



Malta Resources Authority

ANNUAL REPORT 2012

MRA 

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The Malta Resources Authority, the regulator of energy, minerals and water resources in the Maltese Islands, is also responsible for implementing the directives and laws related to climate change. The Authority was established by the Malta Resources Authority Act XXV of 2000.

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THE AUTHORITY

Mr Mario Galea FCCA, FIA, CPA
(appointed 7/8/2012 and re-appointed 1/10/2012)

Chairman

Ms Fleur Vella B.Com. (Hons) Econ., MBA
(resigned 3/8/2012)

Dr. Ing. Matthew Spiteri B.Eng.(Hons.), M.Sc., Ph.D.
(re-appointed 1/10/2012)

Deputy Chairman

Mr Godwin E. Bencini
(re-appointed 1/10/2012)

Members

Ing. Francis Bugeja B.Eng. (Hons.)
(re-appointed 1/10/2012)

Dr Pauline Galea B.Sc., M.Sc., Ph.D. (Wellington)
(re-appointed 1/10/2012)

Ms Ritienne Gauci B.A. (Hons), M.A.
(re-appointed 1/10/2012)

Dr Kristian Balzan
Adv. Trib. Eccl. Melit., B.A., LL.M. (IMLI), LL.D.
(re-appointed 1/10/2012)

Dr John Bonello B.A., LL.M. (IMLI), LL.D.
(re-appointed 1/10/2012)

Secretary

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

Chief Executive Officer



MISSION STATEMENT

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

CHIEF EXECUTIVE OFFICER'S INTRODUCTION

MRA – REGULATING FOR BETTER MARKETS AND THE PROTECTION OF CONSUMERS

This annual report of the Malta Resources Authority provides an overview of the activities of the Authority during financial year from 1 January, 2012, to 31 December, 2012.

In this introduction I will highlight the key activities undertaken during 2012.

Water Policy and Energy Policy

During 2012 the Government launched the Water Policy and the Energy Policy for the Maltese Islands. The Authority fully supported and has worked closely with the Ministry for Resources and Rural Affairs on these policies and it will continue its work to ensure that the measures put forward will be implemented within the established time frames.

LPG Price Mechanism

Rising LPG prices remain a serious concern for the Authority. In order to address this concern during the year under review, the Authority carried out an extensive review of the LPG Price Mechanism. This review included a trend and variance analysis, tests on price discrimination and a benchmarking exercise. The Authority is conscious that additional efforts are required and will continue to undertake such exercises to ensure that consumers, both domestic and industrial, are protected.

Corporate Restructuring

At the beginning of 2012 the Authority undertook a corporate restructuring exercise with the setting up of the Regulation Unit, the Competence, Licensing and Enforcement Unit, the Climate Change and Policy Unit, and



the Oil Exploration and Finance Unit. These units replaced existing Water, Energy and Minerals Directorates and the Administration Section. This change was made possible as a result of amendments to the Malta Resources Authority Act Chapter 423.

The restructuring was undertaken to rationalise the human resources within the Authority and improve our customer focus, both internally and externally. It brought about a change in the way we work and collaborate, increasing productivity and reducing costs.

Strengthening of the Authority's Finances

As can be seen in the financial statements of the Authority at the end of this report, once again 2012 was a year on the journey of financial independence that started in 2011. The Authority has maintained strict control of its financial forecasts and expenditure. Throughout this year the Authority has managed to control its expenses and ensure that dues were collected in a timely manner. These measures have resulted in a strengthening of the Authority's balance sheet to ensure that it has the necessary reserves to continue to be financially independent from Government.

Oil Exploration

In October 2012, the responsibility for Oil Exploration was transferred to the newly set up Continental Shelf Department within the Ministry for Resources and Rural Affairs. During the year the Unit provided technical support and assisted in the evaluation process of the bids submitted following the bid round in 2011. It is understood that there is little to

show for the efforts and time spent in this area. However, it is clear that in the case of Licensed Operators there has been considerable progress, which will hopefully yield results in the coming year.

International Co-operation

Throughout the year the Authority has participated regularly in a number of international meetings. In particular it attended meetings of the Agency for the Cooperation of Energy Regulators (ACER), the Council of European Energy Regulators (CEER), Mediterranean Energy Regulators (MEDREG), Union of the Mediterranean (Water and Energy) and the European Geological Surveys.

Experts of the Authority have given a number of keynote speeches and/or presentations during conferences held both locally and abroad.

In addition to the above, in October the Authority hosted the MEDREG 12th Ad Hoc Meeting for Electricity and Institutional Issues together with the 3rd Communications Officers meeting. In December it hosted the Renewable Fuels Regulators Club (REFUREC) workshop for institutions and organisations responsible for regulating biofuels within their respective countries.

Appreciation for commitment and support

Finally, I would like to thank the Members of the Authority for their continuous support and understanding. Special thanks go to the Chairperson Ms Fleur Vella and Chairman Mr Mario Galea for their advice and guidance throughout their tenure and to the employees of the Authority for their dedication and commitment.

REGULATION

SECTORAL CO-ORDINATION AND REPORTING

Energy Statistics

The Authority oversees the timely collection and reporting of energy statistics, including information on energy generated from renewable sources and delineated up to the sectoral level. This is a one-stop shop for all energy-related data that may be required by the various governmental entities, as well as private individuals.

Efforts have been made to streamline the data of energy products with the aim of having a holistic energy balance and a comparable time series while keeping the administrative burden on the operators, who provide the required information, to a minimum.

Modelling and Forecasting of Energy Consumption

In 2012, the Authority, together with the Economic Policy Division within the Ministry of Finance, the Economy and Investment, undertook an exercise to forecast energy consumption at the sectoral level using appropriate econometric tools. This exercise provides a baseline of sectoral energy use until 2030 and, hence, guides the Authority in its policymaking, particularly with respect to the 20-20-20 targets, as detailed in the EU Climate and Energy Package.

This exercise also provides a tool that allows the Authority to actively participate in the consultation process on the



modelling approach adopted by the EU Commission when establishing targets on emission reduction and take-up of renewable energy sources.

HYDROGEOLOGY

Implementation of the Water Framework Directive

The Authority was entrusted by Government to co-ordinate the implementation process of the Water Framework Directive (WFD) through the Inter-Ministerial Committee (IMC) on Water.

During 2012, this committee held five meetings, during which the participating entities presented progress and problems encountered during the implementation of the 'Programme of Measures' outlined in the River Basin Management Plan. Through the IMC, the Authority also co-ordinated the compilation of the "2012 WFD report", which outlines the state of progress of the implementation of the Programme of Measures.

Moreover, the Authority is also responsible for the actual implementation of a number of groundwater related and horizontal measures. The implementation of the measures which fall under the responsibility of the Authority was supported through three EU-funded projects in which the Authority is participating, namely:

(i) The MEDIWAT Project (Sustainable management of environmental issues related to water stress in Mediterranean Islands), in which the Authority, with the collaboration of the Water Services Corporation, launched a pilot project on the use of highly polished, treated effluent

for groundwater artificial recharge purposes. www.mediwat.eu

(ii) The SWMED Project (Sustainable Water use in the Mediterranean Region), in which the Authority is developing a water-saving campaign in the island of Gozo, with the collaboration of the Ministry for Gozo's Eco-Gozo initiative. www.swmed.eu

(iii) The MORISO Project (Monitoring and Protection of Groundwater Resources), in which the Authority is developing a numerical model of the sea-level aquifers of the Maltese Islands and is also developing a data management system for groundwater quality data. www.moriso.it



Figure 1: Range of Water Saving devices to be distributed in Gozo through the SWMED Project

Groundwater Monitoring

During the year under review, the groundwater qualitative monitoring programme was continued. Two sampling sessions were undertaken. The results obtained corroborate previous results by identifying Chlorides and

Nitrates as the two main parameters of concern for groundwater in the Maltese Islands. No exceedances of groundwater quality standards by parameters, such as pesticides and heavy metals, such as lead, were encountered during this monitoring exercise.

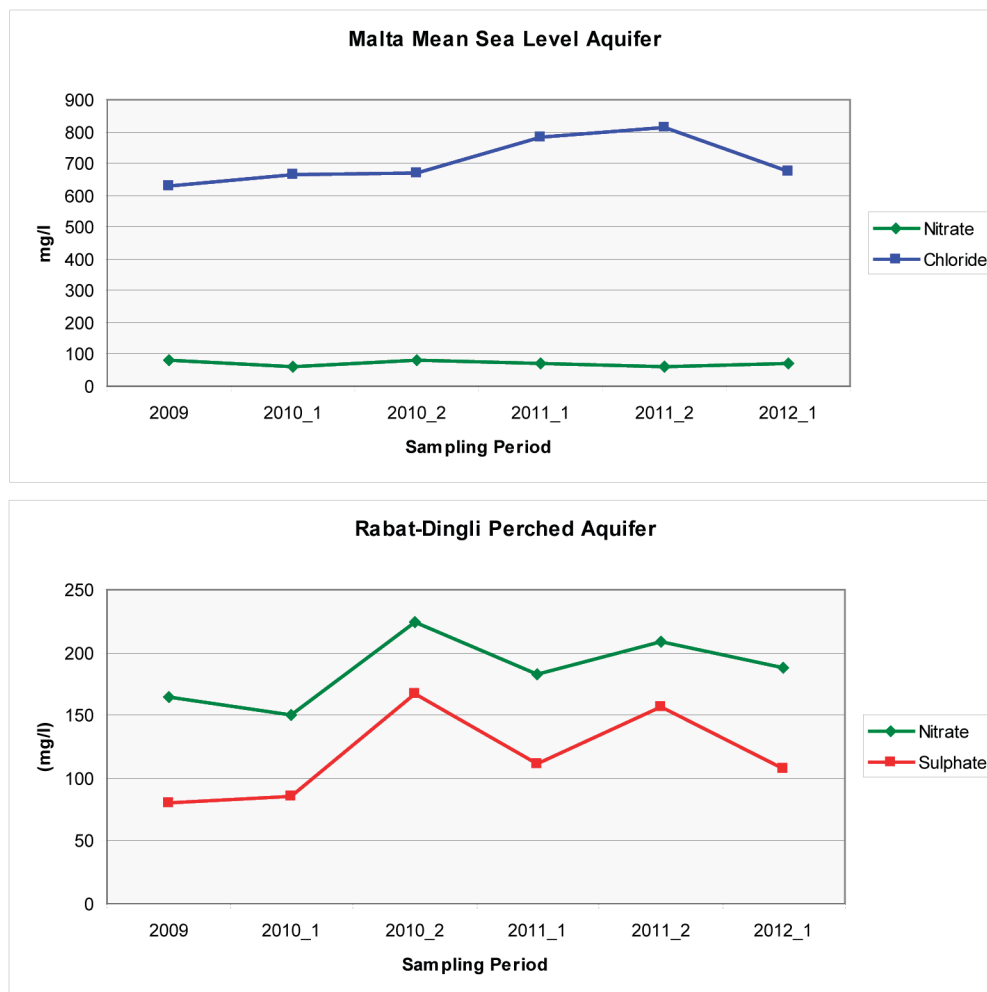


Figure 2: Nitrate, Chloride and Sulphate content in the Malta Mean Sea Level and the Rabat Dingli perched groundwater bodies. Note the marked cyclicity of the perched aquifer system as compared to the sea-level aquifer system.

The Authority is in the process of developing a data management system for the groundwater quality data collected through this monitoring programme. For this purpose, the software package 'Aquachem' was acquired through the MORISO Project. Once launched, this system will not only facilitate the interpretation of this

data, but also provide the necessary tools for the development of pictorial representations to better depict and explain the prevailing situation. It is also worth noting that the results of this monitoring network also support national reporting obligations under the Nitrates Directive and the State of the Environment report.



An agreement was reached with the Water Services Corporation on the hand-over to the Authority of the Groundwater Quantitative Monitoring Network, currently operated by the Corporation. The finalisation of this agreement will merge the quantitative and qualitative monitoring exercises, and thus enable a better interpretation of the data generated from the two networks.

Implementation of the Floods Directive

The Authority was entrusted with the responsibility of carrying out the first state of implementation of the Floods Directive, i.e. the preliminary flood risk assessment (PFRA). Member states had to carry out a PFRA for each river basin district or unit of management based on readily available information. The assessment required a description of past flood events, which have had a significant adverse effect and for which the likelihood of occurrence is still relevant, and an assessment of potential

adverse consequences of future floods.

