

EU Emissions Trading Scheme  
Directive 2003/87/EC

**NATIONAL ALLOCATION PLAN FOR MALTA**

**2005-2007**

Submission to the EU Commission 18<sup>th</sup> October, 2004

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## INTRODUCTION

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### *This National Allocation Plan (NAP)*

This National Allocation Plan (NAP) for Malta is prepared pursuant to obligations under Directive 2003/87/EC<sup>1</sup>, which establishes an emissions trading scheme (ETS) for greenhouse gas (GHG) emissions within the European Union (EU). Article 9 of this directive requires all Member States to prepare a first National Allocation Plan to cover emissions trading to be undertaken in the EU for the three-year period from January 2005 to December 2007.

The European Community undertook to cut its greenhouse gas emissions by 8% of 1990 levels over the first Kyoto Protocol (KP) commitment period (2008-2012). A burden sharing agreement was agreed by the (then) EU-15 Member States which determined the respective emission levels for those Member States<sup>2</sup>. The ETS is one component of the EU's commitment to achieving this objective.

This National Allocation Plan has been prepared by the Malta Environment and Planning Authority (MEPA), with the assistance of Milieu Limited (Brussels) and Enviro-Markets International (UK) on behalf of the Government of Malta. The NAP has been approved by the Minister for Rural Affairs and the Environment, which oversees MEPA, and endorsed by the Cabinet. However, it remains a draft until it has been subject to a second round of public consultation and be eventually approved by the European Commission (EC).

In developing this draft National Allocation Plan, MEPA has taken into account the guidance published by the Commission to assist Member States in implementation of the criteria listed in Annex III to the Directive<sup>3</sup>. It has also taken account of other guidance provided by the EC, and in particular on informal discussions on the ETS and NAP with officials from the Directorate General for Environment (DG ENV). The criteria set by the EC to evaluate the NAPs from all Member States are identified in Box 1.

After National Allocation Plans are submitted, the Commission will consider each National Allocation Plan. The Commission may reject any aspect of any plan on the basis that it is incompatible with the Directive, giving reasons, and may propose amendments.

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<sup>1</sup> Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC. OJ L275, 25.10.2003, pg. 32.

<sup>2</sup> Council Decision 2002/358/EC of 25 April 2002 concerning the approval, on behalf of the European Community, of the Kyoto Protocol to the United Nations Framework Convention on Climate Change and the joint fulfilment of commitments thereunder. OJ L130, 15.5.2002, pg.1

<sup>3</sup> COM(2003) 830: Communication from the Commission on guidance to assist Member States in the implementation of the criteria listed in Annex III to Directive 2003/87/EC establishing a scheme for greenhouse gas emission trading within the Community and amending Council Directive 96/61/EC, and on the circumstances under which *force majeure* is demonstrated.

***Box 1 : Criteria to be Used by the EC to Evaluate NAPs***

1. The total quantity of allowances to be allocated for the relevant period shall be consistent with the Member State's obligation to limit its emissions pursuant to Decision 2002/358/EC and the Kyoto Protocol, taking into account, on the one hand, the proportion of overall emissions that these allowances represent in comparison with emissions from sources not covered by this Directive and, on the other hand, national energy policies, and should be consistent with the national climate change programme. The total quantity of allowances to be allocated shall not be more than is likely to be needed for the strict application of the criteria of this Annex. Prior to 2008, the quantity shall be consistent with a path towards achieving or over-achieving each Member State's target under Decision 2002/358/EC and the Kyoto Protocol.
2. The total quantity of allowances to be allocated shall be consistent with assessments of actual and projected progress towards fulfilling the Member States' contributions to the Community's commitments made pursuant to Decision 93/389/EEC<sup>4</sup>.
3. Quantities of allowances to be allocated shall be consistent with the potential, including the technological potential, of activities covered by this scheme to reduce emissions. Member States may base their distribution of allowances on average emissions of greenhouse gases by product in each activity and achievable progress in each activity.
4. The plan shall be consistent with other Community legislative and policy instruments. Account should be taken of unavoidable increases in emissions resulting from new legislative requirements.
5. The plan shall not discriminate between companies or sectors in such a way as to unduly favor certain undertakings or activities in accordance with the requirements of the Treaty, in particular Articles 87 and 88 thereof.
6. The plan shall contain information on the manner in which new entrants will be able to begin participating in the Community scheme in the Member State concerned.
7. The plan may accommodate early action and shall contain information on the manner in which early action is taken into account. Benchmarks derived from reference documents concerning the best available technologies may be employed by Member States in developing their National Allocation Plans, and these benchmarks can incorporate an element of accommodating early action.
8. The plan shall contain information on the manner in which clean technology, including energy efficient technologies, are taken into account.
9. The plan shall include provisions for comments to be expressed by the public, and contain information on the arrangements by which due account will be taken of these comments before a decision on the allocation of allowances is taken.
10. The plan shall contain a list of the installations covered by this Directive with the quantities of allowances intended to be allocated to each.
11. The plan may contain information on the manner in which the existence of competition from countries or entities outside the Union will be taken into account.

Once accepted by the European Commission, Malta's National Allocation Plan will (subject to the outcome of public consultation) form the basis for the final decisions to be made on the total quantity of allowances to be issued and their distribution to installations subject to the EU ETS under Article 11 of the Directive for the first trading period from January 2005 to December 2007.

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<sup>4</sup> Council Decision 93/389/EEC of 24 June 1993 for a monitoring mechanism of Community CO<sub>2</sub> and other greenhouse gas emissions has been repealed by Decision No 280/2004/EC of the European Parliament and of the Council of 11 February 2004 concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol.

Further National Allocation Plans for Malta will be prepared for each subsequent five year period. The first of these, covering the period from 2008 to 2012, must be submitted by Malta to the EC no later than 30<sup>th</sup> June 2006, in accordance with Clause 1 of Article 9 of the Directive. Work on preparing this 2<sup>nd</sup> NAP is expected to start during 2005, following completion of the National Energy Plan in March 2005 (see below).

### *The Special Situation of Malta*

Malta was instrumental in launching and piloting the concept of climate change through international fora. In particular, Malta made a proposal for a resolution at the United Nations General Assembly in 1988 urging the 'protection of global climate for present and future generations of mankind'. This proposal was adopted as resolution 43/53, and was the foundation on which future developments in this field (including the Kyoto Protocol) were based.

The European Union, representing the 15 pre-May 2004 Member States, is an Annex 1 signatory of the Kyoto Protocol to the United Nations Framework Convention on Climate Change (UNFCCC). The Kyoto Protocol (KP) sets quantified targets for reducing greenhouse gas emissions for those signatories that are included in Annex 1 to the Convention (Annex B to the Protocol). Malta ratified the UNFCCC as a non-Annex 1 party on 17<sup>th</sup> March 1994, and on the same basis, subsequently ratified the Kyoto Protocol on 11<sup>th</sup> November 2001

23 of the 25 EU Member States are individually also Annex 1 parties to the Kyoto Protocol, with quantified emission limitation commitments. However, Malta and Cyprus are the two exceptions, this being the result of their formal status as 'developing countries' within the meaning of the UNFCCC.

It follows that, as a result of its non-Annex 1 status, Malta does not at present have any quantified greenhouse gas emission targets or limitations. However, Malta fully supports the European Commission in leading all 25 Member States towards ambitious reductions in greenhouse gas emissions, and thus taking a leading role in the international action on climate change. Also, as a Member State of the European Union, Malta is now bound by the obligations set out in European Union legislation, including the emissions trading directive.

Malta's overall greenhouse gas emissions are very small when compared to those of the European Union as a whole. In fact, Malta's emissions of GHGs in 2000 were just 0.041% of the total EU-25 emissions. Malta has one of the lowest emission rates per capita at 7 tonnes per capita, compared to 11 tonnes per capita for the EU as a whole. However, the specific GHG emissions per unit of gross domestic product (GDP) is 910 tonnes of CO<sub>2</sub> equivalent per million Euro of GDP as against the EU average of 605 tonnes<sup>5</sup>.

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<sup>5</sup> Draft of the fifth progress report from the Commission under Council Decision 280/2004/EC concerning a mechanism for monitoring Community greenhouse gas emissions and for implementing the Kyoto Protocol.

