeting and the Institutional Working Group meeting held in Lisbon on the 26<sup>th</sup> March. Another



representative attended the General Assembly held in Istanbul in May.

The Authority was again invited to attend Medreg's Ad hoc meetings and the Medreg general assembly. A representative of the Authority attended the Institutional Working Group and the Communication officers' meetings held in Lisbon, Portugal on the 26<sup>th</sup> March 2015.

Another representative attended the 19th General Assembly meeting in Istanbul, Turkey on the 24 May 2015.

On the occasion of the 19<sup>th</sup> General Assembly, the MEDREG Implementation Plan was approved. The plan includes the different tools to develop the MEDREG Strategy 2020-2030. A Cooperation Protocol with the Parliamentary Assembly for the Mediterranean was approved. A peer-review methodology for the carrying out of peer reviews of member regulators was approved. The methodology includes a 'Desk Analysis', carried out through the analysis of a set of data and information about the context under investigation, and a questionnaire prepared by the peer-review team.

## WAREG

The Malta Resources Authority was one of the founding members of WAREG, the European Water Regulators Network, which was set up in 2014 with the aim of establishing a cooperation platform among water sector regulators in Europe.

The Authority participated in the 3<sup>rd</sup> WAREG General Assembly held in Dublin in January 2015 and the 4<sup>th</sup> General Assembly held in Edinburgh in May 2015.

The Internal Rules of Association of WAREG were approved during the Dublin General Assembly. Mr Alberto Biancardi representing AEGSSI, Italy was elected President of WAREG

and Ms Katherine Russel representing WICS, Scotland and Dr Szilvia Szaloki representing HEA, Hungary were elected Vice Presidents during the Edinburgh General Assembly. Agreement was also reached on the actions and activities to be undertaken by WAREG following the Edinburgh General Assembly including development of a Strategic Plan.

The Authority also participated in the Technical and Institutional Working Groups which were established within WAREG and contributed to the development of internal reports on "Price Setting Methodology and Tariffs" and on a comparative assessment of Institutional Regulatory Frameworks.

The General Assembly also approved the requests for membership from VMM (Flemish Environment Agency), Konkurentsiamet (Estonian Competition Authority), Northern Ireland Authority for Utility Regulation, and the requests for observer status from the Croatian Water Agency-Hrvatske vode, the Ministry of Sustainable Development (Montenegro), the Water and Waste Regulatory Office (WWRO, Kosovo), and the National Agency for Energy Regulation (ANRE, Moldova).

Malta's membership in WAREG was transferred to the Regulator for Energy and Water Services (REWS) following the entry into force of the Regulator for Energy and Water Services Act.

## Cooperation with national entities

### *Consultation with the Malta Competition and Consumer Affairs Authority (MCCAA) on Standards for PV Systems.*

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 SM:5100:2015 “Photovoltaic Installations – Requirements for electrical safety of single phase systems” is now in place.

The Malta Resources Authority also contributed to the drafting of a second standard related to PV, SM 5200:2015 “Solar Photovoltaic (PV) Installations – General safety requirements for PV systems installations”, which is currently undergoing consultation.

### *Consultation Requests from the Malta Environmental and Planning Authority*

Between January and July 2015, the Malta Resources Authority continued to give regular consultation services on various permits issued by the Malta Environmental and Planning

Authority (MEPA). These permits include both development permits that fall under the Planning Control and the Planning Development Directorates and operational Environmental Permits which fall under the remit of the Environmental Directorate. The latter include consultations on the Integrated Pollution Prevention and Control (IPPC) Permits. Consultation mainly concerns issues of groundwater protection and fuel storages and the main focus is on requests for developments in areas Outside Development Zones and developments which could give rise to environmental pollution especially as regards groundwater.

The table below gives a list by category of consultations requested between January and July 2015.

**Table 10:** Consultation by category – January to July 2015

TYPE OF DEVELOPMENT	NUMBER OF APPLICATIONS RECEIVED
Agricultural store / Tool Room	29
Industrial concerns	29
Residential	28
Agricultural Store / Reservoir	23
Farm	19
Reservoir with pump room	14
Pump room	13
Reservoir	11
Cesspit	7
Greenhouse	7
Stable	6
Carwash and facilities	4
Quarry Extension	2
Others	37

In all, 229 consultation requests were received of which more than 78 were received directly from the Periti of the applicants, while the rest were received from MEPA.