The PFRA was completed in the beginning of this year and received by the European Commission by August 2012. All the information collated as part of the PFRA was reported to the Commission in the appropriate and specified format. The information reported included information on the unit of management, together with the competent authorities and their specific roles, as well as geographic information indicating the river basin district and unit of management. Throughout the PFRA, the Authority was the sole competent authority and was responsible for the co-ordination, preparation, production and reporting of the PFRA to the EU Commission.

DISPUTES AND INVESTIGATIONS

The Authority has the role to mediate disputes between consumers and operators regulated by it, and between operators themselves.



While, in most cases, the mediation results in an amicable solution being reached and the consequent withdrawal of the complaint, in other instances the Authority issued a decision that was binding on the parties. In this respect, the Authority has issued a formal decision regarding terms of access to the electricity distribution system following a complaint made by a final customer.

LEGISLATIVE INSTRUMENTS

The following is a list of subsidiary legislation issued under the Malta Resources Authority Act.

The list of subsidiary legislation has been subdivided in two sections, the first for the legislation that has been issued in pursuance of EU commitments; and the other for legislation issued as a consequence of national policy.

Legislation pursuant to EU commitments

- Biofuels (Sustainability Criteria) (Amendment) Regulations, 2012 – Directive 2009/28/EC
- Commencement notice of regulations 5, 8, 12, 13 and 14 of the European Community Greenhouse Gas Emissions Trading Scheme for Aviation Regulations, 2010 – Directive 2003/87/EC
- Electricity Market (Amendment) Regulations, 2012
- Quality of Fuels (Amendment) (No. 2) Regulations, 2012 – Directive 2011/63/EU amending Directive 98/70/EC and Commission Decision 2010/796/EU
- Natural Gas Market (Amendment) Regulations, Regulations 2012 – Directive 2009/28/EC

- Guarantees of Origin of Electricity from High Efficiency Cogeneration and Renewable Energy Sources (Amendment) Regulations, 2012 – Directive 2009/28/EC
- Promotion of Energy from Renewable Sources (Amendment) Regulations, 2012 – Directive 2009/28/EC
- European Community Greenhouse Gas Emissions Trading Scheme for Aviation Regulations, 2012 – Directive 2009/29/EC
- Maintenance of Minimum Stocks of Crude Oil and, or Petroleum Products Regulations, to transpose – Directive 2009/119/EC. Still to be published.

Legislation pursuant to national policy

- Quality of Fuels (Amendment) Regulations, 2012
- LPG Market (Amendment) Regulations 2012
- Petroleum for the Inland Wholesale Fuel Market (Amendment) Regulations 2012
- Feed-in Tariffs (Electricity Generated from Solar Photovoltaic Installations) (Amendment) Regulations, 2012
- Electricity Supply (Amendment) Regulations, 2012
- Water Supply (Amendment) Regulations 2012
- Borehole Drilling and Excavation Works within the Saturated Zone (Amendment) Regulations, 2012
- Feed-in Tariffs (Electricity Generated

from Solar Photovoltaic Installations) (Amendment) (No. 2) Regulations, 2012

- Feed-in Tariffs (Electricity Generated from Solar Photovoltaic Installations) (Amendment) (No. 3) Regulations, 2012

PRICE STRUCTURE REGULATION

LPG and Propane Price Mechanism

In July 2010, Liquigas (Malta) Ltd took over the responsibility for the importation and sale of LPG and propane from Enemalta Corporation. Following the submission of the proposed LPG and propane prices by Liquigas Malta Ltd, dated 27 January, 2010, and its subsequent revision dated 19 May, 2010, the market structure thus created obliged the Malta Resources Authority to ensure that price setting follows a set of principles and a methodology that safeguard consumer interests. These principles and methodology were reflected in the LPG and Propane Price Mechanism, approved by the Authority in June 2010.

In 2012 the Authority carried out, together with external auditors, an extensive review of the LPG Price Mechanism. This involved undertaking a trend and variance analysis, tests on price discrimination and a benchmarking exercise of the financial set-up of the operator with similar companies operating in the European Union.

Concurrently with the above, a detailed analysis was undertaken to identify the cost components to be included in the LPG Price Mechanism applicable for 2013. This exercise was particularly exhaustive in view of the start-up of operations of the Bengħajsa LPG Storage & Filling Plant, and the closure of the Qajjenza

Plant in July 2012. This exercise required a detailed analysis of the financial aspects and business set-up of the two licensees operating in the importation, storage, filling and sale of LPG to ensure that LPG and propane prices are established in line with the principles of legality, sustainability, profitability, transparency and non-discrimination.

Electricity and water prices

There were no requests for the revision of electricity or water prices during 2012.

SECURITY OF SUPPLY AND INFRASTRUCTURE

Directive 2009/119/EC imposing an obligation on the Member States to maintain minimum stocks of crude oil and/or petroleum products

In 2012, the Authority took measures to finalise the transposition of Directive 2009/119/EC, which obliges all EU Member States, including Malta, to hold emergency security stocks. A consultation process was also undertaken with operators that will be directly affected by this Directive. A memorandum to Cabinet was subsequently submitted.

A detailed study was also undertaken to determine the optimal way that such stocks are to be held and a reporting framework was set up to collect the required information once the Directive comes into force. The reporting framework ensures that the administrative burden on the operators is kept to a minimum, while fulfilling the obligations of the EU Commission and Eurostat.

Electricity interconnector

The Authority continued to prepare for the adjustment of the market post interconnector through meetings and contacts with the Italian regulator (AEEG) to ensure appropriate co-ordination.

Gas Infrastructure

The Government has proposed, as an EU project of common interest, gas infrastructure. This proposal has been submitted in terms of the draft Regulation on guidelines for trans-European infrastructure. This draft regulation defines a procedure and criteria for projects to become a Project of Common Interest (PCI) and establishes a very well defined role for the national regulators, together with ACER.



INTERNATIONAL REGULATORY AFFAIRS

Agency for the Co-operation of Energy Regulators (ACER) and the Council of European Energy Regulators (CEER)

The Authority in 2012 continued its participation in the Agency for the Co-operation of Energy Regulators ACER and the Council of European Energy Regulators (CEER) fora.

ACER is an EU agency set up by Regulation 713/2009 in 2009. Its seat is in Ljubljana, Slovenia. The agency aims to:

- complement and co-ordinate the work of national regulatory authorities;
- participate in the creation of European network rules;
- take, under certain conditions, binding individual decisions on terms and conditions for access and operational security for cross border infrastructure;
- give advice on various energy related issues to the European institutions; and
- monitor and report developments at the European energy markets.

CEER is the organisation in which Europe's national regulators of electricity and gas voluntarily co-operate to protect consumers' interests and facilitate the creation of a single, competitive and sustainable internal market for gas and electricity in Europe.

CEER acts as a platform for co-operation, information exchange and assistance between national energy regulators. It is their interface at European level with the EU Institutions and complements the ACER activities.

Mediterranean Energy Regulators (MEDREG)

MEDREG seeks to promote a transparent, stable and harmonised regulatory framework in the Mediterranean region, fostering market integration and infrastructure investments, as well as aiming at consumer protection and enhanced energy co-operation.

The MRA was again invited to all the ad hoc meetings and the two General Assemblies of the Association of Mediterranean Regulators of Electricity and Gas (MEDREG). The Authority sent a representative for the 13th General Assembly, held in Istanbul in May, and the 14th General Assembly, held in Lisbon in November. Malta hosted the combined 12th ad hoc meetings for Electricity and Institutional Issues, together with the 3rd Communication Officers meeting. These three meetings were held on 12 October with participants from 10 Mediterranean countries and another two countries participating by conference call.

During the ELE ad hoc meeting, the survey on Benchmarking and Performance Evaluation on Quality of Supply within Distribution Grids in MedReg Countries was presented, with the final draft circulated before the General Assembly of mid-November 2012.

The INS ad hoc meeting discussed the results of the questionnaire on Dispute Settlement. The results were evaluated, analysed and in general the dispute settlement procedures are in place according to legal principles. Malta was also invited to take the vice-chair of the Institutional ad hoc Working Group for the coming two years and this was accepted

Communication Officers were urged to take a more active part in discussions on the MEDREG website. It was decided to print all future brochures in English, French and Arabic. It was also deemed necessary to inform the secretariat on specific local activities relating to gas and electricity.

Renewable Fuels Regulators Club (REFUREC)

On 11-12 December, the Authority hosted a high level workshop of REFUREC, an informal club that offers a pan-European platform for discussion, information exchange and tackling cross-border issues relating to the biofuels market in the European Union and beyond. It is open to institutions and organisations responsible for regulating biofuels within their respective countries.

A large number of EU experts discussed the issue of double-counting, and Waste and Residues during the workshop. Before the end of the day the participants discussed administration issues related to REFUREC. On the second day, in the presence of Voluntary Scheme representatives, the participants discussed their experience with Voluntary Schemes.

The participants were welcomed to the workshop by Ing. Anthony Rizzo, Chief Executive Officer of the Malta Resources Authority, who was followed by two presentations by MRA analysts, the first by Ing. Charles Buttigieg – Promotion of Biofuels in Malta; and Ing. Maurizio Busuttil – Regulation of Biofuels in Malta. At the end of the workshop Ing. Rizzo facilitated an evaluation exercise, which was well received by the participants.

The local preparatory work for the organisation of the workshop was ably undertaken by Ing. Maurizio Busuttil. The Authority would also like to acknowledge the Ministry of Finance, Economy and Investment for their financial contribution towards the workshop.



REFUREC Workshop in Malta

UTILITY REGULATION

WATER SERVICES CORPORATION

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

During the year under review, the WSC published its Customer Contract, which establishes the WSC's and customers' obligations and rights. Data on operation of this customer contract are being collected and monitored by the WSC.

The WSC submitted regulatory information to MRA in 2012 in accordance with its licence requirements. Clarification of data and checks for consistency were also carried out.

In February 2012, the MRA's consultants, PricewaterhouseCoopers, completed a financial and engineering assessment of the Water Services Corporation. This assessment sought to:

- (i) review and assess information, including key performance indicators submitted by the Water Services Corporation as part of its licence obligations;
- (ii) improve methodologies and underlying assumptions, identify any weakness and increase reliability of the information; and
- (iii) review and assess unbilled water supplied by the Water Services Corporation.



Following this assessment, a revision to the licence monitoring reporting requirements, based on such recommendations, was carried out. A final report on the leakage performance of the WSC was also submitted by MRA's consultants. This consisted in a detailed analysis of water losses and the report was then analysed by the MRA and the WSC. The WSC submitted a revised Water Loss Management Plan to the MRA, identifying actions and measures to address water losses.



ENEMALTA CORPORATION

The licence of Enemalta Corporation to produce, distribute and supply electricity to final consumers was issued on 10 January, 2011, and is effective from 1 June, 2010, to 31 December, 2020.

During 2012, Enemalta continued to submit monthly reports and annual reports, as required by the licence.

Annual Report on the internal electricity market 2012 (Directive 2009/72/EC)

The annual report on the implementation of the electricity internal market based on the year 2011 was submitted to CEER after approval by the Malta Resources Authority. The report contains the developments that occurred in the electricity market in Malta during 2011 and also future expected developments. This report noted that during 2011:

- Enemalta Corporation remained the main producer of electricity, apart from a small number of producers generating electricity from renewable energy.
- Electricity generation in Malta remained dependent on heavy fuel oil or gasoil, thus making the cost of electricity in Malta highly susceptible to changes in the international market price of these two fuels.
- There was a considerable increase in the registered capacity of generators producing electricity from renewable energy sources. This increase mainly relates to solar photovoltaic installations and the electricity produced is either consumed on site or sold to Enemalta at the applicable feed-in tariffs. In addition a 1.73 MW plant producing electricity from biogas came online during this year.
- Despite the progress in RES uptake made in the past two years, the contribution from renewable energy is still small.
- The distribution and supply of electricity in Malta also remained the responsibility of Enemalta Corporation.
- There were improvements in the continuity of supply whereby the customer minutes lost decreased from the 690 minutes in the previous year to 260 minutes.
- The meter reading, billing and customer relationship were subcontracted to ARMS Ltd.
- A source of concern in terms of security of supply prospects the fact that 210 MW, which account for around 40% of the generation plant, is subject to a 20,000 hours operation limitation as from 1 January, 2008. This plant will be shut down by 2014. In view of this, besides the new 144-MW plant at Delimara Power Station expected to come into full operation in 2012, additional capacity is required to ensure security of supply. The additional capacity will be provided by the 200-MW interconnection with Sicily, which is planned to be in operation by 2013. The MRA is monitoring the progress of these projects.
- In order to increase the diversification of primary energy sources, Malta has submitted a project to connect Malta to the European gas grid as a project of common interest (PCI).

