ANNEX V
Social Climate Plan (Article 6(7))

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1. OVERVIEW AND PROCESS FOR ESTABLISHING THE SOCIAL CLIMATE PLAN

1.1. Executive summary

1.1.1. Context of the green transition

The context of the green transition in the Member State with particular emphasis on the main challenges from the social impacts of the inclusion of greenhouse gas emissions from buildings and road transport sectors within the scope of Directive 2003/87/EC and how the Plan will respond to these challenges.

The introduction of the Emissions Trading System 2 (ETS2) is expected to significantly impact both the building and transport sectors in Malta, with broader economic consequences for the population, particularly due to the island's high reliance on Liquified Petroleum Gas (LPG) and private Internal Combustion Engine (ICE) vehicles. As Malta works towards climate neutrality, the transition will trigger economic and social shifts that are likely to disproportionately affect vulnerable households, micro-enterprises and transport users that already allocate a substantial portion of their income to energy and transport costs.

Given Malta's insular nature, these challenges are exacerbated by the island's unique geographical and market solutions, making the impacts on these vulnerable cohorts even more pronounced.

To mitigate these effects, Malta aims to leverage the Social Climate Fund (SCF). This initiative will provide targeted support through strategic investments designed to alleviate the impacts of Greenhouse Gas (GHG) emissions from buildings and road transport under Directive 2003/87/EC, with a particular focus on those suffering from transport and energy poverty as defined in Section 1.5 below. The installation of heat pump water heaters and PV systems, together with the retrofitting of social housing units to near zero-energy standards, will relieve residents from the financial burdens of inefficient energy systems and reduce exposure to energy poverty. The quality of life of such beneficiaries will also be enhanced as such residents would otherwise live in less energy-efficient housing, whose financial constraints could negatively affect their health, hygiene and overall well-being. Such intervention would combat the rise of energy prices under the ETS2, since otherwise occupants within public social housing units would face an increased risk of energy insecurity, highlighting the importance of targeted interventions to ensure long-term affordability and well-being. The expansion of community transport services for persons with limited mobility, particularly the elderly and persons with disabilities, will address a key gap in access to essential services and social participation, thus empowering individuals to live more independently. In addition, the support targeted towards micro-enterprises will help protect small SMEs, also in easing their transition to cleaner transport and in an effort to reduce the high reliance on ICE vehicles.

1.1.2. Overview of main measures and investments planned

The investments foreseen under the SCF are divided into 2 thematic Components as follows:

Component 1 - Buildings Sector:

1. Enhancing energy efficiency and RES in public Social Housing Estates.
2. Retrofitting public social housing units to improve energy performance.

Component 2 - Transport Sector:

1. Community transport services to vulnerable transport users.
2. Enhancing the uptake of EVs amongst vulnerable micro-enterprises.

The Investments proposed under both Components directly address the socio-economic impacts expected from the introduction of the ETS2. Due to Malta's limited budget and existing inherent challenges, the Plan could not target all of the cohorts which will be impacted by the ETS2. Building on the findings of the needs assessment carried out, the following investments under the different Components were identified to address the needs of the specific target groups in line with the SCF Regulation.

Under Component 1, the focus is on vulnerable households at risk of poverty, identified through the 2023 EU-SILC survey, which sets the ARPT at €11,364 and indicates that 43,301 households fall below this threshold. Many of these individuals live in social housing, allocated to low-income households under defined eligibility criteria. The Investments targeting social housing estates and unit retrofitting are therefore designed to mitigate the increased building-related energy costs anticipated under the ETS2, with around 1,431 households expected to achieve energy savings and reduced utility expenditure.

Component 2 responds to the increased mobility-related pressures arising from the ETS2, particularly for elderly persons, individuals with disabilities (physical and/or mental), persons with limited mobility and ARP households in transport poverty which are classified as vulnerable, totalling to 147,215 vulnerable transport users. The enhanced community transport service is projected to reach at least 30,497 users by the end of the implementation of the SCF Plan, ensuring continued access to essential services despite rising transport costs. Additionally, micro-enterprises vulnerable to transport fuel price shocks have been identified based on fuel-use intensity and revenue capacity. Micro-enterprises within NACE groups H, F and G, collectively representing 58% of fossil fuel consumption for road transport, are particularly exposed, while those within NACE groups L, E, B, M, C, I, Q and P account for a further 29%. These enterprises typically generate net revenue below €183,000, making them highly susceptible to operational pressures stemming from the ETS2. Across these NACE categories, 39,545 micro-enterprises are classified as vulnerable. The support scheme for electric commercial vehicles and charging infrastructure directly targets this cohort to reduce their dependency on fossil fuels and to soften the impact of increased fuel costs.
Collectively, these measures provide targeted support to the groups most exposed to ETS2-related cost increases in both the buildings and transport sectors.

