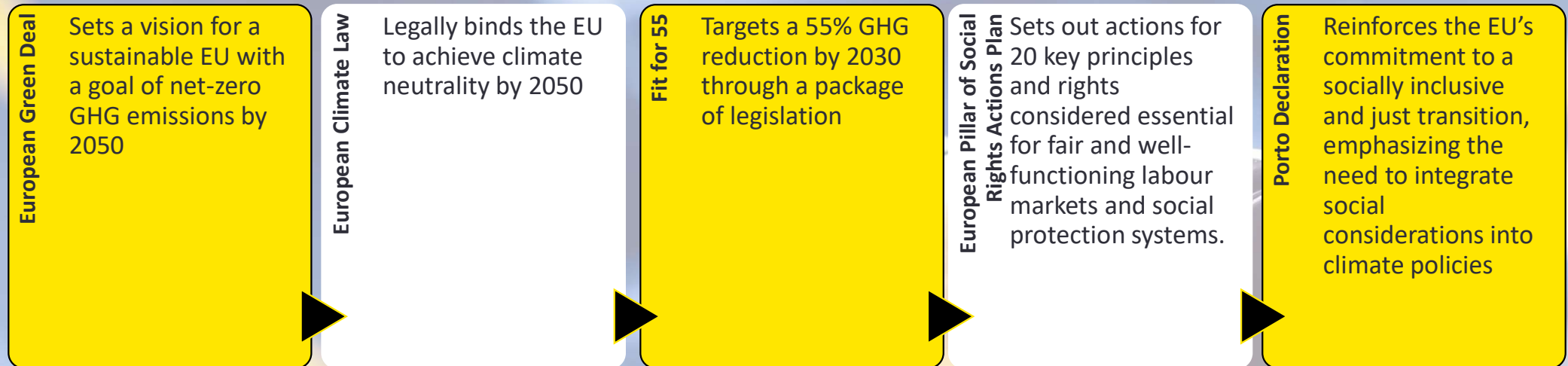


# Social Climate Fund

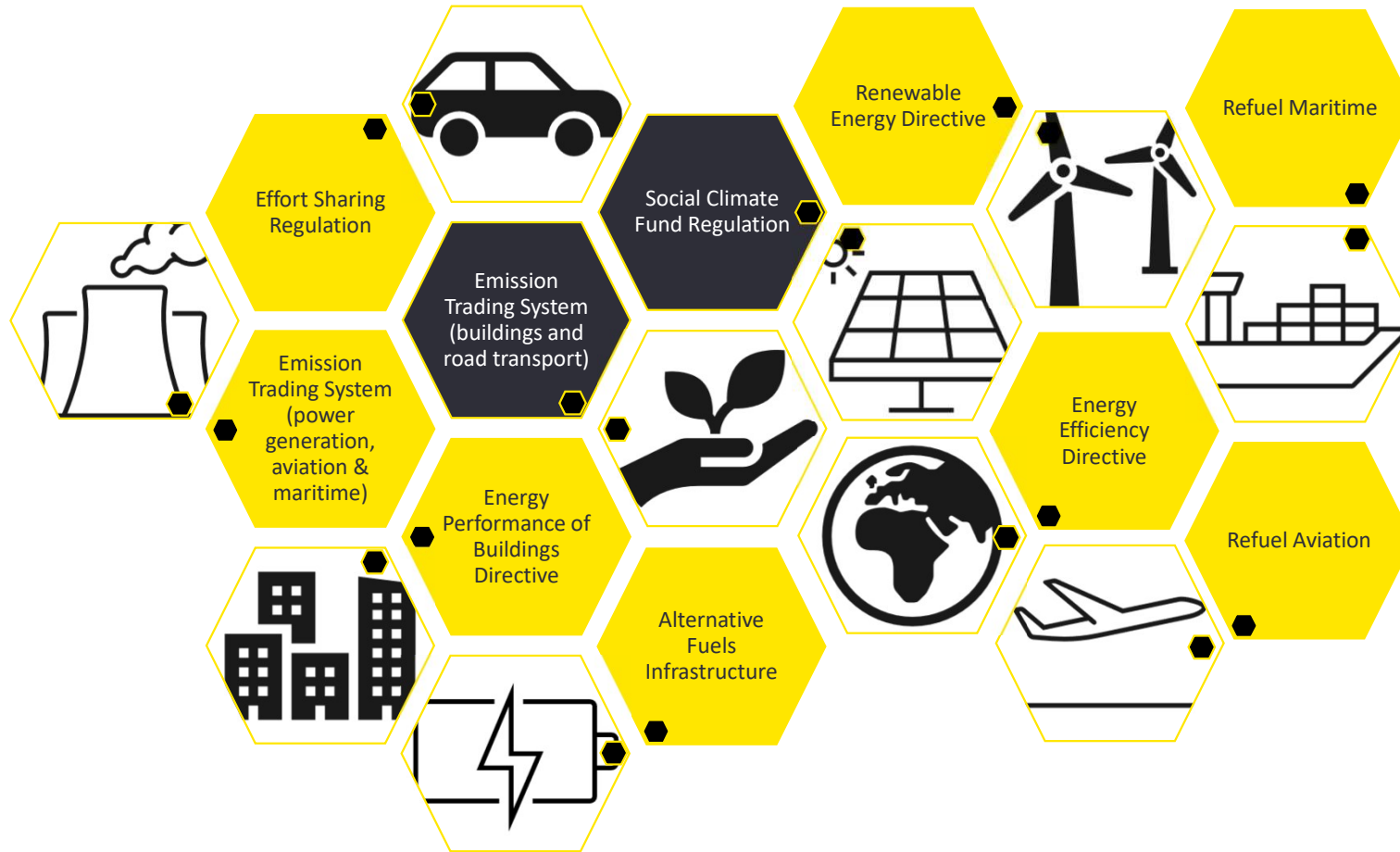
30 September 2024



# EU context of the Social Climate Plan



# Key legislation under 'Fit for 55'



# Deep Dive into the Emission Trading System (1/2)

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## • WHAT IS THE EU ETS?

- The EU ETS is considered a cornerstone of the EU's climate policy and its key tool to reduce GHG emissions. It is the **world's first carbon market** and remains among the largest ones globally.
- The ETS, introduced in 2005, adopts a **cap-and-trade system for emission allowances**, primarily focusing on sectors such as power generation, energy-intensive industries and aviation.
- The updated ETS, amongst others, now extends the scope to the maritime sector.

## • WHAT IS ETS-2?

- As part of the revisions to the ETS Directive, a new self-standing ETS (referred to as “**ETS-2**” or “**ETS-BRT**”) has been introduced, covering **buildings, road transport and fuels** not covered in the existing ETS.
- ETS-2 will become operational in 2027.