Electricity Market

Number of account holders of electricity: 272,782

- Residential 14,2670
- Domestic 81,932
- Non-Residential 44,464
- Temporary 3,716



Figure 3: Electricity Generation and Sent out from Power Stations
Source: Enemalta Corporation

Operational installed nominal capacity in the power station at the end of 2012

- Marsa Power Station: 157 MW
- Delimara Power Station: 454 MW

A new diesel engine combined cycle (nominal capacity 150 MW) came into operation in December 2012 and four 30 MW boilers at Marsa Power Station were taken out of service but not decommissioned.

LICENSING, MONITORING AND ENFORCEMENT

LICENSING

LICENSING IN NUMBERS

The Malta Resources Authority issues authorisations and permits in the energy, minerals and water sectors. The authorisations are associated with operations and activities in the regulated sectors or competences required to give

a service provision in different trades within these sectors. Permits are related to the Authority's resource management responsibilities.

During 2012 the Competence, Licensing and Enforcement Unit processed the following authorisations and permits.

Authorisations and Licences

Table 1: Authorisations and Licences issued in 2012

Authorisation/Licence	New	Renewal	Transfer
Authorisation to construct or reconstruct a generating station other than PV systems	2	Not Applicable	Not Applicable
Authorisation to construct or reconstruct a PV installation larger than 16 Amps per phase at 230V	124	Not Applicable	Not Applicable
Authorisation for the Bottling of LPG	Nil	1	Nil
Authorisation to retail portable cylinders filled with LPG, including retail from a fixed point of sale	Nil	2	Nil
Authorisation to carry out the activity of a bulk LPG distributor	Nil	4	1
Authorisation to operate a Secondary Storage facility of LPG	85	225	1
Authorisation to operate a Fixed Piped Network of LPG	3	1	Nil
Authorisation to operate an AutoGas Retail Station	1	Nil	Nil
Authorisation to carry out the activity of Importer (including Wholesale) of Petroleum	Nil	9	Nil
Authorisation for a Primary Storage Facility	1	2	Nil
Authorisation to carry the activity of a fuel distributor	1	20	Nil
Authorisation to operate a Petroleum-Filling Station	1	76	2
Authorisation to Load Discharge and transfer fuels from a Road tanker to a Receiving Ship	Nil	8	1
Authorisation to operate a barge or a marine terminal/ facility	1	5	1
Authorisation to operate a Marine Fuel Retail Station	Nil	Nil	Nil
Licence to operate a quarry (i) Hardstone (ii) Softstone	(i) Nil (ii) Nil	(i) 26 (ii) 41	3
Licence to operate a swimming pool	60	2,530	Nil
Licence to Supply Water: (i) to a customer by water tanker(s) (ii) exclusively for own use by water tanker(s)	0 2	81 27	2 0

Authorisations of Competent Persons

Table 2: Authorisations of Competent Persons issued 2012

Authorisation	New	Renewal
Authorisation A for the Installation, Alteration, Extension and Certification of Single Phase Electrical Installations	96	1,260
Authorisation B for the Installation, Alteration, Extension and Certification of Single Phase Electrical Installations and Three-Phase Electrical Installations rated up to 300 Amps per Phase	28	990
Authorisation as a Competent Person as per Petroleum for the Inland (Wholesale) Fuel Market Regulations	Nil	Not Applicable
Authorisation as a Competent Person as per Liquefied Petroleum Gas Market Regulations	1	Not Applicable
Authorisation as a Competent Person as per Petroleum for the Inland (Retail) Fuel Market Regulations	1	Not Applicable
Authorisation as a Competent Person – AutoGas (installation and certification) Regulations	Nil	Not Applicable

One-time Registrations or Notifications

Table 3: Registrations and Notifications – 2012

Registrations/Notifications	New
Electricity generation using small combined heat and power (CHP) plant and microwind turbines (not larger than 16 Amps per phase @ 230/400 V)	Nil
Electricity generation using photovoltaic system (not larger than 16 Amps per phase @ 230/400 V)	3,065
Registration of a Drilling Rig/Boring Equipment	1
Registration of users of groundwater sources	19
Notification of a Groundwater Source	Nil

Permits

Table 4: Applications for Permits – 2012

Permits	Requested	Accepted	Refused	Pending
Application for the exportation of stone products	1	1	Nil	Nil
Application for the closure, sealing and decommissioning of a groundwater source	2	2	Nil	Nil
Drilling of a Borehole Drilling and Excavation Works within the Saturated Zone	21*	20*	Nil	1
Permit to construct a soakaway	8	3	2	3

* Drilling requests related to flood relief project, geological investigations and other hydrogeological projects.

LICENSING BY SECTOR

Energy

Electricity and Renewable Energy Sources

Electricians Authorisation A and B

The Authority has continued to receive 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 S.L. 423.39. This authorisation is granted after the applicant provides evidence of the required qualifications and experience, and successfully sits for an interview with a Technical Committee within the Authority.

In line with the MRA's policy on transparency, during 2012 the list of authorised electricians was published on the Authority's website. This provided ease of reference to the public requiring information whether an electrician is authorised to execute regulated activities.

Notifications and Authorisations of PV systems

In 2012 the MRA reviewed the process of notification and application for authorisation to construct a Photovoltaic system, as required by the Electricity Market Regulations (Legal Notice 166 of 2011). During 2011 an improved customer friendly process was implemented enabling applications for grants to facilitate the acquisition of residential photovoltaic systems to be amalgamated with the regulatory requirement to notify the Authority on the installation of those PV systems.



The process, however, did not cater for larger systems, generally associated with non-residential applicants. The process for the authorisation and eventual licensing involves a consultation and a power purchase agreement with Enemalta Corporation. This process was taking an average of 75.6 days for the application to be processed. The streamlining of this process included consultation with all stakeholders. The application form was amended and simplified to eliminate incorrect or incomplete data submission. The process improvement was also complemented with better means of communication between the applicant, the Authority and other stakeholders. Guidelines explaining how to fill in the application forms and a flow chart explaining the process were also published on the Authority's website and communicated via e-mail in the correspondence with the applicant.

Through this streamlining application processing was reduced to an average of 36.3 days.

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, the MRA organised meetings with various stakeholders to finalise and bring into force these regulations.

Fuels

Liquefied Petroleum Gas (LPG)

During 2012 the Competence, Licensing and Enforcement Unit continued to regulate activities in the LPG sector, as required by Petroleum for the Inland (Wholesale) Fuel Market, Bottling of LPG and Primary Storage Facilities Regulations (Legal Notice 278 of 2007), Liquefied Petroleum Gas Market Regulations (Legal Notice 249 of 2008) and AutoGas (Installations and Certification) Regulations (Legal Notice 393 of 2010).

2012 saw the commissioning of the first AutoGas retail station on the Maltese islands. This started operation in May. Currently the Authority is processing another seven (7) applications. This will pave the way for the use of this cleaner fuel in road transport.

The opening of the autogas station instigated an interest in retrofitting cars to operate on this alternative fuel. The Authority received several requests from persons wishing to be approved as competent persons in this activity, which is regulated by AutoGas (Installations and Certification) Regulations (Legal Notice 393 of 2010). Unfortunately,

some of the applicants did not have the necessary technical qualifications (in motor vehicle technology) to be classified with a competence of Level 4. Consequently, their applications were turned down. However, the Authority approved the application of another person for this competence to bring the number of approved persons in autogas retrofitting to three. There are also three pending applications being processed. The procedure for this authorisation is available on the MRA website.

In view of the introduction of vehicles converted to run on LPG and to ensure that a safe procedure is followed during repairs on these vehicles, the MRA was requested by the MCCAA to attend technical meetings with other authorities and stakeholders to revise and update the Maltese Standard MSA 1400:2006 on motor vehicle repair garages, which was last published in 2006.

Throughout 2012 the unit continued to examine applications for existing LPG secondary storage installations and processed new applications for them. These consisted mainly of bulk LPG tanks, whose water capacity exceeded 300 litres. The status of the applications is:

- Authorised storages – 268
- Authorised with pending upgrades/ corrective actions – 32
- Old existing storages still to be vetted – 70.

During the year, 54 new applications were given a clearance note from the safety point of view and were being considered by MEPA for a development permit.

The Authority issued two (2) authorisations regulating the operation of LPG pipe networks; and seven (7) other applications

were cleared by MRA and are awaiting a development permit from MEPA.

During 2012 the Authority gave the clearance for one (1) application for a primary storage facility of LPG cylinders to be located in Gozo. The developer has applied to MEPA for a development permit.

Since the introduction of the Liquefied Petroleum Gas Market Regulations (Legal Notice 249 of 2008), the Authority was always in favour of establishing the profession of a competent LPG installer. Therefore, contact was made with the Malta College of Arts, Science and Technology (MCAST) to set up such a course for persons interested in the construction of an LPG installation. The course content would be similar to the one for engineers held at MCAST in the previous years but would have more practical features associated with hands-on applications. A certificate of competence issued by the MCAST would be sufficient to recognise the person as the “competent installer”.

In addition there were a number of engineers who expressed their wish to become competent persons to certify LPG storage installations. MCAST are expected to hold this course early in 2013. Final certification by ERS will be given after a foreign examiner assesses the applicants.

Liquid Fuel (Petroleum Filling Stations and Secondary Storages)

There are currently 79 authorised petroleum filling stations (PFS) around the Maltese islands and a considerable number of them need improvements to meet operational standards. The Authority uses the reference book issued



by the UK Association for Petroleum and Explosives Administration (APEA) to ensure conformity with standards to guarantee personal safety and the protection of the environment.

The Authority applies Article 15 of LN 53 of 2010 in requesting an annual “PFS Inspection & Audit Report” drawn up by an approved competent person. This report lists proper house-keeping procedures and several possibilities of non-conformity with standards. Non conformances are divided into two sections (Mandatory and If Applicable). Percentage points are awarded for each section and those Petroleum Filling Stations that do not achieve the full 100% are given target dates to carry out corrective action, where possible.

This year, the MRA board approved the necessary framework to process applications for the authorisation of secondary storages of petroleum.

The scope of the introduction of the Petroleum for the Inland (Retail) Fuel Market Regulations (Legal Notice 53 of 2010) in January 2010 was to regulate the inland retail fuel market of petroleum including, among others, the operation of secondary storages of petroleum.

Secondary storages of petroleum are those fuel storages that are used for the authorised persons' exclusive use, unlike primary storage facilities that are authorised for wholesale purposes.

These regulations oblige operators of secondary storages in excess of 60 litres in the case of Class 1 fuels (fuels with a flash point below 21°C) and in excess of 300 litres for Class 2 fuels (fuels with a flash point above 21°C but below 55°C) or Class 3 fuels (fuels with a flash point above 55°C) to have an authorisation.

Besides issuing authorisation to operate a secondary storage facility of petroleum, the regulations define also the design and construction of secondary storages, material alterations, the approving of competent persons in this field and the issuing of a compliance certificate to cover the operations of the secondary storage.

The Authority approached OFTEC (Oil Firing Technical Association) of the UK, which has shown an interest in collaborating with the MRA on this matter. It is being proposed that OFTEC's Technical Book 3 'The Professional Guide to Domestic and Commercial Requirements for Oil Storage & Supply Equipment' be adopted by the Authority as the standard for designing, installing and maintaining secondary storages of petroleum in Malta. OFTEC may also assist in training local

personnel and competent persons in this field. The salient topics to be covered in the proposed course are:

- Domestic & Non-Domestic Storage
- Tank Types
- Tank Fittings
- Tank Inspections
- Location (Internal & External) + Minimum Distances
- Fire Protection
- Bunding
- Ventilation
- Fill pipes
- Maintenance
- Decommissioning
- Oil Spill Procedure
- Risk Assessment Reports

A preliminary meeting was held with the Malta Competition and Consumer Affairs Authority (MCCAA) on the adoption of the OFTEC standards, which were earmarked by the MRA for this purpose. These standards are being adopted, while there exists the possibility that such standards may eventually be transposed into Maltese standards or tailor-made for the Maltese context.