The Authority was also consulted on several applications for development permits pertaining to issues related to fuel storage. Apart from consultations on secondary installations for both LPG and liquid fuels, the two Authorities continued exchanging information on the refurbishment exercise for the petroleum filling stations.

The Malta Resources Authority received two requests from the MEPA Environmental Permitting & Industry Unit to submit comments and feedback regarding IPPC permitted sites.

The Authority was also consulted on the Environmental Permits issued to quarry operators.

### ***Revision of the Malta Environmental and Planning Authority (MEPA) Policies***

MEPA continued with the revision of a number of policies to be used for processing of applications for developments permits up to July 2015. Given its regulatory and resource protection functions the Malta Resources Authority was requested to give its feedback on the Supplementary Planning Guidance for Shooting Ranges.

## CLIMATE CHANGE



2015 has been characterised by a number of events and processes which have had a strong bearing on the Climate Change Unit's work and responsibilities throughout the year and which are expected to continue to have a marked influence in the coming years. Among these are: the adoption, by the Maltese House of Representatives, of a Climate Action Act; the publication of national legislation establishing a national system for greenhouse gas inventories; discussions, at EU level, on the European Energy Union, and the publication by the Commission of a proposal to reform the EU Emissions Trading Scheme, the first in a series of legislative proposals implementing the 2030 Climate and Energy Framework approved by the Heads of Government of the European Union Member States at the European Council of October 2014; the international discussions leading up to, and during, the Conference of the Parties to the

UNFCCC held in Paris between 30<sup>th</sup> November and 11<sup>th</sup> December 2015 where a new international agreement on global climate action was adopted.

In this context, the Unit's core functions remain those of fulfilling important reporting obligations relating to climate change, administering the EU Emissions Trading Scheme (EU ETS) and providing the Government with the necessary

technical expert support for the elaboration of Malta positions in respect of processes and dossiers at the European Union and international levels.

### An Act to establish a framework for climate action in Malta

The Climate Action Act (Chapter 543) was approved by Parliament in June 2015. The Act provides for *"action in order to contribute to the mitigation of climate change by limiting anthropogenic emissions of greenhouse gases and protecting and enhancing greenhouse gas sinks and reservoirs, and to contribute to the prevention, avoidance and reduction of the adverse impacts of climate change and the reduction of vulnerability, enhancement of resilience, and adaptation to the adverse effects of climate change."* Such action includes, among others, the development and updating of national inventories of greenhouse gas emissions and removals, and the evaluation of policies that contribute to the mitigation of climate change, these being functions that form a major component of the Unit's duties.

### Fulfilling reporting obligations

Legal Notice 259 of 2015 '*National System for the Estimation of Anthropogenic Greenhouse Gas Emissions by Sources and Removals by Sinks Regulations*', published in August 2015, establishes the national legal basis for annual reporting of national greenhouse gas inventories, reflecting obligations that Malta has under the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol and the EU's Monitoring Mechanism Regulation. MRA was subsequently formally designated as the national Inventory Agency pursuant to LN 259/2015 by a Government Notice published in October 2015.

The preparation and submission of the national greenhouse gas inventory for 2015, covering the time series 1990-2013, was significantly impacted by technical problems encountered with a new reporting system developed by the UNFCCC Secretariat; this resulted in major delays, across all EU Member States, in the submission of inventories for this year, to the extent that the final submission of the 2015 greenhouse gas inventory, originally intended for April 2015, was made in the middle of November. The preparation of the 2015 inventory submission has thus spilled over into the next reporting cycle, with efforts ongoing to meet the 2016 reporting obligations in accordance with the deadlines established by the Monitoring Mechanism Regulation.