# Deep Dive into the Emission Trading System (2/2)

## HOW WILL MALTA BE IMPACTED?

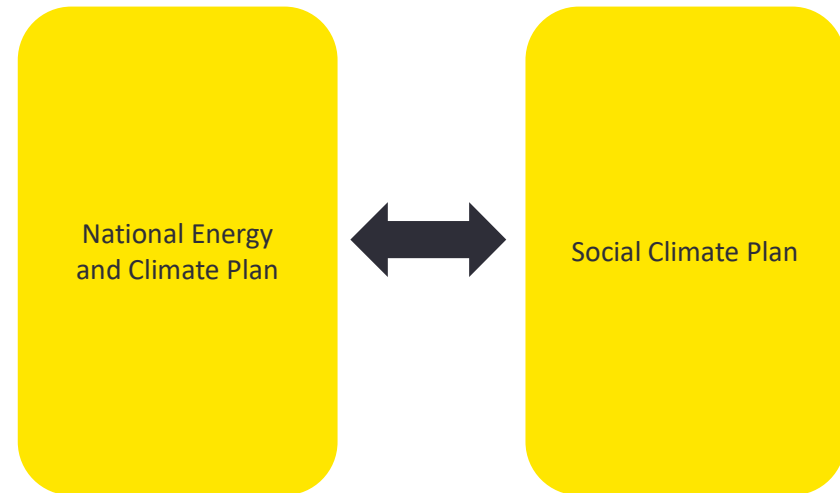
- ETS:
  - Malta's obligations under the EU ETS, prior to the publishing of the ETS revision, primarily extended to its power plants and the intra-European Economic Area (EEA) flights coming to or departing from the country's international airport.
  - The shipping sector is expected to be significantly impacted, as it expected that the ETS covers a substantial number of trips to and from Maltese ports.
- ETS-2:
  - Maltese fuel suppliers will be required to purchase and surrender allowances to cover their emissions. Consequently, a carbon pricing mechanism will apply to the majority of fossil fuels consumed in Malta.
  - Examples of fuels that will be affected include:
    - LPG used in households, enterprises for cooking and spatial heating
    - LPG/gasoil used in hotels, restaurants for cooking, spatial heating and water heating
    - Kerosene/gasoil used by stationary machinery in construction enterprises
    - Gasoil/fuel oil used for industrial processing within manufacturing companies and other companies such as laundries

# Link between the National Energy and Climate Plan (NECP) and the Social Climate Plan (SCP)

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Key aspects of the updated NECP for the scope of the SCP:

- The NECP needs to take account of the latest legislative developments to **ensure a fair transition towards climate neutrality**, especially:
  - The definition of energy poverty as outlined in the revised Energy Efficiency Directive (EED). The EED requires each Member State to define an indicator for energy poverty and report on it in its NECP update.
  - The Social Climate Fund (SCF). Malta will be required to develop a SCP with measures designed to support those most at risk during the transition to a low-carbon economy. These should be in line with the goals of the SCF.
- The policy framework identified in the NECP should contribute to the preparation of the SCP.
- Consistency between the two plans must be ensured.



# Social Climate Fund (SCF)

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- **Objective:** Address the social impacts arising from the new emission trading system for buildings and road transport (ETS2) on vulnerable groups in the EU.
- SCF targets the following groups:
  - Vulnerable households
  - Vulnerable transport users
  - Vulnerable micro-enterprises
- The fund covers the period **2026 – 2032**. It will start operating at least one year before ETS2 kicks in as of 2027. In case of exceptionally high gas or oil prices, ETS2 may kick in one year later (in 2028).
- **Size of fund:** Estimated at EUR 86.7 billion, with 25% Member States' national contributions
  - Indicative fund amount (Total) for **Malta: EUR 50 - EUR 60 million**
  - Proposed measures and investments are to be included in the SCP.

# What can be financed by the SCF?

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Support **investments in energy efficiency & renovation of buildings, clean heating & cooling**

Finance **zero- & low-emission mobility & transport**, including public transport

Provide **temporary direct income support** to the vulnerable households



Compliance with **do no significant harm (DNSH)** – tailored Commission guidance (not yet published)



Exchange of **good practices on the cost-effective measures and investments** – organised by the Commission



# How will the SCF/SCP work?

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The SCP must be consistent with other EU instruments and programmes, including:

- updated NECP
- European Pillar of Social Rights Action Plan
- Other EU funded plans and programmes



Next Steps:

- European commission to finalise SCF guidelines and DNSH guidelines (Q1 2025)
- Identification of measures and public consultation on the SCF plan
- Submission of the plan to the European Commission
- Implementation of actions identified

# Malta's Social Climate Needs

30 September 2024



# 1

## Framing the Questions

# Consultation Questions

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## **A. Vulnerable households**

1. (A) What gaps in the target audience may be considered?
1. (B) Are there other cohorts that may be more affected by ETS-2 based on the needs analysis and background presented?
2. (A) Based on the needs identified, are there other Malta-specific needs that may be considered?
2. (B) Out of the needs presented, are there needs more urgent than others?
3. (A) In view of the needs presented and measures already in force, is there scope for extending / intensifying existing measures?
3. (B) Beyond the low-income households and households in social housing, are there other groups who may be subject to vulnerability related to increased costs in the buildings and transport sectors?

## **B. Vulnerable micro-enterprises**

4. (A) Based on the needs presented, are there other vulnerabilities that micro-enterprises may be subject to?
4. (B) Are enterprises in some sectors more vulnerable than others in terms of the impact of ETS-2?
5. (A) Based on the needs identified, are there other needs that that micro-enterprises face in Malta, that may be considered?
5. (B) Are some needs more urgent than others (energy, building renovation, clean transport)?
6. (A) In view of the needs presented and the measures already in force, is there scope for extending / intensifying existing measures for enterprises?

## **C. Vulnerable transport users**

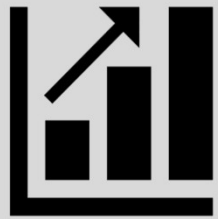
7. Considering the needs analysis presented and the services already in place, is there scope for further extending, intensifying services to mitigate transport poverty (improving accessibility, affordability and availability)?