### *Specific Implications for the NAP*

These issues have a number of important implications for Malta's NAP. These relate both to the approach used in preparing the NAP and to the wider implications of the low absolute level of GHG emissions attributable to Malta.

There are only two existing installations in Malta, which fall within the framework of the ETS set by the directive. These are both power stations operated by the state-owned energy-utility, EneMalta, at its Marsa and Delimara sites. They have a total nominal installed capacity of 576 MW, with 272 MW at Marsa and 304 MW at Delimara. In 2003 peak maximum demand in both summer and winter was around 390 MW, with an absolute maximum of 397 MW (summer peak) <sup>6</sup>.

In 2003 these units delivered a total of 2,235,541 MWh of electricity and produced CO<sub>2</sub> emissions totaling 1,995,815 tonnes (in accordance with EC guidance, only CO<sub>2</sub> emissions are considered for this sector at the present time) <sup>7</sup>.

For the period 2005 to 2007 at least, Malta's NAP will be based on these two sites alone (together with a provision for 'new entrants'). Furthermore, projections of electricity demand (and therefore CO<sub>2</sub> emissions from these plants) are based on a 'business as usual' scenario, since (as already noted) Malta has no obligations to reduce its emissions at this time.

However, this raises a number of issues that are unique to Malta:

- *A single 'event' can have a disproportionate impact on the demand for electricity in Malta.* While no single new consumer would have a large (percentage) impact on total demand in most Member States, in Malta the impact can be significant. Here we highlight particularly the potential impact of the new Mater Dei Hospital that is currently under construction, and which may come 'on stream' during the 2005 to 2007 trading period.
- *Similarly, a new entrant on the (electricity) supply side could also have a disproportionate effect.* With market liberalization this cannot be ruled out, although in practice it seems unlikely during this trading period. However, it is clear that any new entrant that is subject to ETS (capacity greater than 20 MW) will require an allowance that is a significant proportion of the allowance that is likely to be allocated to the incumbent (EneMalta). Failure to provide such an allocation (for new entrants) could be seen as anti-competitive.
- *Furthermore, the possibility of new entrants in other sectors cannot be ruled out, and will have a similarly disproportionate effect.* While this again seems unlikely during this trading period, it is important to provide an allowance for these new entrants. This is difficult to anticipate because neither the sector nor the size of plant are known. However, it is again clear that any new ETS installation in any sector would require an allocation that is a significant proportion of the total.

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<sup>6</sup> EneMalta Corporation, Annual Report 2003.

<sup>7</sup> EneMalta data, with data for reporting years adjusted to provide data for calendar years.

## SUMMARY OF NATIONAL ALLOCATION PLAN

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1	The Government of Malta is required under Directive 2003/87/EC to prepare a National Allocation Plan to show how it will implement the EU Emissions Trading Scheme during the pilot 3-year trading phase from January 2005 to December 2007.
2	The Government has determined that allowances totaling 8.827 million tonnes of carbon dioxide (CO <sub>2</sub> ) should be allocated to installations in Malta to cover this pilot phase of emissions trading.
3	At present only one sector (the power generation sector) falls within the scope of the emissions trading scheme, and a total of 6.538 million tonnes of CO <sub>2</sub> in allowances has been allocated across the two existing installations in this sector over the three year period, taking account of both projected growth in electricity consumption and more efficient electricity generation.
4	Separate allocations at installation level have been made to the two sites, taking account both of the proportion of the total electricity demand that each is expected to make and of (continuing) trends for improved efficiency of power generation.
5	A further allocation of 2.288 million tonnes of CO <sub>2</sub> has been placed into a reserve, and will be made available to 'new entrants' in the power sector or in other sectors covered by the emissions trading scheme.
6	All allocations will be provided free of charge. If any or all of the allocation reserved for new entrants has not been allocated to a new installation by the end of the three year trading period, the unused allocation will be cancelled.
7	The size of the allocation provided to a new entrant will be based on the application of Best Available Techniques to minimize greenhouse gas emissions.
8	No allowances will be auctioned during this initial pilot phase of the scheme. A decision on whether or not Malta will permit the 'banking' of allocations has not yet been made.
9	The Government of Malta will start to prepare a further National Allocation Plan for the second trading period from 2008 to 2012 which will be finalized by the middle of 2006.
10	The Government of Malta is implementing a number of other programmes to complement the emissions trading scheme, including programmes to encourage renewable energy and energy efficiency in line with the country's Sustainable Development Strategy.

## NATIONAL ALLOCATION PLAN FOR MALTA FOR 2005 - 2007.

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Malta's National Allocation Plan for the ETS trading period from January 2005 to December 2007 is presented in the format suggested in the Communication of the Commission COM(2003) 830 on guidance to assist Member States in the implementation of the criteria listed in Annex III to Directive 2003/87/EC.

### 1. DETERMINATION OF THE TOTAL QUANTITY OF ALLOWANCES

1.1 *What is the Member State's emission limitation or reduction obligation under Decision 2002/358/EC or under the Kyoto Protocol (as applicable)?*

Malta is a signatory to the UNFCCC and has signed and ratified the Kyoto Protocol. However, at present Malta has no legal obligations, either under Decision 2002/358/EC or under the Kyoto Protocol, to limit or reduce its greenhouse gas emissions.

1.2 *What principles, assumptions and data have been applied to determine the contribution of the installations covered by the emissions trading Directive to the Member State's emission limitation or reduction obligation (total and sector historical emissions, total and sector forecast emissions, least-cost approach)? If forecast emissions were used, please describe the methodology and assumptions used to develop the forecasts.*

Only two installations fall within the scope of the EU ETS, namely the Marsa Power Station and the Delimara Power Station. Both installations are owned and operated by EneMalta, which is the government-owned corporation responsible for electricity generation in Malta. There are no other power generating plants in Malta, and there are no electricity interconnectors between Malta and any other country (whether inside or outside the EU).

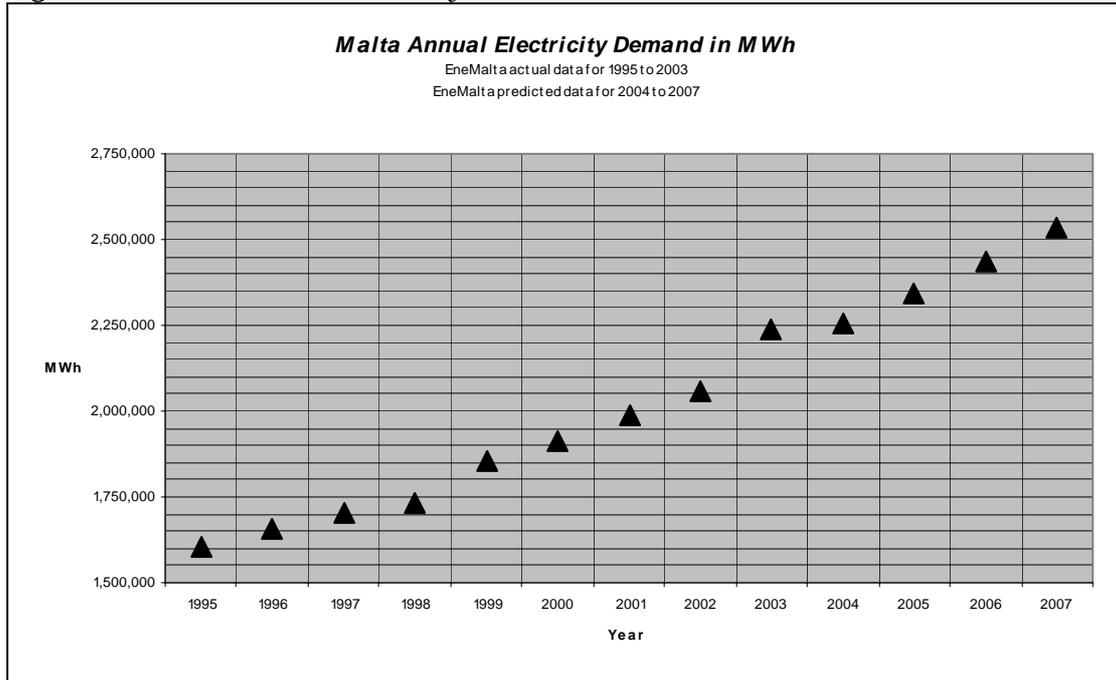
The determination of the allowances to be allocated to this sector and these installations during the first trading period are based on a 'business as usual' scenario covering both the demand side and the supply side.