2015 also saw the preparation of the biennial report on policies and measures relating to the

limitation or reduction of greenhouse gas emissions and the associated reporting of projections of greenhouse gas emissions. Both these reporting streams arise from the Monitoring Mechanism Regulation and, together with the annual reporting of greenhouse gas inventories, provide a comprehensive picture of the progress of Malta in achieving its greenhouse gas emission limitation and reduction targets, particularly in respect of the EU's Effort-Sharing Decision.

It is important to emphasise the level of scrutiny that reports on climate-related information are subject to, both at international and European Union level. The greenhouse gas inventory undergoes technical expert peer review under both UNFCCC and Kyoto Protocol rules and European Union requirements on an annual basis. 2015 has not been an exception, and in fact, this year also saw the Unit dealing with the first review in accordance with compliance requirements under the Effort-Sharing Decision, albeit on a trial basis due to the reporting problems already mentioned. Reviews in relation to the Effort-Sharing Decision see Member States' inventories being scrutinised in great detail so as to confirm, or otherwise, Member States' compliance with their respective annual targets under the Decision (in the case of Malta, the target being a limitation of 5% increase in relevant greenhouse gas emissions by 2020, compared to 2005, with

annual interim targets based on a linear trajectory starting in 2009 on the average annual greenhouse gas emissions for Malta for 2008, 2009 and 2010, and ending in 2020 on the +5% limit).

Such reviews highlight the high level of quality expected from European Union Member States in the preparation of their reports. For greenhouse gas inventories, the Unit is embarking on a process of elaborating its quality system in accordance with quality rules established under the UNFCCC and the Monitoring Mechanism Regulation, as also reflected in LN 259/2015. In respect of estimating projections of emissions, 2015 was primarily dedicated to increasing the Unit's capacity to undertake such work, through the development of a bespoke emission modelling system (CLimate Action Results Evaluator – CLARE) and the establishment of a Steering Committee to guide the Unit's work on emission



projections; both these developments are expected to enhance the quality of emission projections produced by Malta.

Another important process to which the Unit contributed very actively on a technical level was the International Assessment and Review (IAR) of the first Biennial Report submitted by Malta in late 2014. The Biennial Report represents a new reporting requirement for developed country

Parties to the UNFCCC, providing information, among others, on progress in achieving quantified emission reductions. The IAR process aims to promote the comparability of efforts among all developed country Parties with regard to their quantified economy-wide emission limitation and reduction targets, and includes a technical review and a multilateral assessment. Malta's multilateral assessment took place in June 2015.



## The EU Emissions Trading Scheme

The Unit's work during 2015, in so far as it relates to the EU ETS, remained that of implementing the Authority's role as competent authority for the scheme and as national administrator for the Union Registry, in respect of both stationary installations and aircraft operators.

With regards to coverage of stationary installations, some developments are worth noting. Of the two incumbent installations falling within the scope of the EU ETS, one was put to standby during the course of this year; ongoing investment and ownership decisions will also mean that in the coming years, possibly up to four separate installations would fall within the scope of the scheme, including the Marsa power station until its total decommissioning and three installations at the Delimara site, representing a substantial increase in the competent authority's administrative responsibilities. Preparatory discussions to pave the way for the necessary administrative processes commenced during the course of this year.

On the other hand, for aircraft operators, 2015 has been a year of relatively little legislative changes, as the reduced scope adopted in 2014 remains in force. The resultant legislative stability has facilitated implementation of the EU ETS for MRA and aircraft operators administered by it.

## A year of policy- making at European Union level

The launch, in 2015, by the European Commission, of '*A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy*', following on the decisions taken by Heads of Government at the October 2014 European Council on the 2030 Climate and Energy Framework, represents an important progression in European Union climate policy which will strongly influence the Climate Change Unit's work in the coming years.

In this respect, the Unit was actively involved in providing technical support to the Maltese Government in preparing Malta's input to the

Energy Union process, particularly in the run-up to the first State of the Energy Union report published by the Commission in November. The Unit also serves as the lead expert advisor to Government in respect of the proposal for the revision of the EU Emissions Trading Scheme Directive, a role which is expected to be continued during 2016 on this proposal and on other climate-related legislative proposals from the Commission (e.g. proposal for a revision of the Effort-Sharing Decision).