The MRA intends to consult with stakeholders, including warranted engineers practising in the field, the Chamber of Engineers, fuel distributors, fuel storage tank Importers, the Malta Environment and Planning Authority (MEPA) and the Building industry Consultative Council (BICC). During this consultation, the proposed course content and the proposed standards will be discussed. Following the consultation process, the Authority would then promote and organise the training course, and eventually process applications to approve Competent Persons in this field.



Minerals

In 2012 MRA renewed quarry operating licences after MEPA confirmed which quarries were still active. The operators must submit a level survey scale 1:500 (pdf or dxf format) for the license to be renewed to establish the remaining volumes at all quarries in accordance with the approved depths.

Water

Groundwater Sources

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

The process of registering additional users on already registered groundwater sources helped to further improve the information available on the database. Eighteen applications for the addition/change

of users were received during 2012. As a result, the number of users increased by 73, bringing the total number of users registered with the Malta Resources Authority by the end of 2012 to 13,090.

In 2012, a further 47 requests for payment on commercial groundwater sources were issued. By the end of 2012 payments for meter installation on another 35 sources had been effected. Two hundred and seven (207) groundwater sources used for commercial/industrial purposes were metered by the end of 2012.

The process for the metering of agricultural sources continued during 2012. Localities were zoned according to their hydrological importance and to ease logistics. Site inspections commenced. During these site inspections, the users were instructed on any preparatory work that was required prior to the metering itself. By the end of 2012 a total of 330 boreholes used for agricultural purposes were metered.



two sources were abandoned. An amendment to the Borehole Drilling and Excavation Works within the Saturated Zone Regulations (LN 254 of 2008) established that the drilling of a replacement groundwater borehole can be allowed if this replaces an irretrievably collapsed borehole, which was duly notified or registered with the Authority as a groundwater source used for agricultural purposes under the Registration of Groundwater Sources Regulations, 1997, or under the Notification of Groundwater Sources Regulations. During 2012 three (3) applications for the drilling of replacement boreholes were processed by the Authority.

Authorisation of suppliers of water by water tanker

During 2012, the Malta Resources Authority received four requests for cleaning operations to be carried out on registered/notified sources. Out of these requests, MRA supervised the cleaning operation of two boreholes; the other

The process for the regulation of the transport of water by water tankers continued in 2012. Thus the number of licensed operators at the end of 2012 stood at 108.

Table 5: Licensing of Water Tanker Operators

Permits	Pending
Applications submitted for a licence to supply water by water tanker for commercial purposes	0
Applications submitted for a licence to supply water by water tanker for own use	2
Licences issued for the supply of water by water tanker for commercial purposes	81
Licences issued for the supply of water by water tanker for own use	27
Licences/Applications withdrawn	12

Applications for Permits to Construct a Soakaway

During 2012, seven applications for

permits to construct soakaways were received. Clearance was given to three applications, two were refused and two are still pending a decision.

MONITORING

Fuel Quality

The increase in the number of sulphur tests at petroleum filling stations throughout 2011 benefited the consumer. This ensured that the casual spikes of sulphur results, which were found at petroleum filling stations in 2010 (due to sulphur content reduction in fuels), forced results to settle to the norm. Sulphur tests were sustained in 2012 and the average sulphur content in petroleum filling stations was of 7.05 ppm. The Malta Resources Authority, in accordance with the EU Directive 98/70/EC, carries out quality tests for individual parameters of petrol and diesel at various petroleum filling stations. The samples tested were according to EN 228 and EN 590 standards, respectively. During 2012, the MRA expanded its fuel

quality monitoring programme onto secondary storages. The MRA has a routine sample programme. However, it also follows up complaints. Samples were lifted from 54 tanks at 50 companies and from 51 vehicles.

The MRA also tests for the sulphur content in marine fuels. This includes testing of fuels found in the day tanks of all vessels at the country's main ports, including those that operate for leisure and those that fall under the MARPOL convention. Sampling is performed according to an established timetable.

Table 6 shows the number of fuel samples lifted throughout 2012 and the type of tests performed on these samples. In all cases of non-compliance the Police were informed to initiate prosecution proceedings according to law.

Table 6: Fuel Quality Monitoring

Test	Samples Lifted	Petrol Stations	Result
Sulphur Content	165	89	No non-compliances
Unleaded Petrol – as per parameters established in LN 44 of 2008	24	13	No non-compliances
Diesel – as per parameters established in LN 44 of 2008	24	13	2 samples were found to be non-compliant in FAME content and density
Bio Diesel (B100)	2	2	No non-compliances
Test	Samples Lifted	Secondary Storages	Result
Sulphur Content	105	50	17 storages were found to be non-compliant, with 39 samples being out of specification *
Bio Diesel (B100)	5	5	No non-compliances
Test	Samples Lifted	MARPOL Vessels (Marine)	Result
Gasoil and Heavy Fuel Oil – Sulphur Content	22	11	No non-compliances
Test	Samples Lifted	Non-MARPOL Vessels (Marine)	Result
Gasoil – Sulphur Content	11	11	No non-compliances

* The 39 samples were lifted from storage tanks or directly from vehicles.

Fuel quality monitoring under the reporting Directive 98/70/EC is required to be carried out in accordance with MSA EN 14274. Due to Malta's size and the fact that the country has only one terminal to receive all automotive fuels, application of this standard is being reviewed to take into account these characteristics.

Monitoring of Authorisations

Throughout the year the Enforcement Unit within the Malta Resources Authority performs site inspections to determine compliance to the requirements of the various authorisations. Table 7 lists the inspections that were performed during 2012, besides the inspections related to fuel quality monitoring.

Table 7: Monitoring of Authorisations

Inspection	No.
Photovoltaic Panels	65
Solar Water Heaters	6
Boreholes – Registered	58
Boreholes – Not Registered and customer complaints	13
Boreholes – Cleaning	2
Swimming pools	47
LPG – Registration issues and complaints	12
LPG – Fixed points of sale	8
LPG – Primary storage facilities	8
Fuel Storage facilities – Registration issues and complaints	4

ENFORCEMENT

During 2012 one Decision relating to the refusal of a request for a transfer of an authorisation to operate a Petroleum Filling Station was issued in virtue of the Malta Resources Authority Act.

Thirteen (13) prosecution letters were sent to the Police Department to assist the MRA in various investigations relating to fuel quality. Eleven (11) cases referred to fuels with a high sulphur content found during secondary storage routine testing. Two cases involved petroleum filling stations with diesel that was not according to EN 590 since the density and FAME content were out of specification. Investigations are still under way. Five cases have appeared in court. Others are still being investigated by the Police.

During the course of the year under review 35 executive letters were sent to swimming pool licence holders who failed to pay the licence fees as required. Another executive letter was sent to an operator who supplies water by water tanker and who refused to apply for the appropriate authorisation.

Legal proceedings were also started against two (2) electrical installers, who performed work that was not up to the regulations, and against two (2) distributors of LPG for infringements of regulations related to their authorisation conditions.

PROJECTS AND INITIATIVES

ENERGY EFFICIENCY AND RENEWABLE ENERGY SCHEMES

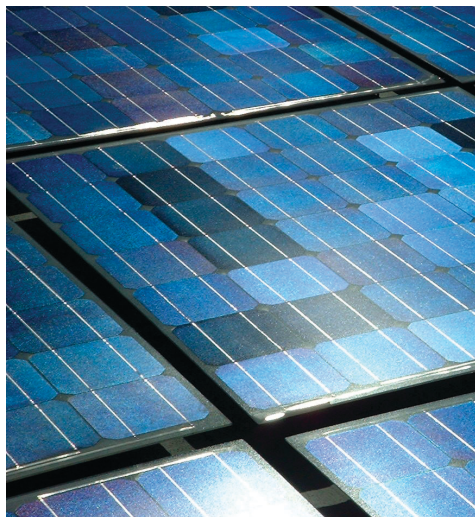
One of the primary objectives of the Malta Resources Authority is to promote the use of renewable energy sources (RES). The introduction of grant schemes, which relieve the financial burden borne by investors, definitely gives a tangible contribution to the island to reach an increased independence from fossil fuels.

During 2012, the MRA continued to administer the existing 2011 grant schemes relating to solar water heaters (SWH) and photovoltaic (PV) systems, which were issued in April and July, 2011, respectively.

Last year saw the finalisation of the 2011 call for PV systems. Practically all applications were paid. Two new schemes for roof insulation and double glazing, and for plug-in vehicles were launched. At the same time, the schemes for solar water heaters were continued.

Two schemes for solar water heaters were active during 2012. The national scheme which provided a grant of 40% up to €400 and was not restricted by social criteria and the ERDF scheme, which provided a grant of 40% up to €560 and was only open to persons satisfying a number of social criteria.

The ERDF-funded scheme related to PV applications, offering a grant of 50% of the eligible expenditure up to a maximum of €3,000, closed on 3 August, 2011, and attracted over 3,500 applications with close to 7 MWp. During 2012, the MRA continued to administer the last remaining



applications. The success of this scheme encouraged the Authority to apply for a similar scheme under ERDF funding.

On 3 April, 2012, a 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 introduced. A total of 100 grants were issued to eligible applicants.

During July, 2012, a scheme was launched to provide grants on the purchase of plug-in M1 category vehicles. The scheme applied solely on the purchase of new electric-powered vehicles that have never been registered in any country. The vehicles, which must meet a number of criteria, have to be for personal use and must derive their motive power exclusively from an electric motor.

Tables 8 and 9 below summarise the number of applications received in 2012 and the total investment made in renewable energy resources to date.

Table 8: Applications received

Description/scheme	Applications received	Island
2011 Solar water heater ERDF	5	Gozo
2011 Solar water heater ERDF	13	Malta
2011 Solar water heater National	755	Malta
2011 Solar water heater National	130	Gozo
2012 Plug-in Vehicle	5	Malta
2012 Roof insulation/double glazing	68	Gozo
2012 Roof insulation / double glazing	333	Malta

Table 9: Investments in Renewable Energy

Description/scheme	kWp	Number of applications	Grants paid	Total investment	Island
2009 Solar water heater	0	2	€920.00	€2,885.00	Malta
2010 PV call 2	3.90	2	€6,000.00	€15,141.57	Gozo
2010 PV call 2	49.99	27	€79,477.41	€207,191.77	Malta
2010 Solar water heater	0	2	€1,120.00	€3,210.00	Gozo
2010 Solar water heater	0	2	€1,120.00	€3,400.00	Malta
2011 PV ERDF	872.96	438	€1,298,061.05	€3,170,304.85	Gozo
2011 PV ERDF	5,156.08	2,488	€7,344,930.23	€18,217,118.96	Malta
2011 Solar water heater ERDF	0	5	€2,674.00	€6,980.00	Gozo
2011 Solar water heater ERDF	0	13	€7,639.20	€24,276.49	Malta
2011 Solar water heater National	0	120	€48,000.00	€189,205.00	Gozo
2011 Solar water heater National	0	659	€259,815.51	€1,056,869.04	Malta
2012 Roof insulation / double glazing	0	20	€3,455.50	€39,223.81	Gozo
2012 Roof insulation / double glazing	0	95	€24,013.84	€195,288.30	Malta

The education campaign tender was launched and adjudication is now in its final stages. The campaign is intended to educate domestic and small and medium enterprises in ways to save energy use.

The Authority also applied for EU ERDF funds with a €20 million plus project that intends to push the total number of PV systems installed in residential households to close to 9% of residential households.

WIND MONITORING AT I-AHRAX TAL-MELLIEHA

The Authority continued maintaining the wind measuring equipment at I-Ahrax tal-Mellieha. This installation is expected to be decommissioned during 2013.

PROJECTS

The Authority continued to participate in the following EU and InterReg funded projects:

- ACOMES (Annual Co-ordinating Meeting Entities Stockholding)
- CA-ESD (Concerted action on the energy services directive)
- GEOINF (artificial recharge)
- MEDIWAT (Artificial recharge with treated sewage effluent)
- MORISO (numerical model of aquifer)
- ODYSSEE/MURE (energy efficiency indicators)
- EuroGeoSurveys
- Pangeo
- SWMED (demo efficiency water use)

The Authority significantly increased its field monitoring capability through the acquisition of the following instrumentation:

- (i) two multi-parametric groundwater monitoring probes;
- (ii) two water level monitoring probes; and
- (iii) three field conductivity meters.



Multi-parametric groundwater quality monitoring probes

Moreover, to improve its data interpretation capability, the Authority also acquired three specialised software packages: Schlumberger Water Services' (SWS) Hydro-geobuilder, Visual Modflow and Aquachem. A technical training course on the use of these software packages was also organised in Malta by SWS in January, 2012. This instrumentation and the software packages were part funded under the EU's InterReg and Med Programmes.