# 2

## Malta's Socio-Economic Context

# Malta's Socio-Economic Transformation

## Strong Economic Performance



€15.5 million

2023

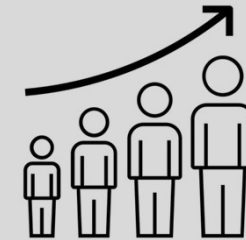
↑ €0.8 million

compared to 2022

## Key Sectoral Transformation



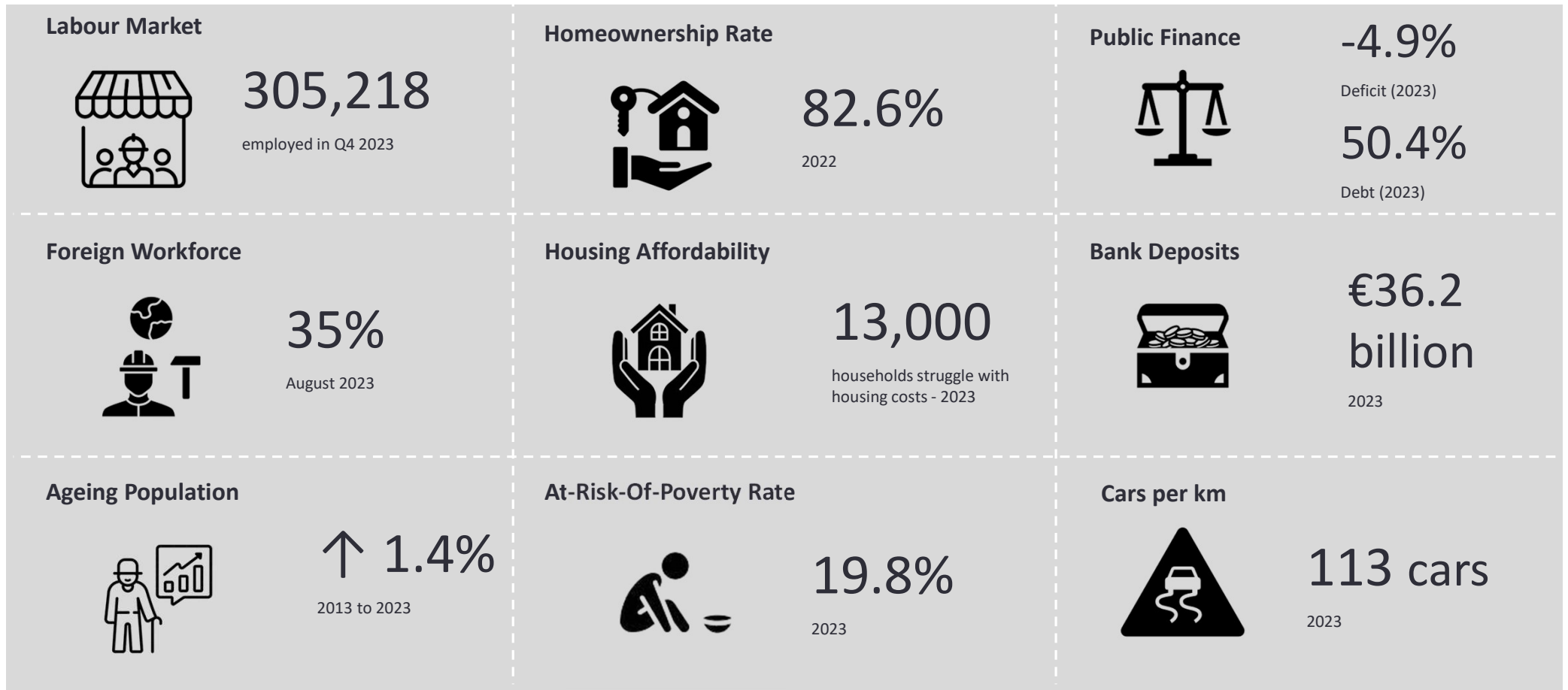
## Population Growth



↑ 23%

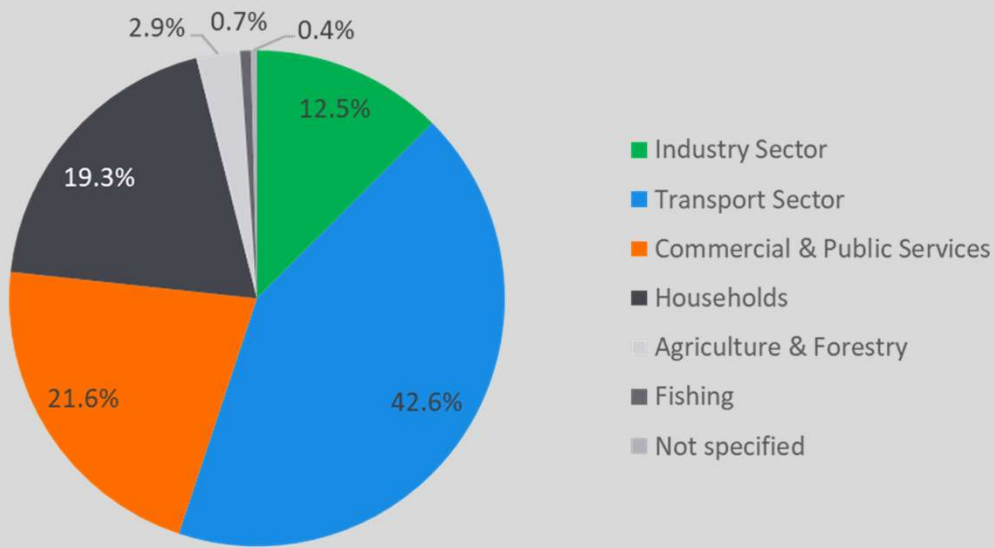
2003 to 2023

# Socio-Economic Characteristics and Challenges

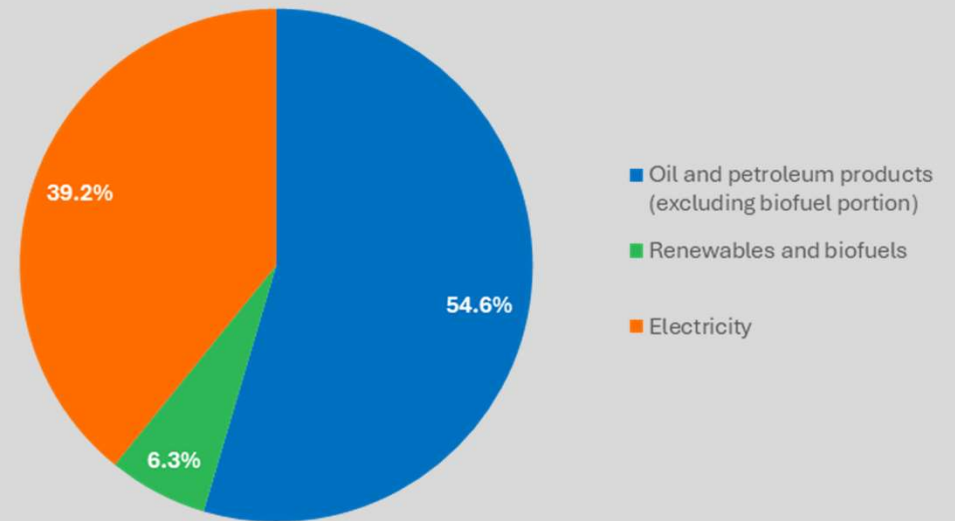


# Malta's Energy Sector (1/2)

Malta's Final Energy Consumption by Sector (excl. international aviation)



Malta's Final Energy Consumption by fuel use (excl. international aviation)