Malta's Presidency of the European Union in the first half of 2017 provides an opportunity for Malta to lead discussions on climate policy and legislation at European Union level. To this effect, the Climate Change Unit has already started to provide initial input to the preparations by Malta for the 2017 Presidency, and to internally organise itself for the duties it may be called upon to fulfil during the six months of the Presidency.

### **Active participation in European Union and international fora**

The Climate Change Unit remains an active player in representing Malta in a number of European Union and international climate-related fora. These include participation in the

Climate Change Committee and a number of its Working Groups, Commission formal and informal technical working groups, and the annual EU ETS Compliance Conference, to mention a few. This role extended also to participation at technical expert level in informal meetings organised by the Commission to assist it in the implementation of existing EU policy and legislation. This included meetings on facilitating harmonised transposition of the Council Directive on the calculation methods and reporting requirements aimed at reducing the greenhouse gas intensity of energy supplied for road transport and to prepare for the drafting of subsidiary legislation to implement the Regulation on monitoring, reporting and verification of greenhouse gas emissions from maritime transport.

Officials from the Unit also played a very active role in Malta's delegations at meetings relating to the international climate-policy process, including in particular the UNFCCC inter-sessional held in June during which, the Multilateral Assessment of Malta's first Biennial report was held) and the Paris Conference of the Parties (COP21) during which a new international instrument for climate change was agreed.

## FINANCIAL ESTIMATES 2016

	<b>2015 Actual</b>	<b>2016 Estimate</b>
	€	€
Income	1,707,388	528,809
Net Direct Expenditure	156,153	53,800
Staff Costs	864,205	392,164
Other Administrative Expenses	217,956	77,316
Depreciation	24,020	5,426
Finance Income	4,784	0
Surplus before tax	449,838	103

# FINANCIAL STATEMENTS

# **MALTA RESOURCES AUTHORITY**

**Annual Report and Financial Statements  
31 December 2015**



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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 2015.

### **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.

As from 1 August 2015, all activities, other than regulated mineral resources, were taken over by the newly formed Regulator for Energy and Water Services (REWS) by virtue of Act No. XXV of 2015.

### **Review of the operations**

During the year under review the Authority received revenues from licenses and contributions of €1,526,388 (2014: €2,738,023) and €181,000 (2014: €Nil) as a subvention from the Regulator for Energy and Water Services to cover its operational costs for the period 1 August to 31 December 2015. 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 2015, the Authority carried out monitoring analyses, environmental and market studies and other initiatives entailing a total expenditure of €144,722 (2014: €258,122). Net expenditure on Government and EU initiatives amounted to €11,431 (2014: €41,200). The Authority registered a surplus for the year of €310,977 (2014: €660,068) after deducting taxation of €138,861 (2014: €352,871) and administrative costs of €1,106,181 (2014: €1,442,107).

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 were transferred to the Regulator for Energy and Water Services (REWS). No contribution was paid to the authority for such a transfer, and so the Board deems this transfer as a distribution of net assets amounting to €1,941,906 to the newly formed Regulator.

### **Results and surplus funds**

The statement of comprehensive income is set out on page 6. The surplus for the year amounted to €310,977 (2014: €660,068). During the year under review, by virtue of Act No. XXV of 2015, Article 42, the Authority's net assets as at 31 July 2015, amounting to €1,941,906, were distributed to the newly formed Regulator for Energy and Water Services. Due to this distribution, the equity of the Authority as at 31 December 2015 resulted in a negative net liability position of €272,420. This shortfall will be financed in future periods by the new Regulator.

## **Authority board report - continued**

### **Board members**

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

Mr. Mario J. Azzopardi (Chairman) – appointed on 17 April 2015  
Ing. James Camenzuli (Chairman) – resigned on 16 April 2015  
Ing. Marjohn Abela (Deputy Chairman) – resigned on 16 April 2015  
Professor Manfred Weissenbacher  
Dr. Simon Schembri  
Ing. Paul Fenech – appointed on 7 April 2015  
Mr. Frederick Cutajar – appointed on 3 November 2015  
Dr. Katrina Borg Cardona – resigned on 16 April 2015  
Mr. Christopher Buttigieg – resigned on 16 April 2015

### **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.

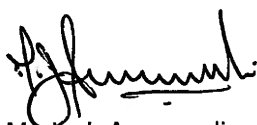
The financial statements of the Authority for the year ended 31 December 2015 are included in the Annual Report 2015, which is published in hard-copy printed form and may be made available on the Authority's website. The board members are responsible for the maintenance and integrity of the Annual Report 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.