Specific initiatives from projects

Participation in the above mentioned EU projects allowed the Authority to undertake a number of initiatives/ actions during the year under review.

Development of a groundwater model for the island of Comino

The first task undertaken under the MORISO project entailed the development of a numerical model of the Comino sea-level groundwater body, which is considered as a pilot exercise to eventually guide the development of a model of the more extensive main mean sea level aquifer system. To support the model development process a field survey was undertaken by technical staff of the Authority in which piezometric data from all the groundwater sources in the island was collected.

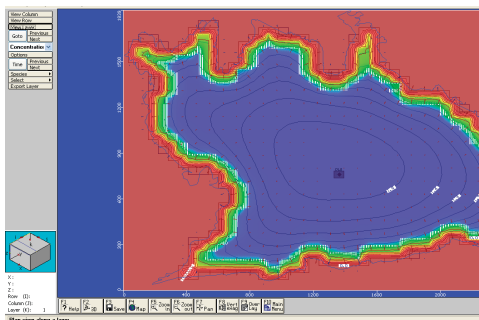
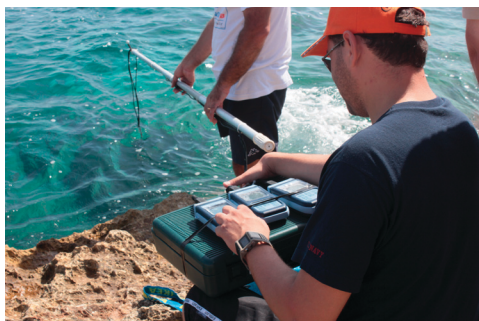


Figure 4 : Initial results for the pilot numerical model for the groundwater body developed in the island of Comino

Survey of coastal subsurface freshwater discharge

A pilot survey of two coastal areas on the east coast of Malta was undertaken, in which technical staff from the Authority took field readings of the electrical conductivity of seawater in the immediate coastal zone. Outflowing freshwater is expected to significantly alter the salinity of seawater at the outflow point and thus low electrical conductivity readings are considered as indicators of a freshwater outflow point. The site selection exercise for this survey was based on thermographic data generated from an aerial survey undertaken by IGN during the early 1990s. No significant differences in electrical conductivity were, however, encountered during this exercise.



Fieldwork during the survey

Analysis of emerging pollutants in groundwater and treated effluent

Emerging pollutants is a term that refers to new pollutants that are released in the environment from a number of man-made activities. These pollutants are a cause of concern, mainly due to the uncertainty on their fate in the environment. In 2012 the Authority undertook two monitoring exercises, which investigated the presence of emergent pollutants in groundwater and treated sewage effluent. The results of the groundwater monitoring exercise did not show any detection of the selected emerging pollutants in groundwater in Malta .

Organisation of Project Meetings

During 2012, the MRA organised two meetings related to the implementation of EU-funded projects, which saw the participation of experts from the partner institutions working in these projects. The meeting of the MORISO project, which was held at the MRA offices, focused on groundwater modelling and the polishing of treated effluent for use by the agricultural sector. The SWMED project meeting was held at the Ministry for Gozo and focused on the development of water saving initiatives for the Mediterranean region.



SWMED Project Meeting, held at the Ministry for Gozo

CLIMATE CHANGE, POLICY AND SUPPORT TO GOVERNMENT



CLIMATE CHANGE

In 2012, the Climate Change and Policy unit continued to ensure continuity in the relevant functions relating to climate change remits, particularly those related to the implementation of Malta's obligations and related legislation.

Reporting obligations

Every year, in January, the Climate Change Unit releases the first draft of the greenhouse gas inventory under the Decision No 280/2004/EC concerning a mechanism for monitoring community greenhouse gas emissions and for implementing the Kyoto Protocol. The report is prepared in accordance with decision 18/CP.8 and follows the structure outlined in the document FCCC/SBSTA/2006/9. The final report is presented to the EU Commission in March. The same report is presented to the UNFCCC in April.

In 2012 a further submission was made

in May to include further developments in activity data and methodology changes. The report contains the national greenhouse gas emissions estimated for the period 1990-2010, and the descriptions of the methods used to produce the estimates. Each year the inventory is updated to include the latest data available. Methodological changes were made to take into account the emissions from development and over the whole time series. The other elements of the reporting includes the reporting of the GHG emissions by sources and removals by sinks in the Common Reporting Format (CRF) tables, and any other additional information.

During this year the UNFCCC published its first review report relating the 2011 submission of the National GHG inventory. This was published in October 2012. Findings from this report were either already implemented, or being implemented in the current submission or future submissions.

Emissions Trading and Market-Based Measures

The Unit's work on emissions trading and market-based measures during 2012 focussed principally on three main areas:

- Transposition of the EU ETS Directive (Directive 2003/87/EC, as amended) into Maltese legislation: The existing legislative framework has been revised to implement new elements of the Directive and to strengthen legal provisions in national law. This process included extensive consultations with relevant stakeholders. A new legal notice transposing the EU ETS Directive insofar as it relates to aviation activities was published in November 2012 (L.N. 403/2012). Drafting of a new legal notice implementing the EU ETS for stationary installations reached the final stages and publication is expected in early 2013.
- Implementation of the EU ETS Directive: ongoing implementation of the Directive remained a major element of the Unit's responsibilities. During 2012, this aspect was divided into two main work-streams, namely the ongoing administration of the scheme and the work required for the migration of the respective Member States' registry systems to the single Union Registry, the latter being a crucial new element of the European Emissions Trading Scheme.
- New EU policy and legislative dossiers and international processes: There is growing recognition at EU level that further revisions to the EU ETS Directive

may be required to strengthen the scheme's effectiveness. To this effect, discussions were initiated in 2012 on possible changes that may need to be made to the Directive, preparatory to firm legislative proposals being issued by the European Commission during 2013 and in subsequent years. In parallel, interest on the use of market-based measures has been growing at an international level as a means to control greenhouse gas emissions from a number of economic sectors. A formal negotiating process has been initiated, for example, under the auspices of the International Civil Aviation Organisation, expected to lead to the adoption of market-based measures on a global scale for international aviation. The Unit actively followed these developments and provided technical expert input, as was deemed necessary.

The importance of co-operation from stakeholders, in particular operators falling within the scope of the EU ETS Directive, cannot be over-emphasised and it is with great satisfaction that one notes that the Unit has been able to build a very good rapport with operators that it administers. This remains a fundamental principle for the future.

EU legislative dossiers (LULUCF, MMD)

The Climate Change and Policy Unit represented Malta at a number of international and EU fora working on climate change policy and international affairs.

At an EU level the unit participated in the main fora for implementation of relevant legislation, mainly the Climate Change Committee and its working groups, established by EU law to draw up and adopt implementing provisions arising from the EU's climate change legislative framework. Meanwhile, the unit also continued to provide technical input to the formulation of Malta's position on various negotiation stances at European Council level.

Most importantly, the unit participated actively in the discussions and negotiations pertaining to the dossiers for the revision of the Monitoring Mechanism Decision and the new LULUCF Decision. Discussions were actively followed at Climate Change Committee level (within the working groups) and the negotiations were supported from a technical perspective at Working Party for the environment level. Apart from preparing Instruction Notes and the Line to take, the unit supported technical attachés by attending crucial meetings and actively giving feedback, explaining possible repercussions from the discussions.

Projects

RESI – Renewable Energy Scenarios in Islands

Since 2010 the Malta Resources Authority has been involved in a project that forms part of the Operational Programme Italy-Malta 2007-2013. The aim of the project is to promote and share good practices and information on promotion of renewable energy sources and technologies between Malta and the provinces of Ragusa and Agrigento.

The leader of the project is the Regional Province of Ragusa. The partners are the Regional Province of Agrigento, the Institute for Sustainable Energy, based in Malta, and the Malta Resources Authority.

European Awareness Scenarios have been organised in each territory so that local authorities would learn from citizens and local communities, including business and industrial organisations, and to acquire information needed to formulate best strategies.



A local action plan for each territory has been drafted based on the outcome of the workshops. The aim of these Local Action Plans is to develop strategies that can be developed in the short or medium term.

CA-RES – Concerted Action supporting the transposition and implementation of Directive 2009/28/EC (RES Directive).

During 2012, MRA officers attended the two EU-funded meetings under this project aimed at harmonising the implementation of the RES Directives. Officers of MRA attended Working Groups discussing, Co-operation Mechanisms, and Calculation Methodologies, Authorisation of Plants of Infrastructures, RES Installer certification, Electricity networks and Biofuels in Transport.

Survey on Cooling and Heating Demand

The MRA, in collaboration with the National Statistics Office, prepared questionnaires to conduct a survey to gather data on cooling and heating demand in buildings for the compilation of Malta's National Progress Report as per EU obligation under Directive 2009/28/EC.

The scope of this questionnaire is to collect information and data on current systems used in Malta to provide space cooling and heating. This data will be used to quantify the renewable energy generation of cooling and heating installations, and to determine their renewable energy share. The information provided will also be used to determine the current hydrofluorocarbons used in refrigeration and air-conditioners.

Survey on Fertilizer Use in Agriculture

With the support from the National Statistics Office, the Climate Change Unit prepared a questionnaire for a survey on the use of nitrogen-containing fertilizers in agriculture for input into the National Greenhouse Gas Inventory Report.

The scope of this survey is to collect more specific data on the type of fertilizers being used and in particular their nitrogen content. This data will be compared to the data collected so far through NSO from customs, since the current figures do not add up. The information collected should give a clearer picture of the nitrogen applied to soils in agriculture.

'A World you Like with a Climate you Like' campaign

The MRA accepted to participate through an active partnership in the EU-wide campaign, 'A World you Like with a Climate you Like' and participated actively in the launch of the campaign in October 2012.

Energy Roadmap 2050

The MRA has applied for EU funding for a study related to the requirements to reach the targets of the Energy Roadmap 2050. The terms of reference have been drafted following a call for applications for EU funds issued by the Priorities and Co-ordination Division. The evaluation of this project is still in progress.

Macroeconomic Projections

With support from the Economic Policy Division at MFEI, discussions have been undertaken to create macroeconomic projections of energy demand in electricity generation and the transport sector, for use in assessing policies and for input into the biennial Policies and Measures Report. This should provide for preparing more robust scenarios.

Participation in EU processes

At an EU level the unit participated in the main fora for implementation of relevant legislation, mainly the Climate Change Committee and its work groups, established by EU law to draw up and adopt implementing provisions arising from the EU's climate change legislative framework. Meanwhile, the unit also continued to provide technical input to the formulation of Malta's position on various negotiation streams at European Council level. CC&PU participated in other fora including:

- **Joint Mechanisms.** The Authority this year participated in workshops in preparation of the Commission guidance for the implementation of co-operation mechanisms under the Renewable Energy Directive following the Communication presented by the European Commission (EC) in January 2011. The Communication stresses the need for further co-operation between member states and a better integration of renewable energy into the single European market.
- **Energy Roadmap 2050.** The unit was invited to attend a conference on renewable energy policies

beyond the 2020 horizon in which the Commission presented the results of the stakeholder consultations. Member states had the opportunity to express their views on the subject.

- **Renewable Fuels Regulators Club (REFUREC).** The unit has been actively participating in this network of governmental institutions responsible for regulating biofuels since 2010. This forum offers an opportunity for a pan-European platform for discussion, information exchange and tackling cross-border issues relating to the biofuels market in the EU and beyond, and meets on a regular basis. The last REFUREC workshop, held in December 2012, was hosted by the Malta Resources Authority.
- **Monitoring of proceedings at EU Working Group level.** Throughout the year a series of amendments to Directives were discussed at the Working Party on the Environment related to amendments to the Directive 98/70/EC relating to the quality of petrol and diesel fuels and Directive 2009/28/EC relating to the promotion of the use of energy from renewables. The amendments touched topics such as (i) sulphur content in marine fuels, (ii) lifecycle greenhouse gas emission intensity default values and calculation methodology for determining lifecycle GHG emission values for fossil fuels; and (iii) the inclusion of 'indirect land use change' figures and promotional counting for biofuels. Work on point (i) was finalised and work on points (ii) and (iii) is ongoing.