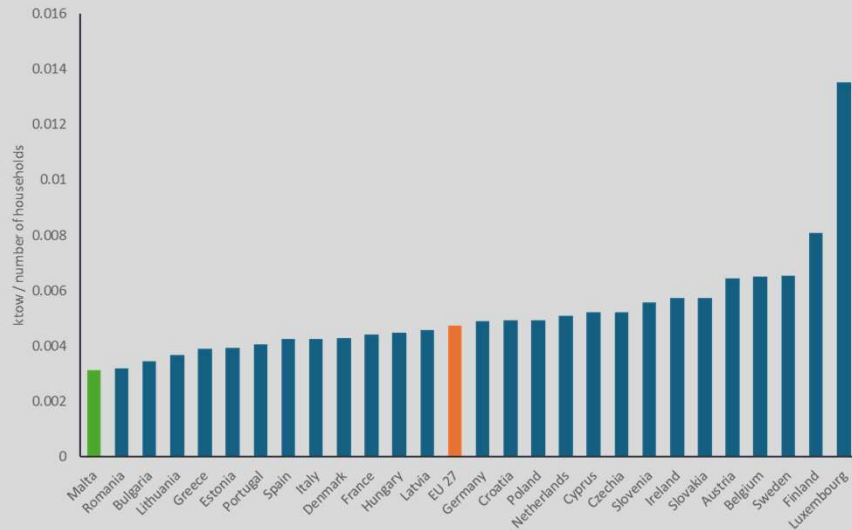


Source: Eurostat

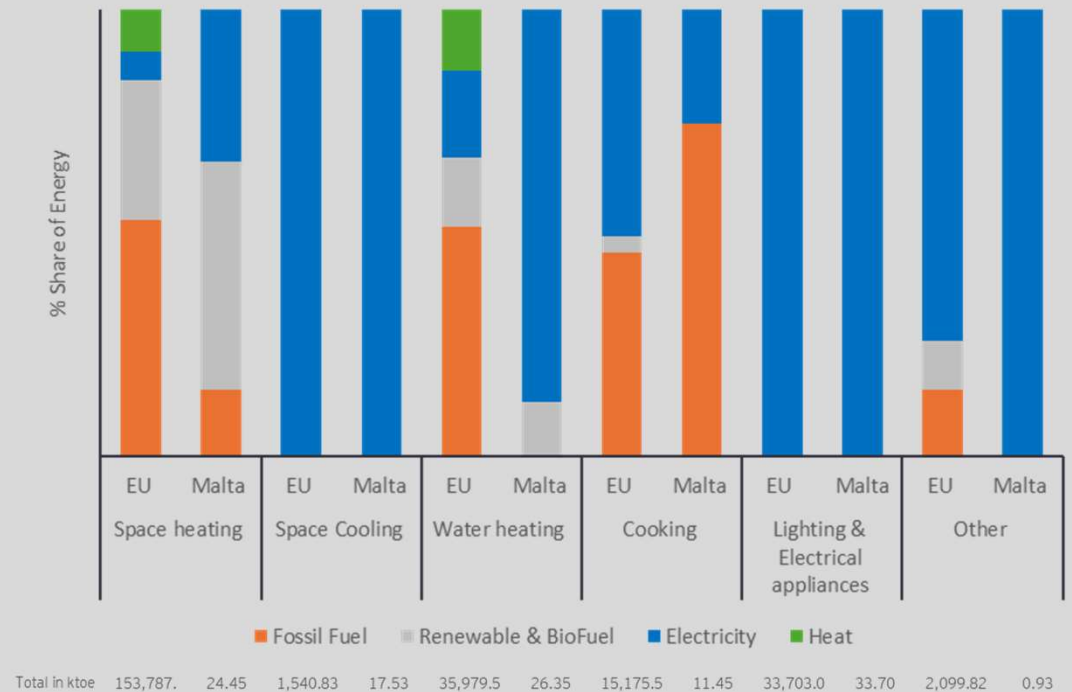


# Malta's Energy Sector (2/2)

### Final Energy Consumption per household



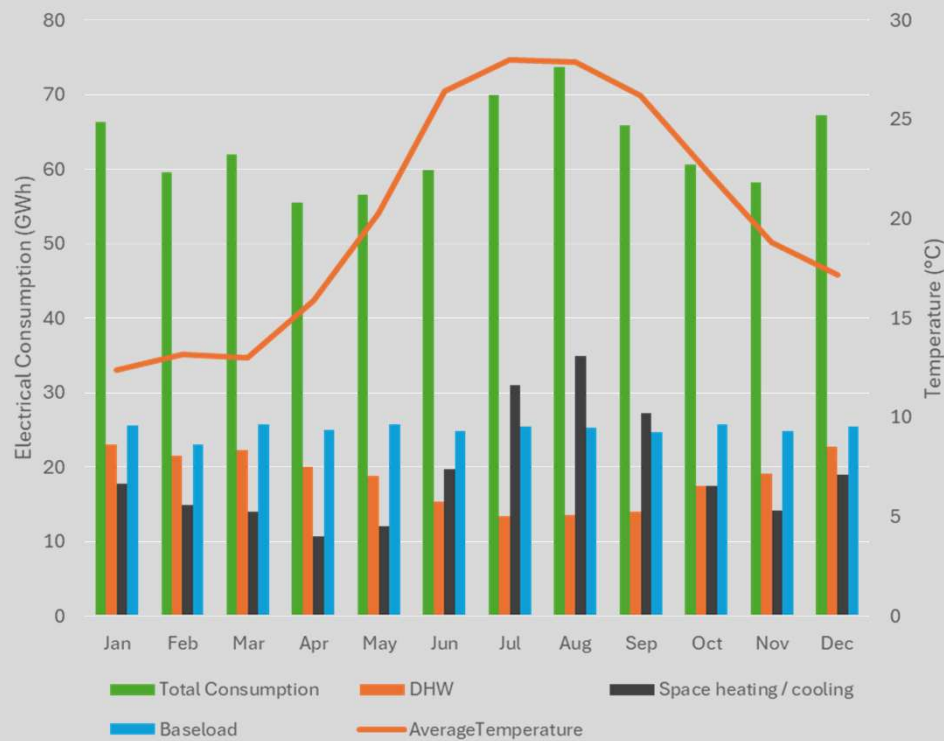
### Final Energy Consumption in Households (Ktoe)



Source: Eurostat

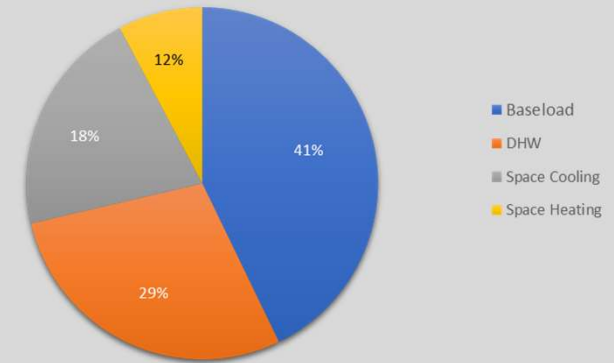
# Energy Consumption in the Residential Sector

Residential Monthly Consumption Distribution (2018)

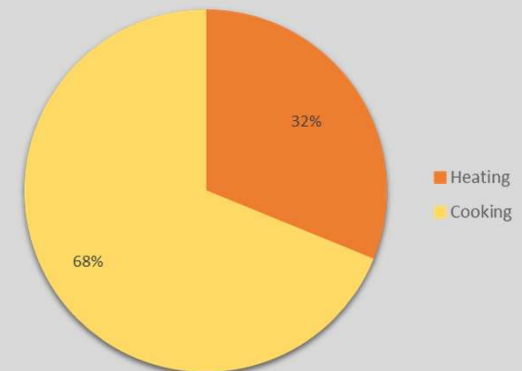


Source: EWA Heating & Cooling Assessment (2020)

Electricity Distribution (2018)

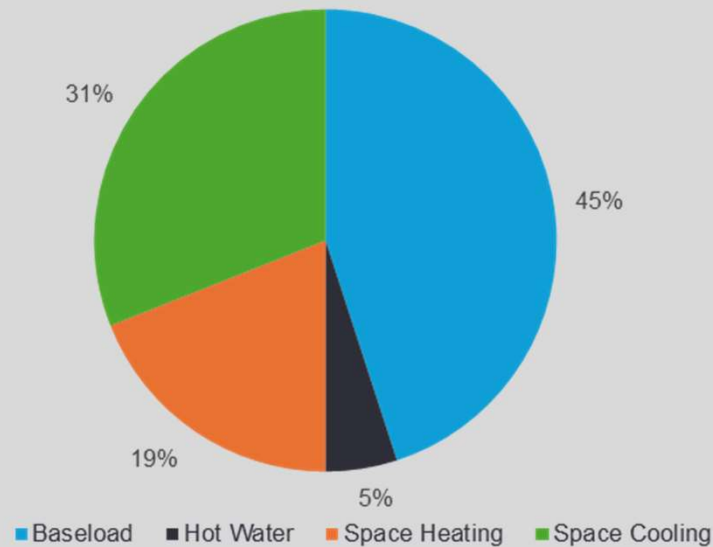


Fuel Consumption Distribution: Heating vs. Cooking (2018)