1.1.3. Objectives of the measures and investments

The objectives of the investments outlined in the 2 thematic Components are as follows:
Component 1 focuses on alleviating energy poverty among vulnerable households by increasing energy efficiency to reduce their cost of energy. The aim is to enhance energy efficiency in social housing units, retrofit social housing stock, upgrade underperforming energy systems in social housing buildings and improve water heating and air-cooling systems, as relevant. These investments will contribute to greater affordability and help mitigate energy poverty through energy and climate-proofing initiatives. Given that 43,301 households fall below the ARPT threshold and are therefore most exposed to increases in building-related energy costs under ETS2, the measures under this Component ensure targeted support to the households most vulnerable to rising utility expenses.
Component 2 is designed to promote shared mobility initiatives within communities and support vulnerable micro-enterprises. The first intervention focuses on scaling up on-demand clean transport services, including charging infrastructure, for vulnerable transport users, particularly the elderly, people with disabilities (physical and/or mental), persons with limited mobility, and ARP households in transport poverty which are classified as vulnerable, to facilitate access to essential services and avoid transport poverty. This measure is expected to reach at least 30,497 users by the end of the implementation of the SCF Plan, directly responding to the increased mobility-related cost pressures anticipated under the ETS2. Additionally, the Component includes a scheme that supports vulnerable micro-enterprises in acquiring electric commercial vehicles and installing the necessary charging points. Vulnerable micro-enterprises are identified based on fuel-use intensity and revenue capacity, with those operating within NACE H, F and G—accounting for 58% of fossil fuel consumption for road transport—being the most exposed. A further 29% of transport fuel is consumed by micro-enterprises in NACE L, E, B, M, C, I, Q and P. These enterprises typically generate net revenue below €183,000, making them highly susceptible to fuel-price shocks resulting from the ETS2. Across these sectors, 39,545 micro-enterprises are classified as vulnerable, and the EV support scheme directly targets this cohort to reduce fuel dependency and safeguard operational sustainability in the face of cost pressures anticipated under the ETS2.

1.1.4. Overview table

An overview table that sums up the main objectives of the Plan, together with the estimated total costs of the Plan, including the contribution from the Fund, the national contribution and resources from shared management programmes to be transferred to the Fund, divided into the three areas of intervention: measures and investments for the buildings sector, for the road transport sector, and measures for direct income support, based on the template below:

Area of intervention	Total cost		SCF		National		Transfer from Shared management programmes		Impact of measures and investments					
	EUR	%	EUR	%	EUR	%	EUR	%	Reduction of vulnerable households	Reduction of households in energy poverty	Reduction of vulnerable transport users	Reduction of households in transport poverty	Reduction of vulnerable microenterprises	CO2 emissions reduction (ktCO2)
Buildings sector	31,726,014	52.3536%	23,794,510	75.0000%	7,931,504	25.0000%	0	0.0000%	1,431	236	0	0	0	0.65
Road transport sector	27,684,208	45.6839%	20,723,552	74.8569%	6,960,656	25.1431%	0	0.0000%	0	0	30,497	7,609	865	2.89
Technical assistance	1,189,281	1.9625%	891,961	75.0000%	297,320	25.0000%	0	0.0000%						
Total	60,599,503	100.0000%	45,410,023	74.9346%	15,189,480	25.0654%	0	0.0000%						

1.2. Overview of current policy situation

Information on the current national energy and climate policies, how they are being applied in the national context, with a particular focus on buildings and transport sectors and in respect to the most vulnerable groups.

1.2.1 Current national energy and climate policies within the national context

Malta's final update of its National Energy and Climate Plan (NECP) (submitted to the European Commission in 2025[1]) outlines the need to continue transitioning towards a low-carbon economy, building on the efforts made throughout recent years.