- **Biofuels.** Throughout 2012, the Climate Change & Policy Unit continued to promote further use of sustainable biofuels in the transport and heating sectors of the Maltese market. These efforts are ultimately aimed at the public, specific industries and the industrial community at large. The MRA continued to encourage the use of sustainable biofuels already present in the local market and to introduce new sustainable biofuels as smoothly as possible by ensuring the necessary peace of mind to the end user, through the enforcement of national regulations imposing sustainability criteria verification and the 'substitution obligation'.
- Other Officers of the CC&P Unit were involved in various other projects and programmes undertaken by the Authority. When these were concluded the Authority presented documents on:
 - the introduction of various biofuels and their impact on national emissions;
 - the questionnaire presented by the European Commission on the introduction of a 'Monitoring Based Mechanism' to include marine emissions in the EU's GHG emissions reduction commitment. The questionnaire was forwarded in the second quarter of 2012. Then in the fourth quarter the CION organised a stakeholder meeting, for which officers of MRA attended via video conference, to discuss the introduction of a 'Monitoring, Reporting and Verification' system;
 - the questionnaire presented by the Commission on Ocean Energy;
 - the Communication from the Commission on further action on the use of energy from renewable sources post 2020 to be drafted by the Commission;
 - Directives relating to road vehicles, such as (i) Directive 2009/33 on the promotion of clean and energy efficient road transport vehicles;

and (ii) amendments to Regulations 443/2009/EC and 510/2011/EC relating to CO₂ emissions from new passenger cars and new light commercial vehicles, respectively;

- the questionnaire on the implementation of Directive 2009/31/EC on the geological storage of carbon dioxide; and
- the Communication from the Commission on the Energy Roadmap 2050, preparing the EU for de-carbonisation of the energy sector.

An officer of the unit also attended a meeting of the Gas Co-ordination Group when the subject of 'projects of common interest', mentioned in Regulations on guidelines for trans-European energy infrastructure and 'Connecting Europe Facility' was on the agenda of the Group. when the subject of 'projects of common interest', mentioned in Regulations on guidelines for trans-European energy infrastructure and 'Connecting Europe Facility' was on the agenda of the Group.

Environmental permitting and Consultation

The unit actively took part in discussion in environmental permitting processes (lead by MEPA) in which MRA was consulted. They included both development permits, IPPC permits and other environmental permitting processes. The main concern highlighted in these processes was the need to implement as much as feasible measures to increase energy efficiency and better energy use, encourage identification of waste reuse and recycle possibilities, and where not feasible identify final destruction/disposal options with minimal carbon footprint impact.

In general, the role of the unit in this consultation was to minimise the carbon

footprint and encourage efficient resource use.

SUPPORT TO GOVERNMENT

The Authority provided extensive technical support to Government during discussions leading to the development of three EU documents on the water sector, namely:

- The Fitness Check of EU Freshwater Policy;
- Blueprint to Safeguard Europe's Water Resources; and
- Review of the European Water Scarcity and Droughts Policy.

Through its contributions, the Authority ensured that these European documents take full consideration of issues relevant to the Mediterranean region.

- Meetings of the Water Directors;
- Working Group C (Groundwater);
- Working Group D (Reporting); and
- Working Group F (Floods).

The Authority also provided technical expertise to a number of initiatives led by Government entities. These included:

- MRRA, Parks in the development of a hydrological plan for the Buskett area;
- MRRA, the development and implementation of the Nitrate Action Programme;
- MRRA, active participation in various activities related to the Catch the Drop campaign;
- Heritage Malta, in the development of the terms of reference for the protection of the Xagħra Stone Circle; and
- the Malta Business Bureau, in the implementation of the Investing in Water project.

Energy Policy

The scope of the Strategic Environmental Assessment process is to evaluate the environmental impacts of the Energy Policy and to determine the likely significant effects on the environment, if it is adopted. Mitigation measures will be taken, if required. The aim is to help improve the Energy Policy, especially in respect to the promotion of sustainable development. The SEA process aims to increase public involvement in the formulation of this policy document through the various stages of consultation that are required by the SEA regulations.

After the conclusion of the last session of public consultation on the Environmental Report, which was launched between 28 June, 2011, and 23 August, 2011, work continued during 2012 on the finalisation of the SEA and Energy Policy document on behalf of MRRA. The national energy policy for the Maltese Islands was launched by the MRRA on 17 December, 2012.

Consultation Requests from the Malta Environmental and Planning Authority

The Malta Resources Authority is regularly requested to give advice on the various development applications submitted to the Malta Environmental and Planning Authority (MEPA). These include both development applications that fall under Planning Control and Planning Development and Operational Environmental Permits, including IPPC Permits. Consultation mainly concerns issues of groundwater protection, fuel storages and energy and water efficiency.

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

Tables 10 and 11 list by category of consultations requested in 2012 mainly regarding groundwater protection.

Table 10: Consultation Requests on water issues submitted by Periti as part of the Pre-Consultation Process with MEPA

Type of Development	No. of Applications Received
Reservoirs	36
Agricultural stores/tool rooms	35
Farms	39
Stables	13
Greenhouses	9
Cesspits	4
Pump rooms	18
Farmhouse with pool	2
Farmhouse/Dwelling	5
Pool	5
Cemetery	1
Others	27
Total Applications	194
Applications with more than 1 correspondence:	64

Table 11: Consultation Requests on water issues received directly from MEPA

Type of Development	No. of Applications Received
Reservoirs	7
Agricultural stores/tool rooms	4
Farms	10
Stables	1
Greenhouses	1
Cesspits	6
Pump rooms	1
Farmhouse with pool	2
Farmhouse/Dwelling	8
Farmhouse with upgrade in farm	2
Extension of existing cemeteries	3
Playing field/recreational parks/gardens	7
Hotels	4
Treatment plants	3
Garages and industrial activities	7
Fireworks room/factory	2
Others	21
Total Applications	89
Applications with more than 1 correspondence:	31

The Authority was also consulted on several issues pertaining to energy. These included:

- 5 consultations on building complexes;
- 4 consultations on liquid fuel installations;
- 2 consultations on LPG bulk installations;
- 3 consultations on construction of new Petroleum Filling Stations

and material changes to existing Petroleum Filling Stations; and

- 2 consultations on renewable energy projects.

Eight pre-consultations from architects on energy issues were also received. Consultation requests on seven (7) new applications for IPPC permits and nine (9) applications for renewal of existing IPPC permits were also received and processed during 2012.

OIL EXPLORATION AND GEOLOGICAL SERVICES

The Oil Exploration Unit within the MRA was mandated with the task of implementing the provisions of the Petroleum (Production) Act, the Continental Shelf Act, the Petroleum (Production) Regulations (2001) and to manage oil contracts on behalf of Government. The unit also provides technical support to Government in the form of advice, analysis of data and contractual terms, monitoring of contractual obligations, the custodianship of data and surveillance of petroleum exploration activity on Malta's continental shelf.

The responsibilities of the unit were transferred from MRA to the newly set-up Continental Shelf Department within the Ministry for Resources and Rural Affairs during October 2012.

LICENSING AND EXPLORATION ACTIVITY

During 2012, the Oil Exploration Unit monitored the contractual obligations of Heritage Oil International (Malta) Ltd. and Malta Oil Pty Ltd. These two oil companies currently hold a Production Sharing Contract in acreage offshore Malta. Heritage Oil holds a PSC in Area 2 and Area 7 and Malta Oil holds another PSC in Blocks 4, 5, 6 and 7 of Area 4.

The two companies carried out detailed technical studies following the acquisition of new seismic data in 2011 to identify suitable drillable prospects. An extension of the PSC was successfully negotiated with Heritage Oil in October 2012. Malta Oil requested Government's approval



to farm out 75% of its interest in the PSC to Genel Energy plc and to extend its contract by one year. This request is being considered following the completion of a due diligence assessment.

Negotiations with Oil Companies

During 2012, the unit gave the necessary technical assistance to the ad hoc Committee appointed by the Minister for Resources and Rural Affairs to evaluate the bids received from oil exploration companies following the 2011 bid round.

Surveillance

The surveillance of exploration activities in the Central Mediterranean remains a priority activity of the unit. No unauthorised activities were reported in areas that overlap Malta's continental shelf claims.

GEOLOGICAL DATA

In 2012 the unit engaged in an extensive exercise to digitise its geological and geophysical database, consisting mainly of technical reports, charts and maps, and to transcribe seismic data stored on old tapes onto new tape media.

LEGISLATION

The Oil Exploration Unit reviewed the 1966 Continental Shelf Act in 2012 and prepared a new draft. It also drafted a new law to establish an Exclusive Economic Zone with a view of presenting it to Government before the end of 2013. The unit also participated in several meetings organised by the EU Commission for national regulators of the oil and gas industry, and closely followed the latest EU legislative initiatives on offshore safety and environment protection.

EUROGEOSURVEYS ORGANISATION

The MRA completed its first and commenced its second year of membership within the EuroGeoSurveys (EGS) Organisation in September, 2012. From an observer status, membership was formalised, thus allowing for active participation within the various relevant 'Expert groups'. As members, representative Maltese geoscientists would gain from this network between the geological surveys and would benefit from the additional opportunities available to members in representing the relevant geological aspects of their country.

During the first year of EGS membership, participation consisted in the attendance of two general meetings, together with one national delegates meeting. The latter was scheduled in June during the EUROGEO

Congress held in Bologna. The Chief Executive Officer of the MRA, Ing. Anthony Rizzo, was invited by the Secretary General of the EGS, Dr Luca Demicheli, to present a keynote speech on "Natural resources and hazards in the Mediterranean". The topic of water was chosen for its significant relevance in Malta as a Mediterranean island nation, and its influence on sustainable development, as highlighted within the Climate Change Agenda.

Ongoing collaboration in several fields of geology developed further, in relation to three-dimensional hydrogeological modelling, and digital field mapping techniques. In April, three experts from the British Geological Survey (BGS) conducted a two-day visit. Collaboration between Malta and the BGS has extended over a number of years when, in 1993, the BGS was instrumental in publishing the National Geological Map of the Maltese Islands. Geological interpretation was conducted by Maltese geoscientists at a scale of 1:25,000.

This collaboration was further extended in an MRA visit to BGS's offices in Nottingham in July for the FP7 project, Pangeo. This is a GMES (Global Monitoring for Environment and Security) project. Each participant (European member state) is required to draw up a map of the 'Ground Stability Layer' in response to the behaviour of the local geology, using Geographic Information System (GIS) techniques. Areas of observed ground movement are digitised and attributed, as interpreted from Persistent Scatterer Interferometry (PSI) data in combination with European Environment Agency data and locally available data.

A team of scientists led by the Italian University of Modena and Reggio Emilia has carried out the geomorphological

mapping of the Islands, in collaboration with the University of Malta, The resultant geomorphological maps, in particular of the north-western coast of Malta, are considerably detailed. A memorandum of understanding was signed between the MRA and the Earth Science Department of the Italian university. A similar undertaking is currently being considered with the University of Malta.

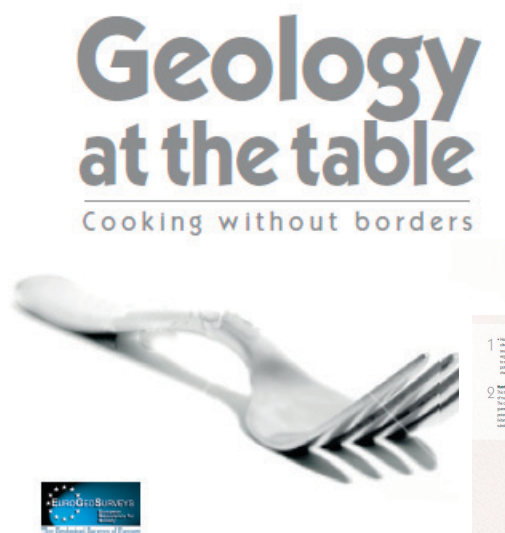
In October 2012, the MRA hosted a visit by the General Secretary of the EGS. During this visit, the organisation's role was outlined. One of its primary functions is to provide a knowledge base from which technical advice may be supplied to the European Commission on issues relating to Geosciences. This has effectively promoted Geosciences at the highest European level, and has yielded a positive active influence in several Directives, the most relevant to MRA being INSPIRE, and the Water Framework Directive.

Over the course of two days, MRA staff, in addition to the key Maltese stakeholders, were presented with an overview of

various activities in which EGS provides an unbiased, impartial and supporting role to its members. Further to this two-day meeting, the MRA accepted to host the 2013 National Delegates meeting for the first time in Malta, scheduled for September.