## **Authority board report** - continued

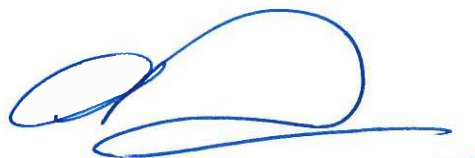
### **Auditors**

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

On behalf of the board



Mario J. Azzopardi  
Chairman



Ing. Anthony Rizzo  
Chief Executive Officer

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

4 February 2016



## **Independent auditor's report**

To the stakeholders of the Malta Resources Authority

### **Report on the Financial Statements for the year ended 31 December 2015**

We have audited the financial statements of the Malta Resources Authority on pages 6 to 26 which comprise the statement of financial position as at 31 December 2015 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

### **Report on the Financial Statements for the year ended 31 December 2015 - continued**

#### *Opinion*

In our opinion the financial statements

- give a true and fair view of the financial position of the Authority as at 31 December 2015, 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

A handwritten signature in blue ink, appearing to read 'Stefan Bonello', is written over the printed name and title.

Stefan Bonello  
Partner

15 February 2016




## Statement of financial position

		As at 31 December	
	Notes	2015 €	2014 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	2,751	76,953
Total non-current assets		2,751	76,953
<b>Current assets</b>			
Trade and other receivables	6	52,428	342,454
Cash and cash equivalents	7	896	4,904,149
Total current assets		53,324	5,246,603
<b>Total assets</b>		<b>56,075</b>	<b>5,323,556</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Accumulated (loss)/surplus	8	(272,420)	1,358,509
Total equity		(272,420)	1,358,509
<b>Current liabilities</b>			
Trade and other payables	9	294,467	3,721,681
Current tax liabilities		34,028	243,366
Total liabilities		328,495	3,965,047
<b>Total equity and liabilities</b>		<b>56,075</b>	<b>5,323,556</b>

The notes on pages 10 to 26 are an integral part of these financial statements.

The financial statements on pages 6 to 26 were authorised for issue by the board members on 4 February 2016 and were signed on its behalf by:

  
Mario J. Azzopardi  
Chairman

  
Ing. Anthony Rizzo  
Chief Executive Officer

## Statement of comprehensive income

		Year ended 31 December	
	Notes	2015 €	2014 €
<b>Revenue</b>	11	<b>1,526,388</b>	2,738,023
Subvention from new Regulator	11	181,000	-
Excess expenditure over funds received	12	(11,431)	(41,200)
Direct expenditure	13	(144,722)	(258,122)
Administrative expenses	13	(1,106,181)	(1,442,107)
Other income	16	-	830
<b>Operating surplus</b>		<b>445,054</b>	997,424
Finance income	17	4,784	15,515
<b>Surplus before tax</b>		<b>449,838</b>	1,012,939
Tax expense	18	(138,861)	(352,871)
<b>Surplus for the year - total comprehensive income</b>		<b>310,977</b>	660,068

The notes on pages 10 to 26 are an integral part of these financial statements.

## Statement of changes in equity

	Note	Accumulated (loss)/ surplus €
Balance at 1 January 2014		698,441
<b>Comprehensive income</b>		
Surplus for the year		660,068
Balance at 31 December 2014		1,358,509
<b>Comprehensive income</b>		
Surplus for the year		310,977
Distribution of reserves upon enactment of new regulator and transfer of related activities	8	(1,941,906)
<b>Balance at 31 December 2015</b>		<b>(272,420)</b>

The notes on pages 10 to 26 are an integral part of these financial statements.