# Energy Consumption in the Commercial Sector and Industry

Commercial Sector Electrical Energy Distribution



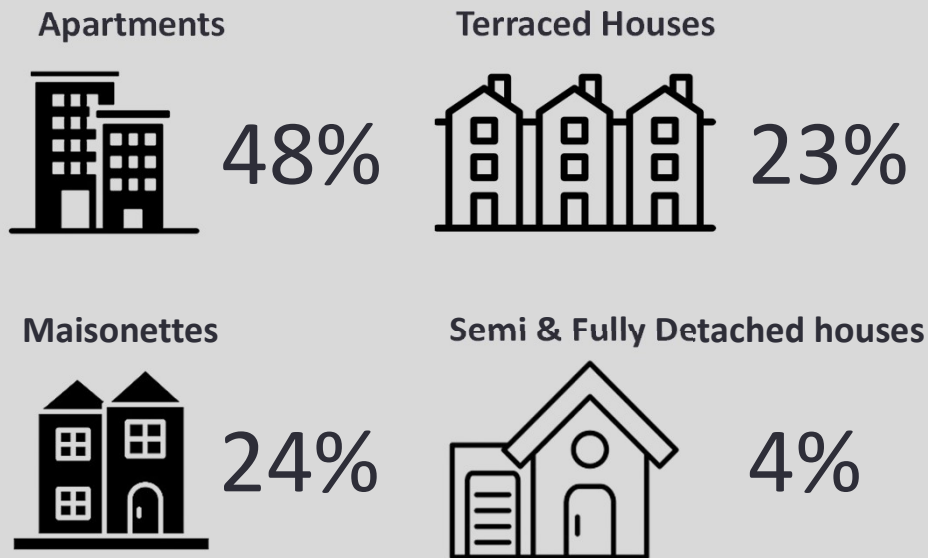
Source: EWA Heating & Cooling Assessment (2020)

- ▶ **Industrial operations** in Malta have a **minimal impact on the overall demand** for heating and cooling, representing **approximately 6%** of the total final energy demand.
- ▶ The **majority of energy demand (97%)** within the manufacturing sector is attributed to **industrial processes**.
- ▶ Circa **9% of heating and cooling requirements** in the industry sector are **met by fuels**, the rest are fulfilled by electricity.

# Malta's Building Sector

## Malta's household landscape

### Property Types (2021)



Source: NSO

### Number of Households

	Population	Main Residential Dwellings/ Number of Households
<b>Maltese Islands</b>	<b>519,562</b>	<b>215,691</b>
<b>Malta</b>	480,275	199,339
<b>Gozo and Comino</b>	39,287	16,352
<b>Southern Harbour</b>	86,009	34,482
<b>Northern Harbour</b>	157,297	69,071
<b>South Eastern District</b>	77,948	31,457
<b>Western District</b>	65,266	25,188
<b>Northern District</b>	93,755	39,141

# Malta's Building Sector

## Malta's business landscape

### Core Domestic Market



Wholesale and Retail Trade



Transport



Hospitality



Logistics

### Business Units

Business Type (2022)	% of business units
Micro-enterprises (<10 employees)	92.6%
Small businesses (10-49 employees)	5.8%
Medium-sized businesses (50-249 employees)	1.3%
Large corporations (250+ employees)	0.3%
<b>Total number of business units</b>	<b>49,929</b>

Source: NSO

# Malta's Transport Sector

## Licensed vehicles in Malta

438,567

2023



73.4%



13.6%



10%

## Modes of Transportation



84.3%



7.0%



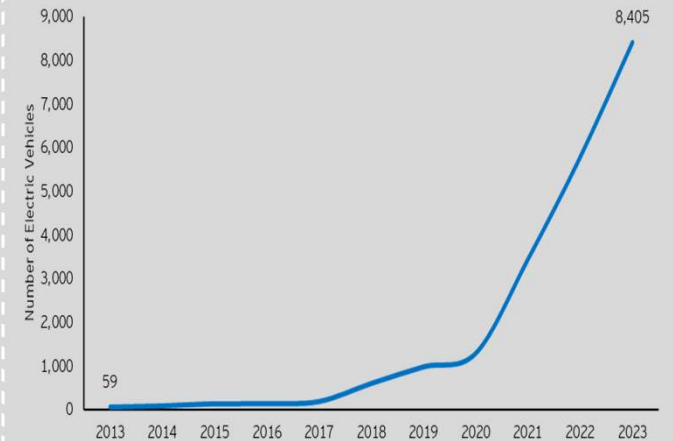
5.2%

## Public Transport Commuters

67,241,760

2023

## Registered Electric Vehicles



Source: NSO

# 2

## Vulnerable Groups

# Vulnerable Groups Definitions – SCF Regulation

## Vulnerable Households

*“households in energy poverty or households, including low income and lower middle-income ones, that are significantly affected by the price impacts of the inclusion of greenhouse gas emissions from buildings within the scope of Directive 2003/87/EC and lack the means to renovate the building they occupy.”*



## Vulnerable Micro-Enterprises

*“micro-enterprises that are significantly affected by the price impacts of the inclusion of greenhouse gas emissions from buildings or road transport within the scope of Directive 2003/87/EC and that, for the purpose of their activity, lack the means either to renovate the building they occupy, or to purchase zero- and low-emission vehicles or to switch to alternative sustainable modes of transport, including public transport, as relevant.”*



## Vulnerable Transport Users

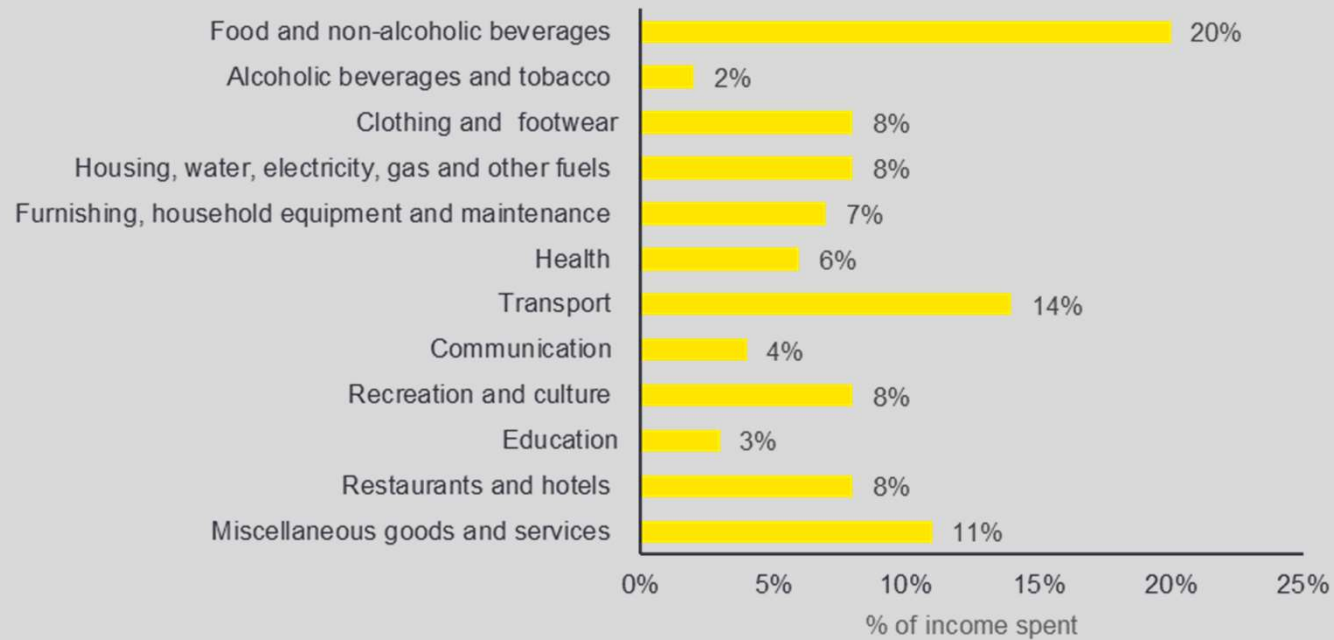
*“individuals and households in transport poverty, but also individuals and households, including low income and lower middle-income ones, that are significantly affected by the price impacts of the inclusion of greenhouse gas emissions from road transport within the scope of Directive 2003/87/EC and lack the means to purchase zero- and low-emission vehicles or to switch to alternative sustainable modes of transport, including public transport.”*