In relation to the demand side, there are strong correlations between electricity demand and both time (Figure 1) and Malta's Gross Domestic Product (GDP) expressed in Maltese lira at constant 1995 prices (Figure 2)<sup>8</sup>. It is important to note that we have used GDP data that have not been prepared in accordance with ASA 95 methodology, because this provides a longer, consistent time series that can be correlated with electricity demand. Data on the demand for electricity have been provided by EneMalta.

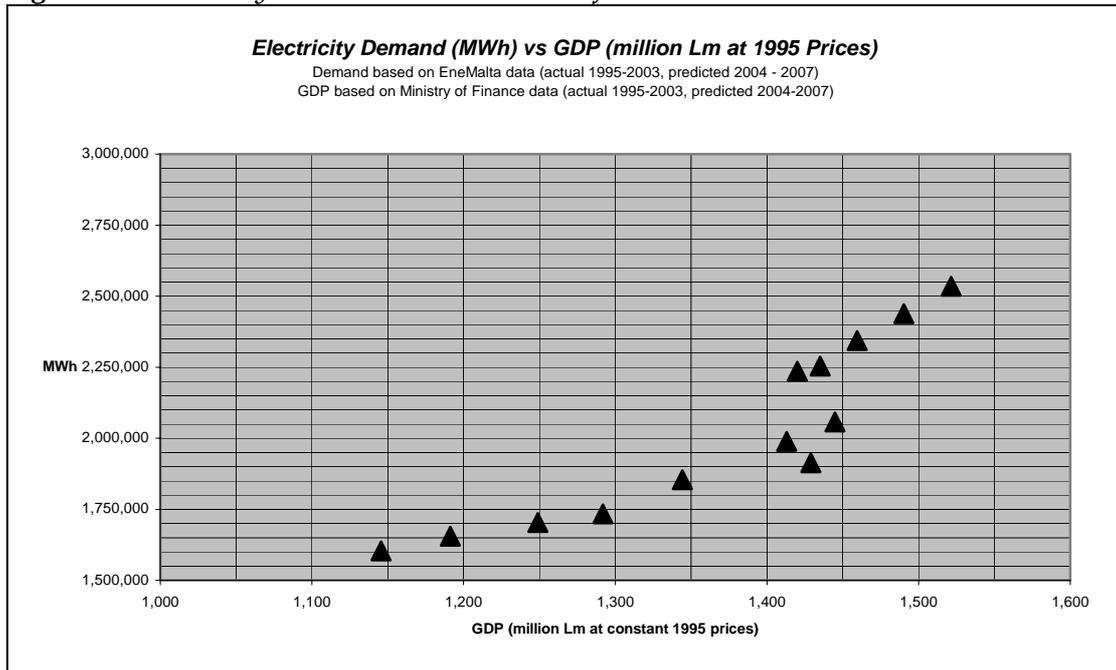
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<sup>8</sup> National Statistics Office. Note that GDP is now calculated on a different basis in accordance with EU standards, but this historic data provides a longer (and therefore more useful) time series for this purpose.

**Figure 1 : Malta Annual Electricity Demand**



**Figure 2 : Electricity Demand as a Function of GDP**



Although electricity demand in 2003 might be considered to be abnormally high as a result of the particularly cold winter and hot summer in Malta (and elsewhere in the EU) that year, we have included data for both 2003 and 2004 (nine months actual data plus three months projections) because the very small increase in demand in 2004 (0.82%) largely offsets the larger increase in 2003 (8.66%). We have therefore used the data over a base period from 1995 to 2004 to establish the relationship between these three variables (Table 1).

This allows us to develop projections for demand over the plan period (2005 to 2007) based on projections of GDP<sup>9</sup> to determine a base 'business as usual' projection for electricity demand. GDP data (column 2) are again at 1995 prices, with firm data from 1995 to 2003 and projections from 2004 to 2007. The electricity demand figures (column 4) are EneMalta data (1995 to 2003) and projections (2004 to 2007), although (as noted above) the projection for 2004 is robust.

**Table 1 : Electricity Demand, GDP and Time (Projections in Italics)**

1	2	3	4	5	6	7
Year	GDP @ 1995 Prices (million Lm)	% Increase in GDP	Electricity Demand (MWh)	% Increase in Elec. Demand	Elec. Demand Based on Correlation (MWh)	% Increase in Elec. Demand
<b>Base Period</b>						
1995	1,146	n/a	1,603,196	n/a	1,582,919	
1996	1,191	3.99%	1,654,696	3.21%	1,651,185	4.31%
1997	1,249	4.85%	1,703,682	2.96%	1,711,504	3.65%
1998	1,292	3.43%	1,733,554	1.75%	1,781,675	4.10%
1999	1,344	4.06%	1,854,151	6.96%	1,845,541	3.58%
2000	1,429	6.30%	1,914,016	3.23%	1,888,192	2.31%
2001	1,413	-1.11%	1,988,226	3.88%	1,996,918	5.76%
2002	1,445	2.25%	2,057,301	3.47%	2,074,314	3.88%
2003	1,420	-1.72%	2,235,541	8.66%	2,188,886	5.52%
2004	1,435	1.07%	2,253,947	0.82%	2,277,176	4.03%
<b>Plan Period</b>						
2005	1,460	1.70%	2,344,105	4.00%	2,359,433	3.61%
2006	1,490	2.10%	2,437,869	4.00%	2,437,583	3.31%
2007	1,522	2.10%	2,535,384	4.00%	2,515,311	3.19%
<b>Total (PP)</b>	<b>4,471</b>		<b>7,317,358</b>		<b>7,312,327</b>	

The correlation identified using regression analysis (best fit) is :

$$D = (C1 \times Y) + (C2 \times G) + B$$

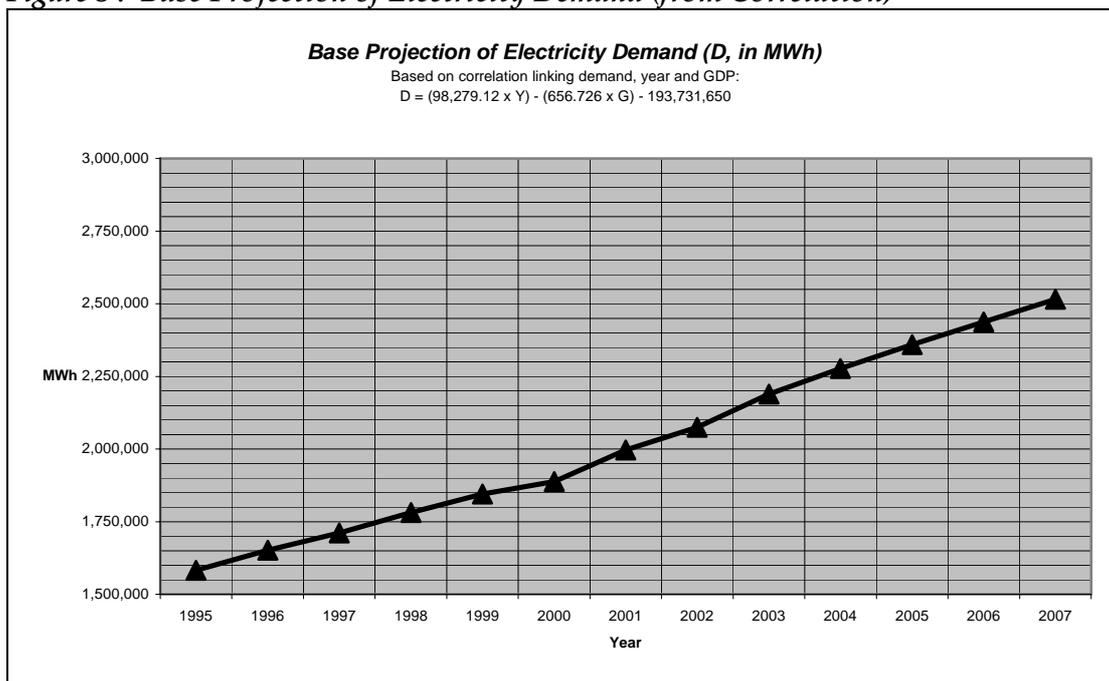
Where

- D = Annual Electricity Demand (MWh)  
 C1 = + 98,279.12 (constant)  
 Y = Year (e.g. 2002)  
 C2 = - 656.726 (constant)  
 G = GDP at 1995 prices (million Lm)  
 B = - 193,731,650 (constant)

The correlation based on this equation provides a smoothed relationship that is a good fit to the EneMalta data over the base period 1995 to 2003 (Figure 3). Based on the correlation, projections of total demand over the period 2005 to 2007 are 7,312,327 MWh (Table 1). This is very similar to EneMalta projections of 7,317,358 MWh, which assume an increase in demand of 4% per annum over the plan period.