## Statement of cash flows

		Year ended 31 December	
	Notes	2015 €	2014 €
<b>Cash flows generated from operating activities</b>			
Cash generated from operations	19	936,327	1,768,067
Interest received		4,784	15,515
Income tax paid		(348,199)	(180,755)
Net cash generated from operating activities		592,912	1,602,827
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	4	(8,023)	(58,819)
Net cash used in investing activities		(8,023)	(58,819)
<b>Net movement in cash and cash equivalents</b>		584,889	1,544,008
Cash transfer to Regulator for Energy and Water Services	10	(3,988,142)	-
Excess funds reimbursed back to Government of Malta	12	(1,500,000)	-
<b>Cash and cash equivalents at beginning of year</b>		4,904,149	3,360,141
<b>Cash and cash equivalents at end of year</b>	7	896	4,904,149

The notes on pages 10 to 26 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 2015*

In 2015, 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 2015*

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 2015. 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.

**1.5.3 Impairment**

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

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

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

**1.5 Financial assets - continued**

**1.5.3 Impairment - continued**

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

**1.6 Trade and other receivables**

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

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

**1.7 Cash and cash equivalents**

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

**1.8 Reserves**

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

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

**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.

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

**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.

**1.17 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:

	2015	2014
	€	€
Trade and other receivables (Note 6)	52,428	257,354
Cash and cash equivalents (Note 7)	896	4,904,149
	<u>53,324</u>	<u>5,161,503</u>

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

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

As at 31 December 2015, no trade receivables were impaired (2014: €86,261), 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.

## **2. Financial risk management - continued**

### **2.1 Financial risk factors - continued**

#### **(c) Liquidity risk**

The Authority is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 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 fact that the Authority's net assets as at 31 July 2015 were transferred to the newly formatted Regulator, by virtue of Act No. XXV of 2015, the equity of the Authority as at 31 December 2015 resulted in a negative net liability position. This shortfall will be financed in future periods by the Regulator for Energy and Water Services.

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

## **3. Critical accounting estimates and judgements**

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

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



#### 4. Property, plant and equipment

	Leaseholds improvements €	Motor vehicles €	Furniture, fixtures and other equipment €	Assets held under finance lease €	Total €
<b>At 1 January 2014</b>					
Cost or valuation	18,981	64,105	330,000	287,508	700,594
Accumulated depreciation	(18,981)	(58,505)	(266,871)	(287,508)	(631,865)
Net book amount	-	5,600	63,129	-	68,729
<b>Year ended 31 December 2014</b>					
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
<b>At 31 December 2014</b>					
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
<b>Year ended 31 December 2015</b>					
Opening net book amount	-	13,664	63,289	-	76,953
Additions	-	-	8,023	-	8,023
Net assets transferred upon formation of Regulator for Energy and Water Services (Note 10)	-	(11,671)	(46,534)	-	(58,205)
Depreciation charge	-	(1,993)	(22,027)	-	(24,020)
Closing net book amount	-	-	2,751	-	2,751
<b>At 31 December 2015</b>					
Cost or valuation	-	-	3,769	-	3,769
Accumulated depreciation	-	-	(1,018)	-	(1,018)
Net book amount	-	-	2,751	-	2,751

Net assets transferred to the Regulator for Energy and Water Services amounting to €58,205 relates to the operational assets of the Authority which were taken over by the new Regulator. The cost of these assets amounted to €727,562 whilst the related depreciation totalled €669,357

## 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

	2015 €	2014 €
<b>Current</b>		
Receivables on licences and contributions	-	184,121
Receivables on EU projects - net of provision	-	73,233
Prepayments and accrued income	-	85,100
Amounts owed by related party	<b>52,428</b>	-
	<b>52,428</b>	<b>342,454</b>

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

	2015 €	2014 €
Receivables on EU projects	-	155,048
Provision for impairment	-	(81,815)
	-	<b>73,233</b>

## 7. Cash and cash equivalents

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

	2015 €	2014 €
Cash and cash equivalents	<b>896</b>	<b>4,904,149</b>

A substantial amount of cash and cash equivalents as at 31 December 2014 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 €Nil (2014: €1,500,000). The weighted average effective interest rate of the short-term bank deposits as at end of the reporting period was Nil % (2014: 1.5%). These deposits had an average maturity date of three months from the end of the reporting period.