# Household Expenditure Distribution (1/2)

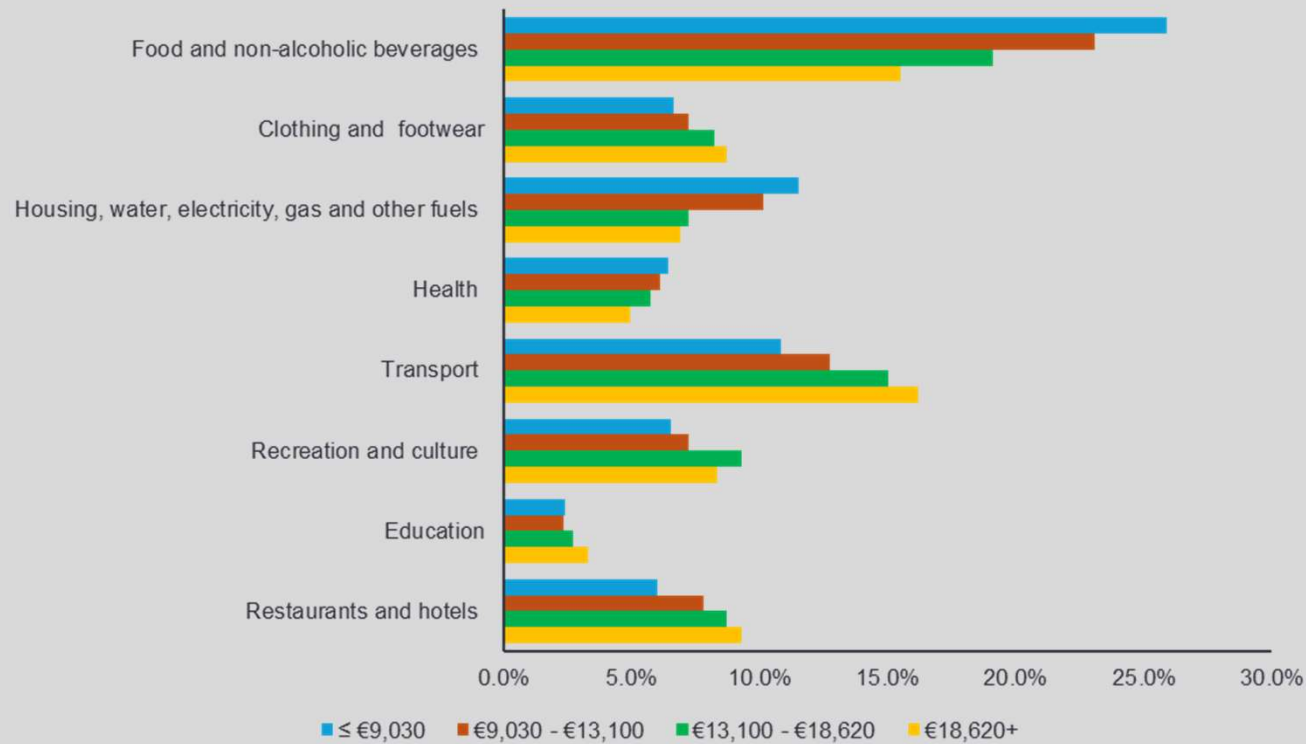
*Expenditure distributions by expenditure category (2015)*



Source: Household Budgetary Survey (2015)

## Household Expenditure Distribution (2/2)

*Expenditure distributions by household equivalised disposable income quartiles (2015)*



Source: Household Budgetary Survey (2015)

# Malta's Context on Vulnerable Households (1/2)



## Vulnerable Households

At-Risk of Poverty  
Threshold

€11,364

2023

Individuals falling  
into this category

88,462

individuals in 2023

### At-Risk of Poverty Rate

17.9%

Households with  
dependent children

15.7%

Households without  
dependent children

41.6%

Single parent  
households

**Vulnerable households  
At-Risk-of-Poverty  
(EU-SILC 2022)**

**44,042** vulnerable households who benefitted from the subsidisation of the inflation costs of energy prices in 2022/2023 in order to meet their energy consumption costs due to the energy crisis resulting from the war in Ukraine.