This event will provide a forum during which nominated National Delegates from each member state's geological survey entity meet and discuss the support of current, and potential future geoscientific policies of European and Global importance. As the host country, the positive efforts that have been made in the geoscientific domain will be further enhanced, particularly within the realm of European, Mediterranean geology.

In addition to technical participation, MRA, together with other members of the European Geological Survey participated in the novel idea of preparing a 'Cookbook'. This book links the geological landscape to its influence on the provision of particular agricultural produce. Malta's contribution was compiled with the National Institute of Travel Tourism and Culture (IITC).



Shaping the Earth of Tomorrow

33 Geological Survey organisations from across Europe

Geoscientific Survey of Europe is a non-profit organisation of the Geological Survey of Europe, the national institutions responsible for geological science, monitoring, knowledge and research.

For 40 years the main objective of Geoscientific Survey of Europe has been to contribute to society's welfare. We can geoscientific information into European wide knowledge, technology and services widely accessible and beneficial to society and economic growth.

Our principal purpose is to provide public Earth science knowledge to support the EU's competitive, sustainable, environmental management and international commitments.



CORPORATE AFFAIRS

CORPORATE RESPONSIBILITY

During the year the Authority mentored a number of interns from Hungary, Spain and France, as well as summer students from the University of Malta. The Authority also participated in the eSkills Job Exposure Week, organised by the Department of Education, during which secondary school students were exposed to an ICT environment. Staff also participated in supervising the theses of ITS students.

ICT

During 2012, the following ICT projects were installed or upgraded:

- a new PABX system with additional facilities;
- a video conferencing system, allowing for increased participation at meetings

without the need for physical presence abroad. This system was being used roughly once a week during the last two months of the year;

- a new website was launched;
- new photocopiers and upgrading of electricity systems, resulting in improved services at lower costs;
- installation of a second gateway, improving service reliability for the system;
- upgrades of PCs' operating systems and productivity suites, as well as upgrades to the servers' operating systems, started during December 2012 and is envisaged to be completed by March 2013;
- ICT security audit during 2012/2013; and
- the tender for the electronic document management system was adjudicated and awarded. The system is due to be implemented during 2013.

FINANCIAL ESTIMATES 2013

	2012 Actual €	2013 Estimate €
Net income	2,002,923	2,033,361
Staff costs	(1,138,834)	(1,516,990)
Professional and consultancy fees	(35,418)	(43,500)
Promotional expenses	(8,120)	(5,000)
Administrative expenses	(374,049)	(397,320)
Depreciation	(51,685)	(42,539)
Net finance income	1,031	1,500
Surplus for the year before tax	395,848	29,512



Malta Resources Authority

REPORT & FINANCIAL STATEMENTS

31 December 2012



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STATEMENT OF RESPONSIBILITIES OF THE AUTHORITY

The Authority consists of the Members of the Authority Board. The Authority Board is responsible for the policy to be adopted by the Authority and for the execution of that policy. This includes responsibility to ensure that:

- a. Proper accounting records are kept of all transactions entered into by the Authority and of its assets and liabilities, and
- b. Adequate controls and procedures are in place for safeguarding the assets of the Authority and the prevention and detection of fraud and other irregularities.

The Malta Resources Authority Act, Chapter 423 requires that financial statements are prepared for each financial year. In preparing these financial statements which give a true and fair view of its state of affairs as at the end of the financial year and of its surplus or deficit for that year, the Authority:

- adopts the going concern basis unless it is considered inappropriate;
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- accounts for income and charges relating to the accounting period on the accruals basis;
- values separately the components of asset and liability items; and
- reports comparative figures corresponding to those of the preceding accounting period.

The Members of the Authority Board are responsible for keeping proper accounting records which disclose with reasonable accuracy, the financial position of the Authority. 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 Members of the Authority Board are responsible to ensure that the Authority establishes and maintains internal control to provide reasonable assurance with regards to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

After reviewing the Authority's results and plans for the coming financial year, the Members of the Authority Board are satisfied that at the time of approving these financial statements, the information provided in this report is a true reflection of the position of the Malta Resources Authority.

Signed on behalf of the Board of the Malta Resources Authority by:



Mr Mario Galea
FCCA, FIA, CPA
Chairperson



Ing. Anthony Rizzo
B. Mech (Eng) Hons
Chief Executive Officer

7 February 2013

INCOME STATEMENT

	Notes	2012 €	2011 €
Income (net of direct costs)	5	2,002,922	1,888,529
Staff costs	6	(1,138,834)	(1,217,005)
Professional and consultancy fees		(35,417)	(42,095)
Promotional expenses		(8,120)	(7,063)
Administrative expenses		(374,049)	(371,536)
Depreciation		(51,685)	(53,856)
Finance income	7	1,409	1,859
Finance cost	7	(378)	(5,595)
Surplus for the year before tax		395,848	193,238
Tax expense	8	(117,649)	-
Surplus for the year	9	278,199	193,238

STATEMENT OF FINANCIAL POSITION

	Notes	2012 €	2011 €
Assets			
Non-current			
Property, plant and equipment	10	48,817	75,944
Current			
Trade and other receivables	12	315,684	167,317
Cash and cash equivalents	13	1,995,562	3,601,563
Taxation recoverable		-	7,354
		2,311,246	3,776,234
Total assets		2,360,063	3,852,178
Equity			
Accumulated surplus	14	284,278	6,079
Total equity		284,278	6,079
Current			
Trade and other payables	15	1,964,243	3,846,099
Current tax liability		111,542	-
Total liabilities		2,075,785	3,846,099
Total equity and liabilities		2,360,063	3,852,178

The financial statements on pages 56 to 74 were approved by the Authority Board, authorised for issue on 7 February 2013 and signed on its behalf by:



Mr Mario Galea
FCCA, FIA, CPA
Chairperson



Ing. Anthony Rizzo
B. Mech (Eng) Hons
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

	Accumulated (deficit)/ Surplus €
At 1 January 2011	(187,159)
Surplus for the year	193,238
At 31 December 2011	6,079
At 1 January 2012	6,079
Surplus for the year	278,199
At 31 December 2012	284,278

STATEMENT OF CASH FLOWS

	Notes	2012 €	2011 €
Operating activities			
Surplus for the year before tax		395,848	193,238
Adjustments	16	50,654	96,894
Net changes in working capital	16	(2,005,850)	3,086,738
Interest paid		(378)	(5,595)
Taxes paid		-	(152,527)
		(1,559,726)	3,218,748
Investing activities			
Payments to acquire property, plant and equipment		(24,558)	(15,696)
Interest received		1,409	1,859
		(23,149)	(13,837)
Financing activity			
Capital repayments under finance lease		(23,126)	(41,414)
Net change in cash and cash equivalents		(1,606,001)	3,163,497
Cash and cash equivalents, beginning of year		3,601,563	438,066
Cash and cash equivalents, end of year	13	1,995,562	3,601,563

NOTES TO THE FINANCIAL STATEMENTS

1 Nature of operations

The Malta Resources Authority ('MRA' or 'the Authority') is a public corporate body with regulatory responsibilities relating to water, energy, mineral resources and oil exploration in the Maltese Islands. The Authority has wide ranging responsibilities essentially involving regulation of water and energy utilities, industrial enterprises, exploiting resources, and regulating wiremen in the regulated sectors.

2 General information and statement of compliance with IFRS

MRA was established by law on 2 February 2001 and is an autonomous body constituted by the Malta Resources Authority Act, Chapter 423, and reports annually to Parliament. The Authority is the single regulator for the water, energy, mineral resources and oil exploration and is comprised of the Members of the Authority Board, appointed by the Prime Minister, and the Minister for Resources and Rural Affairs.

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union, and in accordance with the Malta Resources Authority Act, Chapter 423.

The financial statements are presented in euro (€), which is also the functional currency of the Authority.

3 Changes in accounting policies

3.1 Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. None of the amendments made is relevant to the Authority's operations and therefore there is no impact on the current or prior year's financial statements.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Authority

At the date of authorisation of these financial statements certain new standards, amendments or interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Authority.

The Authority Board anticipates that all of the relevant pronouncements will be adopted in the Authority's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Authority's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Authority's financial statements.

IFRS 9 'Financial Instruments' (IFRS 9)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Authority Board has yet to assess the impact of this new standard on the Authority's financial statements. However, the Authority Board does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. The Authority Board does not anticipate a material impact on the Authority's financial statements from these amendments.

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. The Authority Board does not anticipate a material impact on the Authority's financial statements from these amendments.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

The accounting policies have been consistently applied by the Authority and are consistent with those used in previous years.

4.2 Revenue

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.

- Income from licences and contributions from utility organisations is recognised on an accrual basis.
- Income derived from grants from EU and other entities is recognised over the periods necessary to match with related costs.
- Interest income from investments is reported on an accrual basis using the effective interest method.

4.3 Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

4.4 Borrowing costs

Borrowing costs primarily comprise interest on the Authority's finance lease liability. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'finance cost'.

4.5 Property, plant and equipment

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, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Authority Board. Property, plant and equipment also include leasehold improvements held under a finance lease (see note 4.6). Subsequently, they are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost or valuation of the fixed assets over their expected useful lives. The rates generally applicable are:

	%
- 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

Estimates of useful lives are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the income statement within 'other income' or 'administrative expenses'.

4.6 Leased assets

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 4.5 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 statement, within 'finance cost' over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Authority is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.7 Impairment testing of property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the Authority Board estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect the Authority Board's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses are recognised immediately in profit or loss. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating units. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

4.8 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the Authority are classified into loans and receivables upon initial recognition.

Loans and receivables are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance income' and 'finance cost', except for impairment of trade receivables which is netted off against revenue.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Authority's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Classification and subsequent measurement of financial liabilities

The Authority's financial liabilities include finance lease liability and trade and other payables. These are stated at their nominal amount which is a reasonable approximation of fair value.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the income statement are included within 'finance cost' or 'finance income'.

4.9 Income taxes

Tax expense recognised in the income statement comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable surplus, which differs from surplus or deficit in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting surplus.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Authority has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, except where they relate to items that are recognised directly in equity, in which case the related deferred tax is also recognised in equity.

4.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank.

4.11 Reserves

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

4.12 Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Authority has a present legal or constructive obligation as a result of a past event it is probable that an outflow of economic resources will be required from the Authority and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or the Authority has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Authority can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

4.13 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, the Authority Board undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Authority that have the most significant effect on the financial statements.

Leases

In applying the classification of leases in IAS 17, the Authority considers its rental contract for the office leased premises as operating lease and the electrical installations, ventilation systems and partitioning carried out on the leasehold premises as finance lease arrangements. In some cases, the lease transaction is not always conclusive and the Authority Board uses judgement in determining whether the lease is a finance or operating lease arrangement.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

The Authority Board reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above.

5 Income (net of direct costs)

	Notes	2012 €	2011 €
Licenses and contributions from utility organisations and other operators			2,494,598
2,310,563			
Other income	5.1	3,711	1,644
Excess expenditures	5.2	(495,387)	(423,678)
Total income		2,002,922	1,888,529

5.1 Other income

	2012 €	2011 €
Tender fees	750	700
Petrol course fees	-	795
Other sundry income	2,961	149
	3,711	1,644

5.2 Excess expenditures

	2012 €	2011 €
Rebate schemes, EU projects and other initiatives:		
Refunds received from the Government of Malta and EU	9,118,020	5,621,268
Related expenditure	(9,613,407)	(6,044,946)
Excess of expenditure over refunds received	(495,387)	(423,678)

6 Staff costs

	2012 €	2011 €
Wages and salaries	1,069,822	1,150,929
Social security costs	69,012	66,076
	1,138,834	1,217,005

The average number of persons employed by the Authority during the year was:

	2012 No.	2011 No.
Board members	8	8
Operations	39	40
	47	48

7 Finance income and finance cost

Finance income and finance cost may be analysed as follows:

	2012 €	2011 €
Finance income		
Interest income from demand deposits	1,409	1,859
Finance cost		
Interest expense on finance lease liability	378	5,595

8 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Authority at 35% and the tax expense actually recognised in the income statement can be reconciled as follows:

	2012 €	2011 €
Surplus for the year before tax	395,848	193,238
Tax rate	35%	35%
Expected tax expense	(138,547)	(67,633)
Non-deductible expenses	(980)	(1,178)
Under-provision in previous years	(6,107)	-
Movement in unrecognised deferred tax assets	27,985	68,811
Actual tax expense, net	(117,649)	-

As at reporting date, the Authority had temporary differences of € 81,815 (2011: € 81,815), excess of carrying amount over tax base of € 62,396 (2011: € 60,255), and unused tax losses of € 82,100 in 2011 for which no deferred tax has been recognised.