<sup>9</sup> Communication of MEPA with Economic Policy Division, Ministry of Finance, September 2004.

**Figure 3 : Base Projection of Electricity Demand (from Correlation)**



However, as noted above, single projects and other known development that are not large in absolute terms (at least by the standards of larger Member States) can have a significant impact on electricity demand in Malta. We have investigated three key areas that are known to have a significant impact on power consumption in Malta:

- **The Water Sector** is a significant consumer of electricity (8.8% in 1999/2000), primarily in the large-scale reverse osmosis (RO) desalination plants that provide around 49% of the country's water<sup>10</sup>. However, following recent water price rises, demand has fallen, while a leak reduction exercise has effectively increased supply. It is therefore unlikely that any major new RO plants will be needed during this trading period;
- **The Tourism Sector** is another major contributor to energy use, both directly and through its use of water. While new hotels and tourism complexes are being constructed, the developments in this sector have been taken into account in the estimates of GDP for the trading period;
- **Other Projects** that could also contribute to either increased electricity demand or alternative electricity supplies have also been considered. Three such new developments have been identified. These are the new Mater Dei Hospital and the Tigne and Manoel Island residential and commercial development projects. These are judged to have a significant impact on demand as they become operational over the period 2005 to 2007. A provision based on the anticipated demand of electricity by these projects is being made. The estimated electricity demands for each year for these new projects are given in the following table (Table 2):

<sup>10</sup> 1<sup>st</sup> National Communication of Malta to the UNFCCC (April 2004)

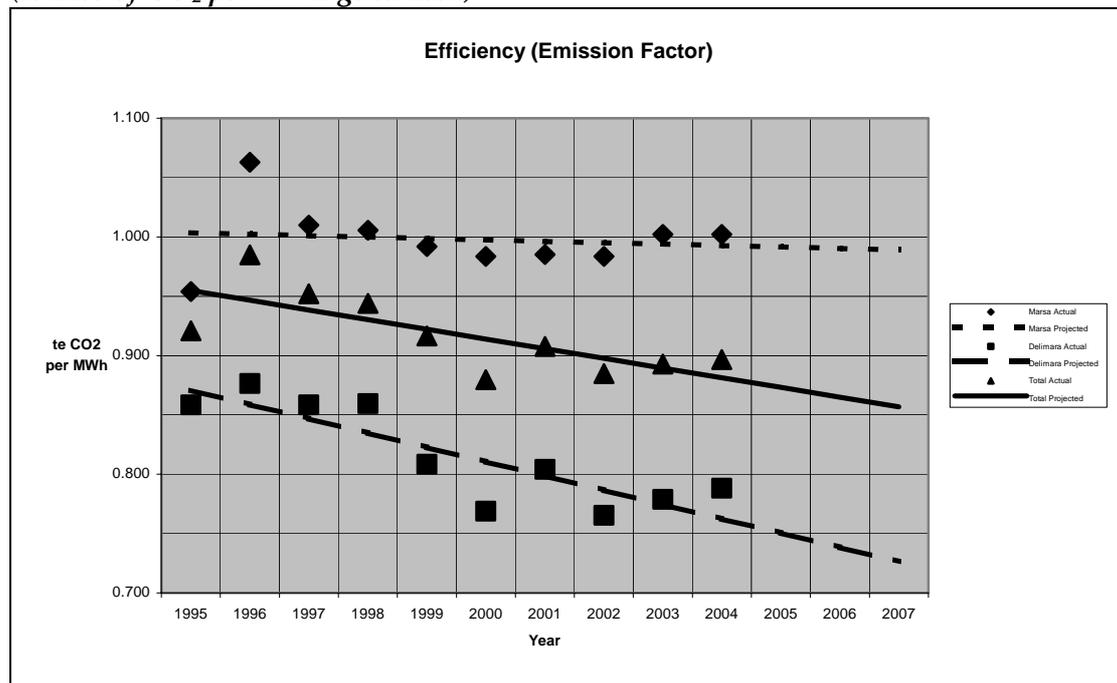
**Table 2 : Electricity Demand for new major projects**

Project	2005	2006	2007
Tigne & Manoel Island development projects	55,188 MWh	110,376 MWh	165,564 MWh
Mater Dei Hospital	-	-	55,188 MWh
<i>Total</i>	<i>55,188 MWh</i>	<i>110,376 MWh</i>	<i>220,752 MWh</i>

We have therefore concluded that the projected base electricity demand based on the correlation that has been identified, to which is added the provision of allocations for the new major developments, is a realistic projection for actual electricity demand over the period covered by the NAP (2005 to 2007).

We have assumed that this total demand will be met through the existing EneMalta plants and units at Marsa and Delimara. The Marsa plant is older, less reliable and less efficient than the Delimara plant, although the overall efficiencies of both plants have improved over the years (Figure 4) as new (more efficient) units have come on stream (Delimara) and existing units have been upgraded and converted from coal to oil firing (Marsa). We have therefore assumed that the observed rates of improvement (in terms of average CO<sub>2</sub> emissions per MWh generated) will continue, and that all increases in load will be met preferentially by the Delimara plant.

**Figure 4 : Efficiencies (Emission Factors) for Marsa and Delimara Power Plants (tonnes of CO<sub>2</sub> per MWh generated)**



These emission factors are represented by the equation:

$$E = (M \times Y) + B$$

Where

- E = Emission factor (average tonnes of CO<sub>2</sub> emitted per MWh generated)
- M = Constant
- Y = Year (e.g. 2002)
- B = Constant

The parameters for Marsa, Delimara and overall are summarized in Table 3.

**Table 3 : Emission Factors(Efficiencies) for Marsa, Delimara & Overall, 2005 to 2007**

<i>Installation</i>	<i>Constant M</i>	<i>Constant B</i>	<i>E for 2005</i>	<i>E for 2006</i>	<i>E for 2007</i>
Marsa	-0.00119	3.383	0.991	0.990	0.989
Delimara	-0.01204	24.890	0.750	0.738	0.726
Overall	-0.00815	17.222	0.873	0.865	0.857

We also propose to hold an additional allowance (reserve) for new entrants. This is to cater both for the possibility that competitors to EneMalta will emerge in the power sector and for the possibility that an operator (or operators) may seek to establish a plant in another sector that falls within the ETS. However, we emphasize again that we believe that it is extremely unlikely that this reserve allocation will be taken up during the initial trading period:

- *For the Power Sector*, we have assumed that any new entrant would need to install capacity of at least 100 MW (17.4% of existing capacity) in order to benefit from economies of scale. Since economic viability would need to be based on a higher efficiency than EneMalta, we have assumed that an (annual) allowance of 15% of the total available to EneMalta would be sufficient.
- *Outside the Power Sector* it is even more difficult to judge the allowance that might be required by any new entrant. We have therefore arbitrarily assumed an additional (reserve) annual allowance of 20% of that allocated to EneMalta.

The total reserve for new entrants is therefore set at 35% of EneMalta's allocation during the first trading period. This amounts to 2,288,466 tonnes of CO<sub>2</sub> over the trading period, or 762,822 in each of the three years.

1.3 *What is the total quantity of allowances to be allocated (for free and by auctioning), and what is the proportion of overall emissions that these allowances represent in comparison with emissions from sources not covered by the emissions trading Directive? Does this proportion deviate from the current proportion of emissions from covered installations? If so, please give reasons for this deviation with reference to one or more criteria in Annex III to the Directive and/or to one or more other objective and transparent criteria.*

Malta's proposed total quantity of allocation for the period 2005 to 2007, based on the methodology and assumptions outlined above, is therefore **8,826,941** tonnes of CO<sub>2</sub> (Table 4). A total of **6,538,475** tonnes of CO<sub>2</sub> would be allocated to EneMalta, with **2,288,466** tonnes of CO<sub>2</sub> held in reserve for new entrants. Although the reserve figure is high, in practice any new entrant would be most unlikely to be operational before 2007, so in effect the total reserve allocation is most unlikely to be used.