## Malta's Context on Vulnerable Households (2/2)



### *European Statistics on Income and Living Conditions (2023)*

Material and Social  
Deprivation Rate

9.2%

30%

could not afford to pay for a one-week annual holiday away from home

Severe Material and  
Social Deprivation Rate

4.1%

15.9%

would not be able to settle an unexpected financial expense of €770 and over

6.8%

could not afford to keep their home adequately warm in winter

5.7%

household was in arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments

Source: NSO

# Structure of Maltese Micro-Enterprises



Micro-enterprises %  
of business units

**92.6%**

2022

Micro-enterprises %  
of net turnover

**11.2%**

2022

Micro-enterprises %  
of investment in  
tangible assets

**7.0%**

2022

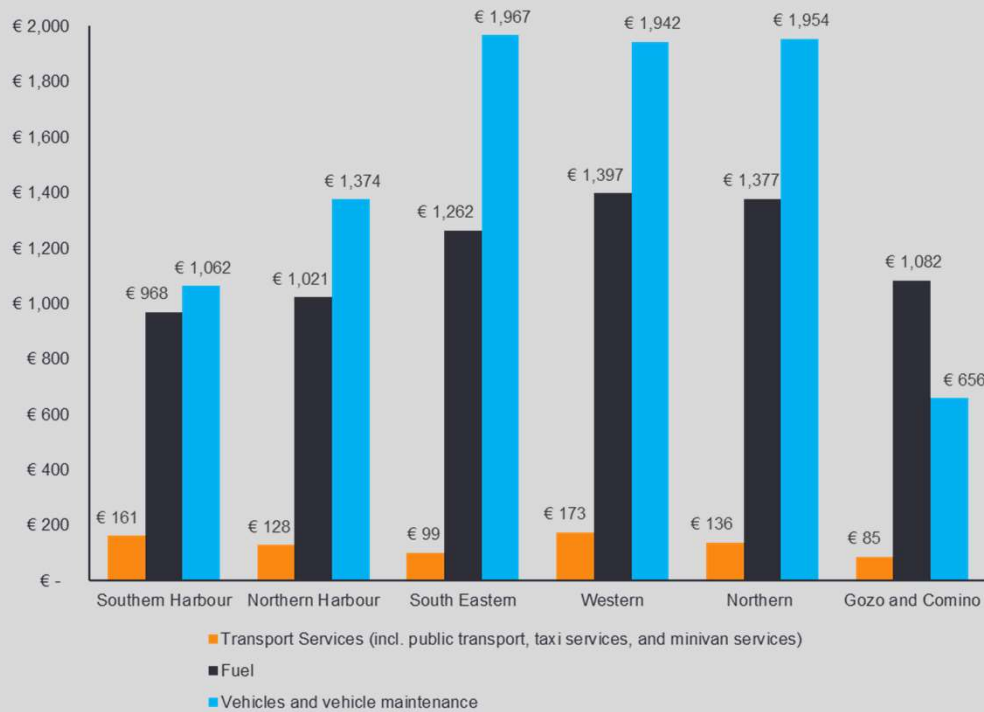
Business Type (2022)	% of business units	% of employees	% of net turnover	% of investment in tangible non-current assets
Micro-enterprises (<10 employees)	92.6%	18.9%	11.2%	7.0%
Small businesses (10-49 employees)	5.8%	24.0%	15.0%	8.2%
Medium-sized businesses (50-249 employees)	1.3%	25.5%	19.4%	12.8%
Large corporations (250+ employees)	0.3%	31.7%	54.4%	72.0%
<b>Total</b>	<b>49,929</b>	<b>187,374</b>	<b>€44.5 billion</b>	<b>€2.5 billion</b>

Source: NSO

# Household Expenditure on Transport (1/2)

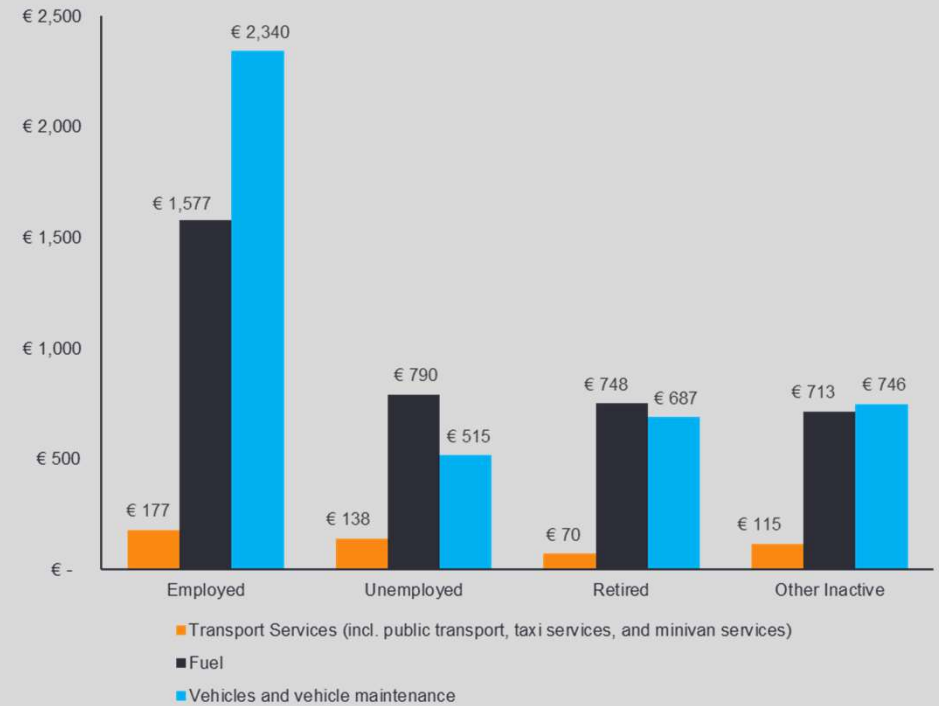


**Average annual household expenditure by district on transport Services, fuel and vehicles and vehicle maintenance (2015)**



Source: Household Budgetary Survey (2015)

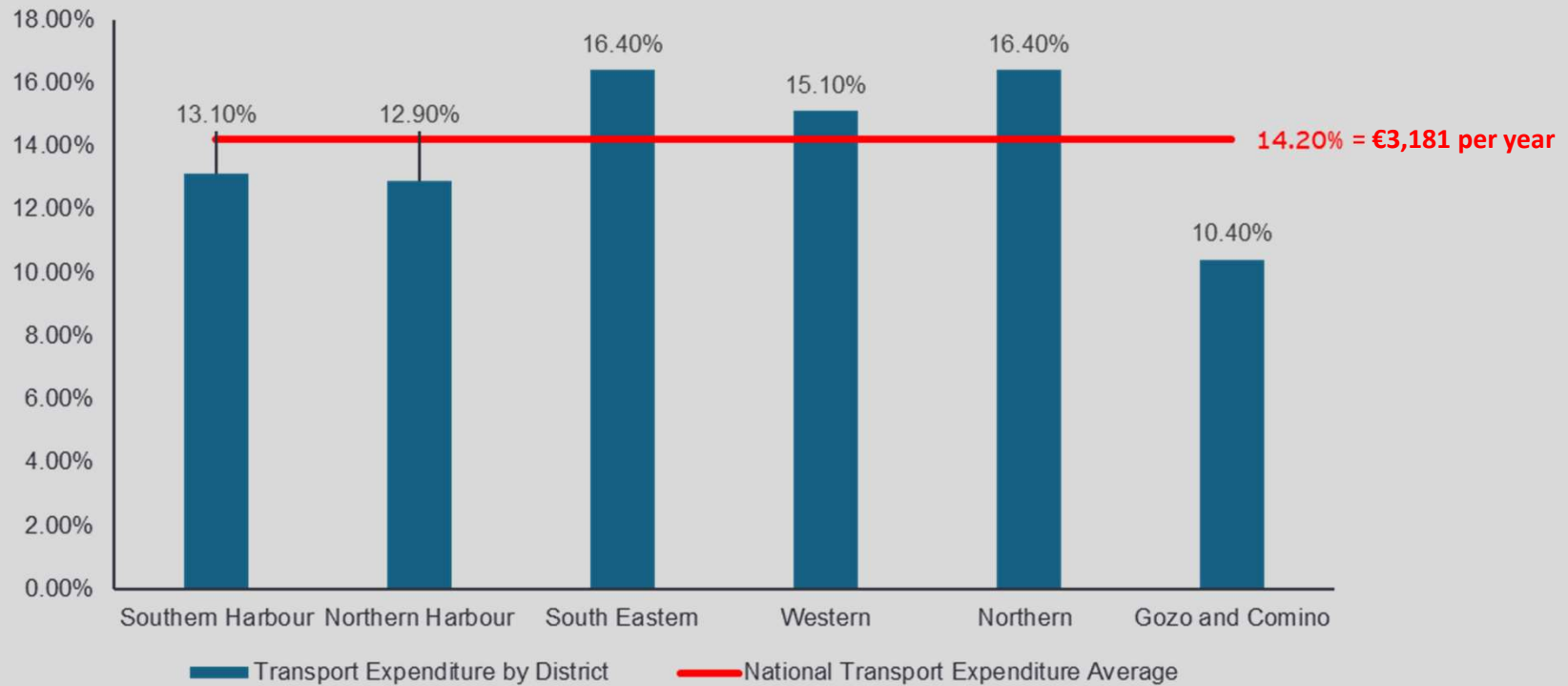
**Average annual household expenditure by employment status of reference on transport Services, fuel and vehicles and vehicle maintenance (2015)**