Malta has made significant strides towards climate-neutrality, where the energy sector has undergone substantial changes, including the transition from coal and oil-based electricity generation in the early to mid-1990s, the closure of the Marsa Power Station, the introduction of an electricity interconnector with Sicily in 2015, and the shift from heavy fuel oil to cleaner liquified natural gas for power generation in 2015[2]. These initiatives have markedly increased power generation efficiency and reduced GHG emissions. Investments in the power generation sector have enhanced overall conversion efficiency from around 25% to around 50%[3]. The emissions intensity of local electricity generation has also improved significantly, with CO2 emissions per unit of electricity generated by the Maltese power generation sector equivalent to around 396 grams in 2023[4]. These improvements underscore Malta's commitment to reducing its carbon footprint and advancing towards a more sustainable and efficient energy future.

The 2025 NECP builds on Malta's Low Carbon Development Strategy (LCDS), published in 2021[5]. Malta's LCDS targets a variety of sectors, such as transport, energy, buildings, waste, agriculture, land-use and land-use change, amongst others, with the aim to reduce GHG emissions. The Strategy includes several measures aimed to address specific risks and vulnerabilities that Malta faces as an island in the Mediterranean.

Malta's investment in the second interconnector with Sicily, as outlined in the 2025 NECP, is being financed from the European Regional Development Fund (ERDF) under the ERDF/CF/JTF 2021-2027 Programme. This investment will contribute to enhance Malta's energy security. Such security is of essential national interest given the island's geographical location and size. Measures such as the improvement of the building stock's energy performance, the optimisation of transport systems and the shift to a cleaner fleet aim to reduce energy consumption and GHG emissions respectively. Malta also aims for a fair transition to a carbon-neutral economy, with a focus on supporting those facing socio-economic challenges. In fact, Government has implemented a series of energy-related subsidies aimed at maintaining the cost of essential services such as electricity, water, LPG cylinders and road transport fuels. These financial measures are designed to alleviate the burden on households and businesses, ensuring that the average family and enterprise are impacted way less than they would be impacted without such support.

Considering the increasing energy demands, a factor that places significant strain on both the economy and society, energy-related vulnerabilities need to be addressed. The introduction of ETS2 adds further urgency, as it imposes new carbon pricing obligations on sectors previously not covered, potentially increasing costs for households and businesses. Therefore, equally important are investments to modernise and expand Malta's electricity grid, including storage and smart technologies, to accommodate higher shares of renewable energy and address current system limitations. This dual approach reinforces fiscal sustainability and aligns with Malta's climate commitments, contributing to a stable and secure energy future.

The primary source of GHG emissions in Malta, accounting for over 78% of the country's emissions in 2022, is derived from various sectors, falling within the energy sector. This includes power generation, manufacturing and construction, transport, services, residential, agriculture and fishing industries. The remaining emissions are attributable to industrial processes and product use, waste, agriculture and land-use, land-use change and forestry. Emissions from the energy sector are primarily due to power generation, accounting for nearly 45%, while another 40% stems from transport (which includes road,

domestic aviation and domestic navigation). The remaining 15% are attributable to manufacturing and construction, services, residential, agriculture and fishing industries[6].

1.2.2 National economic context

Despite its small size, the Maltese economy has come a long way, structurally transforming itself from a naval base into an independent state, with a diversified economic portfolio, triggered by market liberalisation, investment in human capital and a targeted Foreign Direct Investment Strategy.

The economy has registered rapid growth and showed resilience to various external shocks, from both local and global events, that have shaped its trajectory over the past 6 decades. Emerging from COVID-19, Malta has shown resilience and managed to achieve a robust recovery reaching pre-COVID-19 levels. This was also the case after the 2008-2010 financial crisis, during which Malta experienced a strong rebound, highlighting its strong resilience strategies.

In the past 15 years, the Maltese economy more than doubled in size, reaching €19.2 billion in 2024 in real terms. The average annual real Gross Domestic Product (GDP) growth rate between 2013 and 2023 was roughly 6.6%, compared to the European Union (EU) 27 average of 1.5%. According to the 2024 forecasts by the European Commission, Malta is expected to maintain a GDP growth rate which exceeds that of its EU counterparts, with projections indicating that Malta's GDP will increase by 4.3% in 2025[7].