**Table 4: Malta Allowances for the Period 2005 to 2007**

	<i>Units</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>Total</b>
Gross Domestic Product (GDP)	Million Lm	1,460	1,490	1,522	<b>4,472</b>
Electricity demand from correlation	MWh	2,359,433	2,437,583	2,515,311	<b>7,312,327</b>
Extra demand due to new projects	MWh	55,188	110,376	220,752	<b>386,316</b>
Total electricity demand	MWh	2,414,621	2,547,959	2,736,063	<b>7,698,643</b>
Demand met by Marsa	MWh	1,134,632	1,134,632	1,134,632	<b>3,403,896</b>
Marsa efficiency	te CO <sub>2</sub> /MWh	0.991	0.990	0.989	<b>0.990</b>
Marsa allowance	te CO <sub>2</sub>	1,124,985	1,123,631	1,122,278	<b>3,370,894</b>
Demand met by Delimara	MWh	1,279,992	1,413,329	1,601,432	<b>4,294,752</b>
Delimara efficiency	te CO <sub>2</sub> /MWh	0.750	0.738	0.726	<b>0.738</b>
Delimara allowance	te CO <sub>2</sub>	960,617	1,043,670	1,163,294	<b>3,167,581</b>
Total EneMalta allowance	te CO <sub>2</sub>	<b>2,085,602</b>	<b>2,167,301</b>	<b>2,285,572</b>	<b>6,538,475</b>
Reserve for New Entrants	te CO <sub>2</sub>	<b>762,822</b>	<b>762,822</b>	<b>762,822</b>	<b>2,288,466</b>
<b>Total National Allowance</b>	<b>te CO<sub>2</sub></b>	<b>2,848,424</b>	<b>2,930,123</b>	<b>3,048,394</b>	<b>8,826,941</b>

We are proposing that the allowances for both EneMalta and new entrants should be allocated for free, in order to minimize the immediate impact on electricity prices and encourage new entrants and inward investment.

The allocations to EneMalta do not deviate significantly from the current proportion of emissions. However, the increase in demand arising from GDP and other factors would be met preferentially by the more efficient Delimara plant. The output of Marsa is assumed constant at the same level as its average output over the three years from 2001 to 2003. Not only are these the last three years for which full actual consumption data are available, but in practice the output from Marsa was also relatively constant (1,136,942 MWh, 1,126,257 MWh and 1,140,698 MWh respectively for 2001, 2002 and 2003).

1.4 *What policies and measures will be applied to the sources not covered by the emissions trading Directive? Will use be made of the flexible mechanisms of the Kyoto Protocol? If so, to what extent and what steps have been taken so far (e.g. advancement of relevant legislation, budgetary resources foreseen)?*

Data for the year 2000 are available from a greenhouse gas emissions inventory carried out according to IPCC guidelines<sup>11</sup>. In that year, CO<sub>2</sub> emissions from power generation amount to around three-quarters of total CO<sub>2</sub> emissions for the country, and to about 68% of total greenhouse gas emissions (Table 5).

<sup>11</sup> The 1<sup>st</sup> National Communication of Malta to the UNFCCC (April 2004)

*Table 5: Malta CO<sub>2</sub> Emissions by Sector (2000)*

<i>Sector</i>	<i>Emissions (tonnes)</i>	<i>% of Total Emissions</i>
Energy Industries	1,784,000	73.0%
Transport	496,000	20.3%
Other sectors	106,000	4.3%
Manufacturing Industries & Construction	58,000	2.4%
<b>Total</b>	<b>2,444,000</b>	<b>100%</b>

Malta does not have any greenhouse gas emission reduction or limitation obligations under the Kyoto Protocol or under Decision 2002/358/EC. As it is not an Annex 1 country, Malta cannot participate in Joint Implementation projects but only in projects under the Clean Development Mechanism (CDM). The complexity of CDM and Malta's limited energy consumption indicates that this approach is unlikely to be viable at the present time. We have therefore assumed that no use will be made of the flexible mechanisms of the Kyoto Protocol, at least during this trading period.

Despite this, Malta is taking concrete steps to reduce its emissions of greenhouse gases. A National Energy Plan is in preparation, and will be completed by March 2005. This will cover both supply side issues (including renewable energy) and demand side issues (including energy efficiency). In the meantime, the Draft Sustainable Development Strategy for Malta (July 2004) identifies a number of relevant strategic directions and implementation measures (Box 2).

<b><i>Box 2 : Some Relevant Strategic Directions &amp; Implementation Measures</i></b>	
<b><i>Managing the Environment and Resources</i></b>	
Air Quality	<ul style="list-style-type: none"> <li>• Improve efficiency in electricity generation</li> <li>• Put in place an integrated approach to promote energy efficiency</li> <li>• Promote the adoption of new technologies</li> <li>• Direct the construction industry to improve design for thermal efficiency</li> </ul>
Resources & Emissions of GHGs	<ul style="list-style-type: none"> <li>• Put in place a policy for rapid introduction of renewable energy sources</li> <li>• Take steps to continue reducing greenhouse gas emissions</li> <li>• Step up funding for research on buildings and renewable energy sources</li> </ul>
Fresh Water	<ul style="list-style-type: none"> <li>• Modernise &amp; rehabilitate the distribution network</li> <li>• Encourage further water conservation measures</li> <li>• Optimize the use of second class water</li> </ul>
Wastes	<ul style="list-style-type: none"> <li>• Encourage waste prevention, minimization, re-use and recycling</li> <li>• Close uncontrolled landfills &amp; establish controlled landfills</li> <li>• Close all non-compliant incinerators</li> </ul>
Land Use	<ul style="list-style-type: none"> <li>• Ensure closer integration of transport &amp; land use planning</li> <li>• Promote residence &amp; mixed use to reduce travel needs</li> <li>• Devise methods so tourism development is more sustainable</li> </ul>
Transport	<ul style="list-style-type: none"> <li>• Devise methods to reduce over-dependence on private car use</li> <li>• Promote more efficient use of parking</li> <li>• Enhance enforcement &amp; more appropriate penalties</li> </ul>
<b><i>Promoting Sustainable Economic Development</i></b>	
Included under several different sub-headings	<ul style="list-style-type: none"> <li>• Promote less consumption of non-renewable resources</li> <li>• Promote eco-efficiency &amp; step up productivity in resource use</li> <li>• Step up use of economic instruments to internalize costs</li> <li>• Encourage participation in EU eco-labelling scheme</li> <li>• Further promote use of environmental management &amp; audit systems</li> <li>• Channel investments in tourism towards less resource-costly areas</li> </ul>

More generally, in its 1<sup>st</sup> National Communication to the UNFCCC Malta identified a number of measures that are worth further investigation to see how they could be applied to reduce GHG emissions across the economy (Box 3).