# Household Expenditure on Transport (2/2)



*Transport Expenditure by District vs. Transport Expenditure National Average*



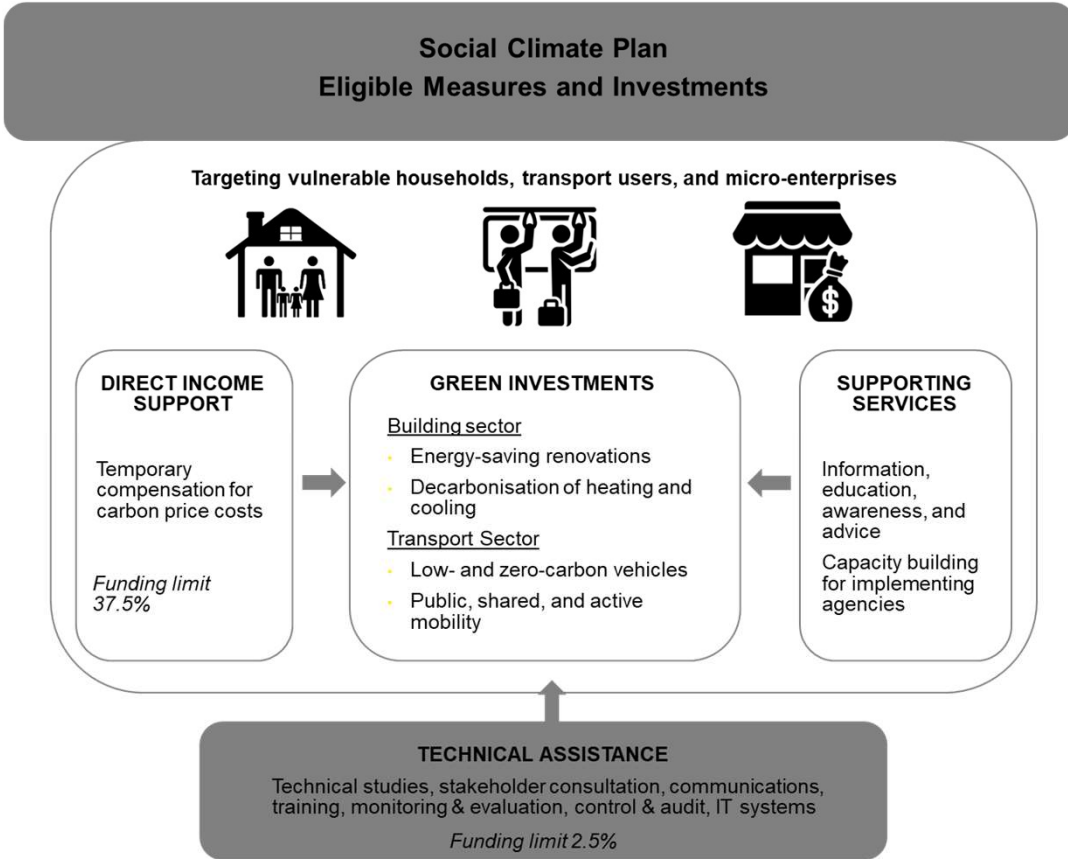
Source: Household Budgetary Survey (2015)

# 3

## Identification of Needs and Types of Interventions



# Types of measures under the SCF



# Needs Assessment - Households



Needs	Measures in-force
<ul style="list-style-type: none"> <li>• Building renovations incl. for tenants and people living in social housing.</li> <li>• Access to affordable energy-efficient housing, incl. social housing.</li> <li>• Affordable energy and efficient systems to support the electrification of heating and cooling, and cooking in building.</li> <li>• Support private and public entities incl. social housing providers, in developing and providing affordable energy efficiency solutions and appropriate fundings instruments.</li> </ul>	<ul style="list-style-type: none"> <li>• Building of new social housing units and renovation of existing units</li> <li>• Regulatory measures to increase energy-efficiency in buildings</li> <li>• Double-Glazing scheme (Retrofitting) for Birżebbuġa residents</li> <li>• Roof insulation and double-glazing scheme (residential)</li> <li>• Replacement of appliances for vulnerable households</li> <li>• ‘Irrinova Darek’ scheme (residential)</li> <li>• Renewable energy sources/ Solar water heater/ Heat pump water heater scheme</li> <li>• Regulatory measures to increase energy-efficiency in buildings</li> <li>• Energy Benefit scheme (residential)</li> <li>• Eco-reduction scheme (residential)</li> <li>• Rising-block tariff mechanism</li> <li>• Support for investment in solar PV</li> <li>• Water purification scheme (residential)</li> </ul>

# Needs Assessment - Micro-Enterprises



Needs	Measures in-force
<ul style="list-style-type: none"><li>• Building renovations.</li><li>• Affordable energy and efficient systems to support the electrification of heating and cooling, and cooking in building.</li><li>• Awareness and advice on cost-effective measures and investments for building renovations and energy efficiency.</li><li>• Support private and public entities, in developing and providing affordable energy efficiency solutions and appropriate fundings instruments.</li></ul>	<ul style="list-style-type: none"><li>• Energy &amp; Water Awareness programme</li><li>• Promotion of energy audits in small and medium sized enterprises</li><li>• Renovation of private sector buildings grant scheme (non-residential)</li><li>• Smart &amp; Sustainable Investment Grant (non-residential)</li><li>• ESG grant (non-residential)</li><li>• MicroInvest 2024 (non-residential)</li></ul>



# Needs Assessment - Transport Users

Needs	Measures in-force
<ul style="list-style-type: none"> <li>• Awareness and advice on cost-effective measures and investments for sustainable and affordable mobility and transport alternatives.</li> <li>• Provide access to zero- and low-emission vehicles and bicycles, incl. financial support or fiscal incentives, infrastructure for recharging and refuelling and development of a second-hand zero-emission vehicles market.</li> <li>• Incentivise the use of affordable and accessible public transport and support private and public entities.</li> </ul>	<ul style="list-style-type: none"> <li>• Support to purchase a new electric vehicle &amp; to low-emitting alternative modes of transport</li> <li>• Roll-out of EV publicly accessible charging points &amp; Legislative obligations and incentives for private charging</li> <li>• Green Mobility Scheme</li> <li>• Electrification of public transport fleet</li> <li>• Gozo Resident Workers' Subsidy</li> <li>• National Free Public Transport Service</li> <li>• Fast passenger ferry link between Malta and Gozo</li> <li>• Investment in Active Mobility Infrastructure</li> <li>• Gozo Transport Grant</li> <li>• Green Loans</li> <li>• Free harbour ferry service</li> <li>• Free transport for school children</li> <li>• Fiscal measures to support low-carbon transport</li> <li>• Subsidised ferry tickets for Gozo residents</li> </ul>

# Stakeholder Consultation

30 September 2024