**8. Accumulated (loss)/surplus**

	2015 €	2014 €
Balance as at 1 January	1,358,509	698,441
Surplus for the year	310,977	660,068
	<b>1,669,486</b>	1,358,509
Distribution of reserves upon enactment of new regulator and transfer of related activities (Note 10)	<b>(1,941,906)</b>	-
As at 31 December	<b>(272,420)</b>	1,358,509

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 were transferred to the Regulator for Energy and Water Services (REWS). No contribution was paid to the authority for such a transfer, and so the Board deems this transfer as a distribution of net assets amounting to €1,941,906 to the newly formed Regulator for Energy and Water Services. The Authority's shortfall of €272,420 will be financed by the Regulator for Energy and Water Services.

**9. Trade and other payables**

	2015 €	2014 €
<b>Current</b>		
Trade and other payables	21,198	284,318
Amounts owed to related party	238,592	-
Other payables	-	2,880,252
Accruals and deferred income	34,677	557,111
	<b>294,467</b>	3,721,681

Other payables comprise:

	2015 €	2014 €
Funds received in advance for EU projects and rebate schemes	-	2,714,589
Funds received for training programmes	-	123,503
Others	-	42,160
	<b>-</b>	2,880,252

**9. Trade and other payables - continued**

On 1 August 2015, the funds received in advance for EU projects, rebate schemes and training programmes allocated under other payables were transferred with other payables to the new Regulator (Note 10).

**10. Transfer of net assets to the Regulator for Energy and Water Services**

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 were transferred to the Regulator for Energy and Water Services, referred in these financial statements as the new Regulator. No contribution was paid to the authority for these net assets and hence the Board has treated this transfer as a distribution of the Authority's reserves upon the enactment and commencement of activities of the new Regulator.

Net assets transferred by the Authority to the new Regulator amounted to €1,941,906 and comprise:

	€
Property, plant and equipment	58,205
Trade and other receivables	
Receivables on licences and contributions	403,610
Prepayments and accrued income	147,435
Total trade and other receivables	551,045
Cash in hand and in bank	3,988,142
<b>Total assets transferred</b>	<b>4,597,392</b>
Trade and other payables	
Trade and other payables	240,443
Other payables	1,092,043
Accruals and deferred income	1,323,000
<b>Total liabilities transferred</b>	<b>(2,655,486)</b>
<b>Net assets transferred to new regulator</b>	<b>1,941,906</b>
Represented by:	
	€
Distribution of Authority's reserves (Note 8)	1,941,906

## 11. Revenue

Income represents licenses and contributions charged to utility organisations and other operators. During the year under review, following the transfer of all activities to the new Regulator, other than regulated mineral resources, the Authority was received a subvention amounting to €181,000 by the Regulator for Energy and Water Services to cover its operational costs for the period 1 August to 31 December 2015.

## 12. Excess expenditure over funds received

	2015 €	2014 €
Rebate schemes, EU projects and other initiatives:		
Funds allocated by the Government of Malta and EU	999,894	15,570,152
Related refunds to eligible scheme applicants	(1,011,325)	(15,611,352)
	<b>(11,431)</b>	<b>(41,200)</b>

During the year under review, the Authority reimbursed excess funds amounting to €1,500,000 to the Government of Malta with respect to funds originally allocated by the Government of Malta and the European Union in relation to rebate schemes, EU projects and other initiatives.

## 13. Expenses by nature

	2015 €	2014 €
Excess expenditure over refunds received (Note 12)	11,431	41,200
Direct expenditure	144,722	258,122
Employee benefit expense (Note 14)	864,205	1,072,913
Depreciation of property, plant and equipment (Note 4)	24,020	50,595
Rent payable	60,741	103,828
Travelling expenses	35,622	46,229
Motor vehicle expenses	18,605	34,089
Other expenses	102,988	134,453
Total excess expenditure, direct expenditure and administrative expenses	<b>1,262,334</b>	<b>1,741,429</b>

### Auditor's fees

Fees charged by the auditor for the statutory audit amount to €5,500 (2014: €5,500).