9 Surplus for the year

The surplus for the year is stated after charging:

	2012 €	2011 €
Board members' honoraria	37,916	39,185
Board secretary's honoraria	3,444	3,507
Depreciation of property, plant and equipment	51,685	53,856
Auditor's remuneration	5,403	6,189

10 Property, plant and equipment

The Authority's property, plant and equipment comprise leasehold improvements, computer equipment, computer software, motor vehicles, furniture, fixtures and other equipment and assets held under finance lease. The carrying amounts can be analysed as follows:

	Leasehold improvements	Computer equipment	Computer software	Motor vehicles	Furniture, fixtures & other equipment	Assets held under finance lease	Total
	€	€	€	€	€	€	€
Gross carrying amount							
Balance at 1 January 2012	18,981	107,138	18,788	64,105	120,710	287,508	617,230
Additions	-	20,751	2,950	-	857	-	24,558
Balance at 31 December 2012	18,981	127,889	21,738	64,105	121,567	287,508	641,788
Depreciation							
Balance at 1 January 2012	15,525	97,400	16,610	47,305	98,499	265,947	541,286
Depreciation for the year	3,456	12,277	1,818	5,600	6,973	21,561	51,685
Balance at 31 December 2012	18,981	109,677	18,428	52,905	105,472	287,508	592,971
Carrying amounts at 31 December 2012	-	18,212	3,310	11,200	16,095	-	48,817
Gross carrying amount							
Balance at 1 January 2011	18,981	101,029	15,677	64,105	114,234	287,508	601,534
Additions	-	6,109	3,111	-	6,476	-	15,696
Balance at 31 December 2011	18,981	107,138	18,788	64,105	120,710	287,508	617,230
Depreciation							
Balance at 1 January 2011	11,790	90,217	15,463	41,705	91,059	237,196	487,430
Depreciation for the year	3,735	7,183	1,147	5,600	7,440	28,751	53,856
Balance at 31 December 2011	15,525	97,400	16,610	47,305	98,499	265,947	541,286
Carrying amounts at 31 December 2011	3,456	9,738	2,178	16,800	22,211	21,561	75,944

11 Leases

11.1 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 net carrying amount of the assets held under the lease was € nil in 2012 (2011:€21,561) since the lease expired in the year under review. The assets are included under 'assets held under finance lease' which form an integral part of 'property, plant and equipment' (see note 10).

There were no future minimum lease payments at the end of the current reporting period.

Future minimum finance lease payments at the end of 2011 were as follows:

	Minimum lease payments due		
	Within 1 year €	1 to 5 years €	Total €
31 December 2011			
Lease payments	23,504	-	23,504
Finance charges	(378)	-	(378)
Net present values	23,126	-	23,126

The lease agreement for the finishing works on the Authority's leasehold premises includes 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.

11.2 Operating lease

The Authority's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 Year €	1 to 5 years €	Total €
31 December 2011	97,633	-	97,633

Lease payments recognised as an expense during the period amount to € 102,291 (2011: € 93,778). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. No sublease income is expected as all assets held under lease agreements are used exclusively by the Authority.

The rental contract for the leased office premises rented since 1 July 2002 is for Millenia, 2nd Floor, Aldo Moro Road, Marsa and has a non-cancellable term of 5 years, and is renewable for a further period of 5 years. The contract was due to expire on 30 June 2012, however, it was renewed for a further period of 6 months. There were no future minimum lease payments at the end of the current reporting period. Rent is being renewed on a six monthly basis.

The Authority's operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debts.

12 Trade and other receivables

	2012 €	2011 €
Trade receivables, gross	186,283	134,389
Allowance for credit losses	(81,815)	(81,815)
Trade receivables	104,468	52,574
Receivables on EU projects	159,735	56,677
Accrued income	45,435	45,688
Loans and receivables	309,638	154,939
Prepaid expenses	6,046	12,378
Total trade and other receivables	315,684	167,317

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value.

All of the receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired and a provision of € 43,969 had been recorded accordingly in 2011. No provision was deemed necessary during the financial reporting period under review.

The movement in the allowance for credit losses can be reconciled as follows:

	2012 €	2011 €
Balance at 1 January	81,815	37,846
Amount provided for	-	43,969
Balance at 31 December	81,815	81,815

13 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows include:

	2012 €	2011 €
Financial assets:		
Cash at bank	1,994,805	3,600,806
Cash in hand	757	757
Cash and cash equivalents	1,995,562	3,601,563

The Authority did not have any restrictions on its cash and cash equivalents at year end.

14 Accumulated surplus

	2012 €	2011 €
At 1 January	6,079	(187,159)
Surplus for the year	278,199	193,238
At 31 December	284,278	6,079

In accordance with section 14(3) of the provisions of the Malta Resources Authority Act, Chapter 423 of the Laws of Malta, 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.

In accordance with section 14(4) of the provisions of the Malta Resources Authority Act, Chapter 423 of the Laws of Malta, any excess of revenue over expenditure shall, subject to such directives as the Minister, after consultation with the Minister responsible for Finance, may from time to time give, be applied by the Authority to the formation of reserve funds to be used for the purposes of the Authority.

15 Trade and other payables

Trade and other payables recognised in the statement of financial position can be analysed as follows:

	Note	2012 €	2011 €
Financial liabilities:			
Trade payables		326,031	210,810
Current portion of finance lease liability	11	-	23,126
Accruals		319,531	236,215
Other payables (note)		1,318,681	3,375,948
Total trade and other payables		1,964,243	3,846,099

Note - Other payables

Funds received in advance for EU projects and rebate schemes	964,583	2,973,040
Funds received in advance from utility organisations	144,900	109,950
Funds received for training	166,189	208,257
Funds received in advance from wiremen	43,009	76,874
Others	-	7,827
	1,318,681	3,375,948

The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

Amounts due to related parties (included in other payables) are unsecured, interest free and repayable on demand.

16 Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to surplus for the year before tax to arrive at operating cash flow:

	2012 €	2011 €
Adjustments:		
Depreciation of property, plant and equipment	51,685	53,856
Movement in allowance for credit losses	-	43,969
Finance lease liability written-off	-	(4,667)
Interest receivable	(1,409)	(1,859)
Interest expense	378	5,595
	50,654	96,894
Net changes in working capital:		
Change in trade and other receivables	(148,367)	17,639
Change in trade and other payables	(1,857,483)	3,069,099
	(2,005,850)	3,086,738

17 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. Amounts owed to related parties are shown separately in note 15.

Income recognised for the year under review relating to subventions received from the Government of Malta, licenses and contributions from utility organisations and refunds on previous year's expenditure on other studies, are disclosed in note 5.

18 Contingent liabilities

Due to the nature of its functions, the Authority is currently a co-defendant vis-a-vis court claims which refer to:

1. Damages allegedly suffered by the plaintiff as a result of flooding. This case is being contested by the various co-defendants.
2. Damages alleged to have been incurred by the plaintiff in a case related to fuel distribution commissions. This case is being contested by the defendants.
3. Damages alleged to have been incurred by the plaintiff in a case related to access to infrastructure in regard to aviation activities. This case is being contested.
4. Damages alleged to have been incurred by the plaintiff in a case related to commission payable to a petrol station. This case is being contested by the various co-defendants.

In all of the above, the attribution of responsibility, if any, is still undetermined. Thus, quantification of any potential liability is premature. No provision has been recognised in these financial statements.

19 Commitments

At the end of the reporting dates, the Authority had the following commitments:

	2012 €	2011 €
Grants awaiting payment approval under renewable energy schemes	136,000	-
Studies, analysis and operational equipment	57,743	106,808
Capital commitments	61,120	7,882

20 Risk management objectives and policies

The Authority is exposed to various risks in relation to financial instruments. The Authority's financial assets and liabilities by category are summarised in note 20.4. The main types of risks are market risk, credit risk and liquidity risk.

The Authority's risk management is coordinated by the Authority Board 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 the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks which the Authority is exposed to are described below.

20.1 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:

	Notes	2012 €	2011 €
Classes of financial assets – carrying amounts			
Loans and receivables			
- Trade and other receivables	12	309,638	154,939
- Cash and cash equivalents	13	1,995,562	3,601,563
		2,305,200	3,756,502

None of the Authority's financial assets are secured by collateral or other credit enhancements. In respect of loans and receivables, the Authority is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties since this principally consist of amounts due from the European Union for certain studies and projects entered into by the Authority. See note 12 for further information on impairment of trade receivables.

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

20.2 Liquidity risk

The Authority's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise finance lease liability and trade and other payables (see notes 11 and 15). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Authority's obligations when they become due.

The Authority manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The Authority's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments.

At 31 December 2012 the Authority's financial liabilities have contractual maturities which are summarised below:

31 December 2012	Note	Current within 1 year €
Trade and other payables	15	<u>1,964,243</u>

This compares to the maturity of the Authority's financial liabilities in the previous reporting period as follows:

31 December 2011	Note	Current within 1 year €
Finance lease liability	11	23,126
Trade and other payables	15	3,822,973
		<u>3,846,099</u>

20.3 Interest rate risk

The Authority's policy is to minimise interest rate cash flow risk exposures on short-term and long-term financing. The Authority is exposed to interest rate risks on its finance lease liability. The Board considers that a change of +/- 100 basis points in interest rates is reasonably possible. However, the Authority does not retain high levels of cash in view of the fact that it regularly settles its liabilities soon after receiving the cash inflows from its receivables. Therefore, for the purpose of the analysis, an average amount of cash held during the year should be considered. Consequently, the potential impact of such a shift in interest rate, with effect from the beginning of the year, on the net result of the reporting period under review, is considered immaterial. The Authority is not exposed to any other interest rate risk as it had no interest bearing borrowings during the period.

20.4 Summary of financial assets and liabilities by category

The carrying amounts of the Authority's financial assets and liabilities recognised at the end of the reporting periods under review may also be categorised as follows. See note 4.8 for explanations about how the category of financial instruments affects their subsequent measurements.

	Notes	2012 €	2011 €
Current assets			
Loans and receivables			
- Trade and other receivables	12	309,638	154,939
- Cash and cash equivalents	13	1,995,562	3,601,563
		2,305,200	3,756,502
Current liabilities			
Financial liabilities measured at amortised cost:			
- Current portion of finance lease liability	11	-	23,126
- Trade and other payables	15	1,964,243	3,822,973
		1,964,243	3,846,099

21 Capital management policies and procedures

The Authority's capital management objectives are:

- To ensure the Authority's ability to continue as a going concern, and
- To provide a high standard of regulation and conduct in the public utilities and resources industry from the capital investment made in the Authority.

The capital structure of the Authority consists of debt, which includes finance lease liability (note 11) and trade and other payables (note 15), trade and other receivables (note 12), cash and cash equivalents (note 13) and equity, comprising accumulated surplus (note 14).

The Authority's policy is to maintain a strong capital base to maintain Government, public, other utility organisations and creditor confidence and to sustain future development of the Authority's ever-growing role and activities in the public utilities and resources sector.

The Authority monitors the level of debt, which includes its finance lease liability and trade and other payables less cash and bank balances against total equity on an ongoing basis. The Authority Board considers the Authority's gearing level at year end to be appropriate for its operations.

22 Post-reporting date events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation by the Board.

INDEPENDENT AUDITORS' REPORT

To the Authority Board of

Malta Resources Authority

Report on the financial statements

We have audited the accompanying financial statements of Malta Resources Authority set out on pages 4 to 23, which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Authority Board's responsibility for the financial statements

The Authority Board are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Authority Board 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 whether the financial statements are free of 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 our 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, we consider 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 Board members, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the Authority's financial position as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the requirements of the Malta Resources Authority Act, Cap 423.

Report on other legal and regulatory requirements

We also have responsibilities under the Malta Resources Authority Act, Cap 423 to report to you if, in our opinion:

- the information given in the Authority Board's report is not consistent with the financial statements.
- the Authority has not kept proper accounting records.
- the Authority's financial statements are not in agreement with the accounting records.
- we have not received all the information and explanations we require for our audit.
- certain information required by the Act regarding the Authority Board's remuneration is not disclosed in the financial statements, in which case we are required to include the required particulars in a statement in our report.

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



Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON

Certified Public Accountants

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7 February 2013





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