<b><i>Box 3 : Some Measures Identified in the 1<sup>st</sup> National Communication of Malta to the UNFCCC</i></b>	
<b><i>Energy Sector</i></b>	<ul style="list-style-type: none"> <li>• Improve efficiency of generating plant (e.g. CCGT)</li> <li>• Switch to natural gas as main fuel</li> <li>• Implement renewable energy technologies</li> <li>• Use combined heat and power (&amp; link to renewables)</li> <li>• Use low sulphur fuels to reduce SO<sub>2</sub> emissions</li> <li>• Install power factor correction (major users)</li> <li>• Technologies for energy efficiency &amp; conservation</li> <li>• Energy labelling of appliances &amp; increased awareness</li> </ul>
<b><i>Transport Sector</i></b>	<ul style="list-style-type: none"> <li>• Improved traffic management</li> <li>• Parking schemes &amp; improved public transport</li> <li>• Improved catalysts &amp; enforcement of emission regulations</li> <li>• Alternative fuels, principally hydrogen</li> <li>• Introduction of hybrid &amp; electric traction</li> </ul>
<b><i>Water Resources</i></b>	<ul style="list-style-type: none"> <li>• Improved demand side management to limit consumption</li> <li>• Use of non-potable water for some activities</li> <li>• Awareness campaign on efficient use of water</li> <li>• Water tariffs linked to consumption, plus enforcement measures</li> <li>• Reduced leakage (detection, repair, management)</li> <li>• Curtailment of illegal abstraction/aquifer management</li> <li>• Integrated storm water management plan</li> <li>• Use of treated effluents outside groundwater protection zones</li> <li>• Improved irrigation techniques</li> </ul>
<b><i>Liquid Waste Management</i></b>	<ul style="list-style-type: none"> <li>• Encouragement of on-site treatment and re-use</li> <li>• Measures to reduce load on sewerage by limiting water use</li> <li>• Operation of sewerage system under aerobic conditions</li> <li>• Introduction of tariffs based on water consumption</li> <li>• Separate treatment of problematic wastes (e.g. animal wastes)</li> <li>• Implementation of Sewerage Master Plan for Malta &amp; Gozo</li> </ul>
<b><i>Solid Waste Management</i></b>	<ul style="list-style-type: none"> <li>• Capture &amp; use of methane (landfill gas) from solid waste</li> <li>• Replacement of uncontrolled landfills with engineered landfills</li> <li>• Upgrade &amp; develop new recycling facilities</li> <li>• Separation of waste at source</li> <li>• Reduction of amounts of biodegradable waste</li> <li>• More effective management of slaughterhouse/fish farm wastes</li> </ul>
<b><i>Agricultural Sector</i></b>	<ul style="list-style-type: none"> <li>• Adaptation &amp; diversification of crop species</li> <li>• Measures to reduce soil erosion</li> <li>• Use of soil improvement techniques, including compost</li> <li>• Afforestation of abandoned land</li> <li>• Combatting inundation &amp; coastal erosion</li> <li>• Protection of habitats etc from sea level rise</li> </ul>
<b><i>Industrial Sector</i></b>	<ul style="list-style-type: none"> <li>• Implementation of regulatory instruments</li> <li>• Development of financial &amp; market-based instruments</li> <li>• Environmental codes of practice for industry</li> <li>• Awareness campaign on environmental responsibilities</li> </ul>

1.5 *How has the national energy policy been taken into account when establishing the total quantity of allowances to be allocated? How is it ensured that the total quantity of allowances intended to be allocated is consistent with a path towards achieving or overachieving the Member State's target under Decision 2002/358/EC or under the Kyoto Protocol (as applicable)?*

An energy policy and the related National Energy Plan are currently being prepared, and will be completed by March 2005. These will cover both supply side issues (including renewable energy) and demand side issues (including energy efficiency). This NAP and the Sustainable Development Strategy will both provide inputs for the preparation of the National Energy Plan. When completed, the National Energy Plan will provide a framework for positive action by the Maltese Government (to reduce GHG emissions). It will also be used (with this NAP) to prepare the NAP for the period 2008 to 2012.

As Malta is not an Annex 1 country, it does not yet have targets under Decision 2002/358/EC or under the Kyoto Protocol. For this first trading period, the quantity of allowances to be allocated has been determined using a 'business as usual' scenario (see 1.2).

1.6 *How is it ensured that the total quantity of allowances to be allocated is not more than is likely to be needed for the strict application of the criteria of Annex III? How is consistency with the assessment of actual and projected emissions pursuant to Decision 93/389/EEC ensured?*

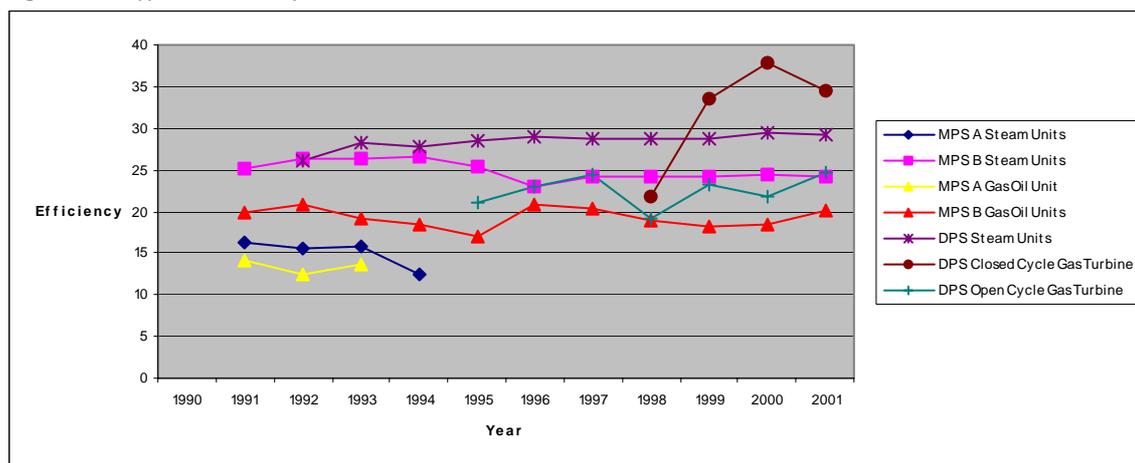
The total quantity of allowances to be allocated to EneMalta for this trading period are based on reasonable projections of CO<sub>2</sub> emissions arising from electricity demand during this period (see 1.2). An assumption that the overall efficiency of both installations will continue to improve through the trading period is therefore implicit in the 'business as usual' scenario. However, the overall total allowance for Malta is significantly higher than this because of the need to provide allowances for possible new entrants, both in the energy sector and outside it. We do not believe that these (reserve) allowances will actually be used during this first trading period. Furthermore, although these (reserve) allowances seem large in percentage terms, this results from the unique position of Malta (see Introduction): they are not large in absolute terms.

1.7 *Please explain how the potential, including the technological potential, of activities to reduce emissions was taken into account in determining the total quantity of allowances.*

The potential, including the technical potential, to reduce emissions has not been taken into account in determining the total quantity of allowances. Malta has at present no obligation to reduce its emissions, and the allowances were therefore determined using a 'business as usual' scenario (section 1.2).

However, this scenario does incorporate an assumption that historic improvements in the overall efficiency of power generation will continue to be achieved through the period covered by the NAP. The present generating capacity of the two EneMalta plants is based on a number of different units, which have different efficiencies (Figure 5). They include both steam generating and combined cycle plant, some operating on heavy fuel oil and some on gas oil (older coal-fired plants have been converted to heavy fuel oil firing).

**Figure 5 : Efficiencies of Individual Units at Marsa (MPS) and Delimara (DPS)**



History of plant efficiency for the two power plants (MPS: Marsa Power Station, DPS: Delimara Power Station): MPS A is the older facility at Marsa, consisting of five steam turbines and one gas turbine operational till 1994. MPS B is an open cycle gas turbine introduced in 1990. Delimara power station (DPS) started operating in 1992.

It is the policy of EneMalta to reduce costs and emissions by operating the plants at maximum efficiency and by using the most efficient plant, taking fuel and other costs into account. Thus the most efficient combined cycle plant is used to the maximum extent possible. This has produced the trend of improving overall efficiency at both plants that has already been noted (Figure 4).

As for the future, EneMalta is not planning to bring any new units on line during this first trading period from 2005 to 2007. However, improvements in performance are expected to continue through technical measures and by ensuring that the more efficient units at Delimara take a greater share of the load (this will be facilitated by completion of a major interconnector tunnel between the two sites).

Furthermore, it is EneMalta’s policy to ensure that all new plants are capable of running on natural gas as well as on gas-oil (as at present). This would facilitate a switch to gas fuel at some point in the future (but beyond the end of this trading period). This gas supply could be achieved using liquefied natural gas (LNG) tankers, or via a gas pipeline between Sicily and Malta (a feasibility study for this has not yet been completed).

Any decision on conversion to natural gas would be made by EneMalta, primarily on economic grounds. However, the switch to gas would provide the very large reduction in CO<sub>2</sub> emissions that will eventually be needed as Malta seeks to reduce levels of GHG emissions significantly.

1.8 Please list in Section 5.3 below the Community legislative and policy instruments that were considered in determining the total quantity of allowances and state which ones have been taken into account and how.