**14. Employee benefit expense**

	2015 €	2014 €
Wages and salaries	1,054,464	995,051
Social security costs	60,320	77,862
	<b>1,114,784</b>	<b>1,072,913</b>
Re-charged to new Regulator (Note 22)	<b>(250,579)</b>	-
	<b>864,205</b>	<b>1,072,913</b>

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

	2015	2014
Board members	7	7
Board secretary	1	1
Operations	38	43
	<b>46</b>	<b>51</b>

Salary expenses relating to staff seconded from and with Government entities amounting to €31,731 (2014: €31,385) are included above. Salaries in relation to the administration of EU projects and rebate schemes amounting to €9,562 (2014: €54,238) are excluded from the above noted amounts and included within excess expenditure over funds received (Note 12). Salary expenses related to seconded employees of the Authority amounting to €24,682 (2014: €113,237) have been refunded by other Government entities during the year.

**15. Board remuneration**

	2015 €	2014 €
Board members' honoraria	34,423	37,920
Board secretary's honoraria	1,096	3,012
	<b>35,519</b>	<b>40,932</b>

For the financial year ended 31 December 2015, employee benefit expenses include an amount of €52,240 (2014: €17,217) related to salaries received by the deputy chairman in his capacity as consultant with the Authority.



**16. Other income**

	2015 €	2014 €
Tender fees	-	830

**17. Finance income**

	2015 €	2014 €
Interest income from demand deposits	4,784	15,515

**18. Tax expense**

	2015 €	2014 €
Current tax	138,861	352,871

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

	2015 €	2014 €
Surplus for the year before tax	449,838	1,012,939
Tax on surplus at 35%	157,443	354,529
Tax effect of:		
Income taxed at reduced rates	(830)	(2,692)
Expenses not allowed for tax purposes	216	214
Movement in unrecognised deferred tax assets	(17,968)	820
Tax expense	138,861	352,871

The authority also had net deductible temporary differences on provisions and property, plant and equipment as at 31 December 2015 amounting to €76 (2014: €137,675). The resulting deferred tax asset of €27 (2014: €48,187) has not been recognised in these financial statements due to the uncertainty of the realisation of these tax benefits.

## 19. Cash generated from operations

Reconciliation of operating surplus generated from operations:

	2015 €	2014 €
Operating surplus	445,054	997,424
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	24,020	50,595
Movement in provision for trade receivables (Note 6)	-	4,446
Changes in working capital:		
Trade and other receivables	(261,019)	214,228
Trade and other payables	728,272	501,374
Cash generated from operations	936,327	1,768,067

## 20. Commitments

	2015 €	2014 €
Grants awaiting payment approval under renewable energy schemes	-	1,167,036
Studies, analysis and operational equipment	-	51,673

## 21. Contingencies

Due to the nature of its functions, the Authority is currently a co-defendant vis-à-vis several cases. The Board notes that the attribution of responsibility, if any, in these court cases is still undetermined. Thus, quantification of any potential liability is premature and hence no provision has been recognised in these financial statements. Furthermore, in accordance with Act No. XXV of 2015, Article 42, potential liabilities related to the activities taken over by the Regulator for Energy and Water Services are now under the responsibility of the new Regulator.

## 22. Related party transactions

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

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

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

**22. Related party transactions - continued**

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 11 and 12.

On 1 August 2015, by virtue of Act No. XXV of 2015, Article 42, all assets and liabilities of the Authority as at 31 July 2015 amounting to €1,941,906 were transferred to the Regulator for Energy and Water Services (REWS), which is considered to be a related party. The following transactions were carried out by the Authority with the new Regulator for the period till year end:

	<b>2015</b>	2014
	<b>€</b>	<b>€</b>
Subvention (Note 11)	<b>181,000</b>	-
Recharged employee benefit expenses (Note 14)	<b>250,579</b>	-
Tax settlement (Note 9)	<b>238,592</b>	-

As at 31 December 2015, the Authority had an outstanding receivable balance owed by the new Regulator amounting to €52,428 (Note 6) and an outstanding payable balance owed to the Regulator amounting to €238,592 (Note 9).

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 15 to the financial statements.