Both EneMalta power plants fall under the *Integrated Pollution Prevention and Control (IPPC) Directive (96/61/EC)* and the *Large Combustion Plants Directive (2001/80/EC)*. These directives impose strict emission standards on both Malta's power plants, and IPPC permits are currently being negotiated. However, since both are existing plants they do not need to comply in full with the requirements of the LCP directive until the beginning of 2008 (i.e. after the end of this trading period), although they would need to be compliant with the conditions in the IPPC permits by October 2007. It seems likely that the existing units at the Marsa plant will eventually be closed, with more of the load being met by Delimara. However, once the old units have been removed, new high-efficiency units can be installed at Marsa (where space is currently a limiting factor). Achieving compliance (at Delimara) is likely to reduce the overall efficiency of some units, but this effect is expected to be small. The fact that the Best Available Technique (BAT) for this sector is a gas-fired, combined cycle gas turbine is perhaps more relevant, although the use of gas would still depend primarily on economic factors.

The *Directive on the Promotion of Renewable Energy (2001/77/EC)* is also relevant here. Malta's stated target under this directive is to generate 5% of its electricity from renewable energy sources by 2010. Consultants have recently been appointed to carry out a study of the potential for renewables in Malta, including identifying how this target is to be achieved. This work should be completed in 6 to 9 months. The only large-scale electricity generation technologies that are likely to be relevant in Malta are wind power and energy-from-waste (landfill gas utilization). Although there is some interest in wind farm developments, these are still at the planning stage and their peak in power generation (winter) does not coincide with maximum demand. Landfill gas offers good potential for the future, but the new sites are not yet operating and the quality and quantity of gas that might be available from the old sites is not yet known. There will also be some potential for energy production from sewage sludge treatment or digestion, but again this depends on the large, new sewage treatment plant coming on stream. Solar power also offers good potential (thermal or PV), but are not economic at present. It follows that renewable energy is unlikely to have a significant impact on (fossil-fuelled) electricity demand within this first trading period.

The *Directive on the Energy Performance of Buildings (2002/91/EC)* is based on targets, certificates and inspections. The mechanisms for this are not yet in place in Malta, although preparations are in hand for a revised Code of Building Regulations. So again this seems likely to have little or no impact within this first trading period.

Similarly, the *Directive on the Restructuring of the Community Framework for the Taxation of Energy Products and Electricity (2003/96/EC)* will have an important impact in the longer term, but is new and so will have no significant impact within this first trading period.

1.9 *If the Member State intends to auction allowances, please state the percentage of the total quantity of allowances that will be auctioned, and how the auction will be implemented.*

It is not anticipated that any allowances will be auctioned in this trading period. The allowances to EneMalta will be provided free of charge. The allowances in reserve for new entrants (both in the power sector and outside it) will also be provided free of charge, but only if individual new entrants have installations ready to operate within the trading period.

## 2. DETERMINATION OF THE QUANTITY OF ALLOWANCES AT ACTIVITY LEVEL

2.1 *By what methodology has the allocation been determined at activity level? Has the same methodology been used for all activities? If not, explain why a differentiation depending on activity was considered necessary, how the differentiation was done, in detail, and why this is considered not to unduly favour certain undertakings or activities within the Member State.*

In practical terms, this National Allocation Plan only covers the energy sector. The methodology used to identify the allocation has already been described (1.2).

The possibility of other activities falling within the scope of the ETS at some point in the future rests solely with new entrants. This possibility has been foreseen through the provision of a reserve allocation. Each case would be judged on its merits, based on the application of BAT and best practice in relation to energy efficiency.

2.2 *If the potential, including the technological potential, of activities to reduce emissions was taken into account at this level, please state so here and give details in Section 4.1 below.*

In Malta the potential to reduce emissions is limited for the 1<sup>st</sup> trading period. However, many improvements have already been made in recent years. The transition from coal to oil for energy production has been completed, and reductions in emissions have been demonstrated and reported in the 1<sup>st</sup> National Communication to the UNFCCC.

Further improvements can be made by upgrading the existing generating plant. These are constrained by effects on the social and economic sectors and by the long investment cycles necessary in such cases. Measures which may be taken now have a long lead time with results only evident after many years.

The possibility to make improvements is also limited by the fact that there is only one operator in Malta.

2.3 *If Community legislative and policy instruments have been considered in determining separate quantities per activity, please list the instruments considered in Section 5.3 and state which ones have been taken into account and how.*

There is only one activity in Malta which falls within the requirements of the Directive, and this relates to power generation.

2.4 *If the existence of competition from countries or entities outside the Union has been taken into account, please explain how.*

The NAP relates primarily to the electricity supply sector. Malta is a small island and is not linked in energy terms to any of its neighbours. It follows that the only prospect for competitors from outside the EU to be involved would be by entering the market as a new entrant. However, this prospect is extremely unlikely.

### 3. DETERMINATION OF THE QUANTITY OF ALLOWANCES AT INSTALLATION LEVEL

3.1 *By what methodology has the allocation been determined at installation level? Has the same methodology been used for all installations? If not, please explain why a differentiation between installations belonging to the same activity was considered necessary, how the differentiation by installation was done, in detail, and why this is considered not to unduly favour certain undertakings within the Member State.*

In Malta there are only two installations operating in the power generation sector. Both are under the control of a single operator, EneMalta. As already noted (1.2), the allocation between these units has been decided by applying a 'business as usual' scenario at installation level, and then using those figures to determine the total allocation for Malta (Table 4). This approach takes into account the different characteristics of the two installations, including their historic performance (output and efficiency), as well as the likely increase in the demand for electricity over the trading period. In allocating the demand between the two installations, we have assumed that the output from the Marsa installation will remain constant at its current level, and that all increases in demand will be met by the (more efficient) Delimara plant.

3.2 *If historical emissions data were used, please state whether they have been determined in accordance with the Commission's monitoring and reporting guidelines pursuant to Article 14 of the Directive or any other set of established guidelines, and/or whether they have been subject to independent verification.*

The emission data used has been obtained from the operator of the two installations. This data has been corroborated independently through the data collected in connection with Malta's 1<sup>st</sup> National Communication to the UNFCCC. Projections as to future growth in electricity requirements are based on our extrapolations of electricity demand from historic data over the base period 1995 to 2004 to the trading period, using the identified correlation based on year and GDP (see 1.2). As already noted, the relevant GDP data (past figures and future projections) have been provided by the Ministry of Finance, although it must be noted again that the methodology used does not comply with ASA 95.

3.3 *If early action or clean technology were taken into account at this level, please state so here and give details in Sections 4.2 and/or 4.3 below.*

No account has been taken of 'early action' and 'clean technology' in the determination of allowances for this trading period.

3.4 *If the Member State intends to include unilaterally installations carrying out activities listed in Annex I below the capacity limits referred to in that Annex, please explain why, and address, in particular, the effects on the internal market, potential distortions of competition and the environmental integrity of the scheme.*

Malta does not intend at this stage to include any installations carrying out activities referred to in the first section of Annex 1 but which are below the capacity limits set out in the Annex.

3.5 *If the Member State intends temporarily to exclude certain installations from the scheme until 31 December 2007 at the latest, please explain in detail how the requirements set out in Article 27(2)(a)-(c) of Directive 2003/87/EC are fulfilled.*

Malta does not intend to exclude any installation specified in Annex 1 from the emissions trading scheme.

## 4. TECHNICAL ASPECTS

### 4.1. Potential, including technological potential

*4.1.1 Has criterion (3) been used to determine only the total quantity of allowances, or also the distribution of allowances between activities covered by the scheme?*

The allowances have been determined using a 'business as usual' scenario, reflecting Malta's position as a non-Annex 1 country. This scenario takes account of the technical potential to improve the efficiency of power generation using the existing plants at the two installations. The fact that the plants fall under the IPPC and LCP directives implies that BAT will be achieved on or before 1<sup>st</sup> January 2008 (unless a plant is to be closed).

*4.1.2 Please describe the methodology (including major assumptions made) and any sources used to assess the potential of activities to reduce emissions. What are the results obtained? How is it ensured that the total quantity of allowances allocated is consistent with the potential?*

The approach used assumes that the historic rate of improvement (in the efficiency of power generation) at the two installations is maintained up to and through this trading period (see 1.2).

*4.1.3 Please explain the method or formula(e) used to determine the quantity of allowances to allocate at the total level and/or activity level taking the potential of activities to reduce emissions into account.*

The relevant formulae are set out in 1.2 above.

*4.1.4 If benchmarking was used as a basis for determining the intended allocation to individual installations, please explain the type of benchmark used, and the formula(e) used to arrive at the intended allocation in relation to the benchmark. What benchmark was chosen, and why is it considered to be the best estimate to incorporate achievable progress? Why is the output forecast used considered to be the most likely development? Please substantiate the answers.*

No benchmarking was used in determining the allowances to be allocated. These were determined on the basis of reasonable projections as to electric power requirements up to 2007.

### 4.2. Early action (if applicable)

*4.2.1 If early action has been taken into account in the allocation to individual installations, please describe in which manner it is accommodated. Please list and explain in some detail the measures that were accepted as early action and what the criteria for accepting them were. Please demonstrate that the investments/actions to be accommodated led to a reduction of covered emissions beyond what followed from any Community or national legislation in force at the time the action was taken.*

No early action has been taken into account in preparing this NAP.

*4.2.2 If benchmarks are used, please describe on what basis the grouping of installations to which the benchmarks are applied was made and why the respective benchmarks were chosen. Please also indicate the output values applied and justify why they are considered appropriate.*

No account of, or awards for, 'early action' have been made in the allowance allocations in this plan. However, the distribution of allocations for each year of the trading period depend on the increase in power generation potential of the two installations. Thus, the newer Delimara power station will get an increase in allocations over the three years (to reflect the increase in burden of power generation).

### **4.3 Clean technology**

*4.3.1 How has clean technology, including energy efficient technologies, been taken into account in the allocation process?*

Clean technologies per se have not been taken into account in the allocation process. However, both installations will need either to comply with BAT under the IPPC Directive, or close. The more modern plant at Delimara, which is more consistent with BAT, has been given a higher share of the increase in allocations over the three years.

*4.3.2 If at all, which clean technology has been taken into account, and on what basis does it qualify as such? Have any energy production technologies intended to be taken into account been in receipt of approved State aid for environmental protection in any Member State? Please state whether any other industrial technologies intended to be taken into account constitute "best available techniques" as defined in Council Directive 96/61/EC, and explain in what way it is particularly performing in limiting emissions of covered greenhouse gases.*

Not applicable in this case (see 4.3.1 above).

## 5. COMMUNITY LEGISLATION AND POLICY

### 5.1. Competition policy (Articles 81-82 and 87-88 of the Treaty)

5.1 *If the competent authority has received an application from operators wishing to form a pool and if it is intended to allow it, please attach a copy of that application to the National Allocation Plan. What percentage of the total allocation will the pool represent? What percentage of the relevant sector's allocation will the pool represent?*

The competent authority has not received any application to form a pool. Both installations are operated by the same organization, so this is not necessary.

A decision on whether or not to permit the 'banking' of allowances has not yet been made. This decision will be made before the NAP is finalized, and the Commission will be notified.

### 5.2. Internal market policy - new entrants (Article 43 of the Treaty)

5.2.1 *How will new entrants be able to begin participating in the EU emissions trading scheme?*

There are no known new applicants at the time of the preparation of the NAP. However it is possible for such a new applicant to appear and for the necessary permits (planning and environmental) to be secured during the course of this first trading period.

A reserve allocation of 2,288,466 tonnes of CO<sub>2</sub> has been set aside for this purpose. This represents 25.9% of the total allocation: this is for the full trading period, but in practice we do not expect that any organization will be in the position to draw on this allowance until 2007 at the earliest.

In the event of these allowances being used, the allocations will be made without charge on a first come first served basis according to the rules set out below (5.2.2.)

5.2.2 *In the case that there will be a reserve for new entrants, how has the total quantity of allowances to set aside been determined and on what basis will the quantity of allowances be determined for each new entrant? How does the formula to be applied to new entrants compare to the formula applied to incumbents of the relevant activity? Please also explain what will happen to any allowances remaining in the reserve at the end of the trading period. What will apply in case the demand for allowances from the reserve exceeds the available quantity of allowances?*

Allocations will be made to new entrants, as defined in the Directive, on a free-of-charge, first come first served basis from a general set aside of 2,288,466 tonnes of CO<sub>2</sub> from a total allowance of 8,826,941 tonnes of CO<sub>2</sub>. Within this general reserve, an allocation of allowances will be made on the following basis:

- a) The allocation to be made available to any new entrant will be determined by the Government, based on an assessment of the nature, scale and technical details of the proposed installation. No allocation will be greater than the allocation that would be allocated to a similar plant using BAT and/or clean technology.
- b) The allocation to be made available will take account of the timing of the project, including the time needed for construction, commissioning and work-up to full capacity. In particular, the allocation for the first year of operation is likely to be lower than that for subsequent years.
- c) Any allocation not used in one year may be transferred to later years within the trading period in question.
- d) If any part of the reserve has not been allocated to new entrants by the end of the trading period, it shall be cancelled.

5.2.3 *Is information already available on the number of new entrants to expect (through applications for purchase of land, construction permits, other environmental permits etc.)? Have new or updated greenhouse gas emission permits been granted to operators whose installations are still under construction, but whose intention it is to start a relevant activity during the period 2005 to 2007?*

No 'new entrant' is at present in the process of establishing an installation. MEPA is responsible for planning control as well as environmental issues, and so is well placed to receive advance warning of any such developments.

### 5.3. Other legislation or policy instruments

5.3.1 *Please list other Community legislation or policy instruments that were considered in the establishment of the National Allocation Plan and explain how each one has influenced the intended allocation and for which activities.*

As already noted (1.8), the IPPC Directive, the LCP Directive, the Renewables Directive and the Buildings Energy Efficiency Directive have all been considered in preparing the NAP. The IPPC and LCP directives may result in a small increase in CO<sub>2</sub> emissions as a result of the need for additional air pollution control systems. However, this effect is expected to be small and has not been taken into account in determining the allocations. Similarly, the Renewables Directive and the Building Energy Efficiency Directives are not expected to have a significant impact during this first trading period.

5.3.2 *Has any particular new Community legislation been considered to lead to an unavoidable decrease or increase in emissions? If yes, please explain why the change in emissions is considered to be unavoidable, and how this has been taken into account.*

The IPPC/LCP Directive (see 5.3.1), but the impact is likely to be small.

## 6. PUBLIC CONSULTATION

6.1 *How is this national allocation plan made available to the public for comments?*

Relevant stakeholders were consulted on the NAP through a series of meetings between 29<sup>th</sup> September and 4<sup>th</sup> October 2004. The Draft NAP was completed and placed on the MEPA's web-site on 6<sup>th</sup> October 2004. Notices were placed in the press informing the public that this had been done, and requesting them to submit comments by 12<sup>th</sup> October 2004.

A further public consultation exercise will be carried out, during which the document will be freely available on the web and a public consultation meeting will be held. This will take place concurrent to the review of the NAP by the EC, and before the final decision on allocations is taken.

6.2 *How does the Member State provide for due account to be taken of any comments received before a decision on the allocation of allowances is taken?*

Valid comments from each stage of the public consultation process will be used to revise the NAP prior to finalization of the document and a formal decision on allocation.

6.3 *If any comments from the public received during the first round of consultation have had significant influence on the national allocation plan, the Member State should summarize those comments and explain how they have been taken into account.*

At the time of its endorsement by Cabinet, comments were received from EneMalta. Account of these comments has been made in this NAP. Further consideration will be given to any comments which may be received in due course, before finalisation of the NAP.

## 7. CRITERIA OTHER THAN THOSE IN ANNEX III TO THE DIRECTIVE

7.1 *Have any criteria other than those listed in Annex III to the Directive been applied for the establishment of the notified National Allocation Plan? If yes, please specify which ones and how they have been implemented. Please also justify why any such criteria are not considered to be discriminatory.*

No other criteria have been applied.

## 8. LIST OF INSTALLATIONS

	Installation 1 (Marsa)			Installation 2 (Delimara)		
<i>Name, address of each installation</i>	Marsa Power Station, Church Wharf, Marsa, Malta			Delimara Power Station, Delimara, l/o Marsaxlokk, Malta		
<i>Name of the operator of each installation</i>	EneMalta			EneMalta		
<i>Main activity</i>	Power generation			Power generation		
<i>Total allowances</i>	3,370,894 tonnes of CO <sub>2</sub>			3,167,581 tonnes of CO <sub>2</sub>		
<i>Annual breakdown</i>	2005	2006	2007	2005	2006	2007
	1,124,985	1,123,631	1,122,278	960,617	1,043,670	1,163,294
<i>Part of Pool?</i>	No			No		