Malta's most notable economic transformation has been its successful shift towards a service-based economy. Since Malta’s accession to the EU, the share of the services sector in Malta's economy has expanded by 25%, accounting for approximately 48% of the economic activity in 2023. Malta has adeptly diversified its economic landscape through the implementation of targeted regulatory frameworks and incentives that have laid the foundation for this change. Malta's current economic structure boasts a dynamic mix of sectors, including emerging high-value knowledge-driven service industries such as financial services, gaming, information and communication technology as well as professional services. These sectors are supported by the enduring presence of traditional industries that have been pivotal to Malta's economic growth, encompassing tourism, manufacturing and family-owned businesses within the wholesale and retail sectors. Tourism is also an important component of Malta's economy, with tourism spending reaching approximately €2.7 billion in 2023[8]. The economic impact of tourism is evident in sectors such as hospitality, airlines and other forms of passenger transport, as well as in the food service and entertainment industries.

Malta’s economic dependence on trade and tourism also leads to vulnerabilities, including to the impacts of climate change. More specifically, Malta’s tourism sector, which depends heavily on coastal infrastructure, beaches and maritime assets, is increasingly vulnerable to sea-level rise, erosion and heatwaves. These affect the country’s infrastructure, natural resources, maritime transport for trade, health and the overall attractiveness of the island as a destination for visitors and businesses alike.

Population growth has paralleled economic expansion, with a 34% increase over the 20-year period between 2003 and 2023. The most significant growth occurred from 2012 onwards, largely due to an increase in the number of foreign nationals residing in Malta, which saw the residential foreign population rise from 5.5% in 2012 to 25.3% in 2022[9]. As of 2023, Malta's population was recorded at 563,443[10], with projections suggesting a rise to 744,353 by 2050[11]. Demographic shifts indicate an ageing population, with the share of the 65+ age group growing by 1.4% between 2013 and 2023[12].

Malta’s strong economic performance is also mirrored in its employment growth figures, with record employment rates that have consistently outperformed European averages. Malta’s employment rate surpassed the EU-27 average in 2016 and, by the end of 2023, stood at 77.0% compared to 70.0% for the EU-27. This is a significant increase from the 56.0% recorded in 2010, reflecting a sharp upward trend over the last decade. These results in the employment trends have been spurred by the highly successful active labour market policies aimed at attracting females into the labour market driven by the flagship policy that provided free childcare to returning mothers, and female employment participation rates which increased from just 40.0% in 2010 to 71.0% by the end of 2023. The non-Maltese workforce has been the largest single contributor to the growth of Malta’s labour force and has contributed to the overall economic performance. As a result, in 2022, non-Maltese nationals made up roughly 32.7% of Malta’s total workforce[13].

1.2.2.1 Micro-enterprises

In Malta, most business units, totalling 49,182 out of a total of 52,520 enterprises, are micro-enterprises predominantly made up of self-employed individuals and small family businesses. The realities of these enterprises indicate that despite 92.6% being micro-enterprises, their income is disproportionate and does not exceed 11.2% of the total income generated in the country. The same goes for the investments made in tangible assets, which amount to only 7% of the total investment in assets, and which would include investment in equipment related to energy and climate[14].

The pervasive presence of micro-enterprises in the economic landscape underscores their critical role in potential growth and job creation within the economy. These small-scale businesses, often characterised by limited resources and modest operations, represent a cornerstone of Malta's economic structure. The fact that such a significant proportion of the business population in Malta is made up of micro-enterprises exposes small family business structures and the self-employed to various vulnerabilities. However, this heavy reliance on micro-enterprises also brings to light the need for tailored economic policies and support mechanisms keeping the unique needs and challenges of micro-enterprises in mind and ensuring that the necessary assistance is provided for them to remain in business and thrive[15].

Furthermore, the fact that the contribution of micro-enterprises to the total net turnover in Malta is disproportionately low at just 11.2%, indicates that they typically have narrow profit margins. This economic vulnerability underscores the importance of integrating climate resilience into their business models, ensuring micro-enterprises can withstand and adapt to the impacts of climate change, regulatory shifts towards sustainability, and global environmental challenges that may affect supply chains, costs and market stability. In addition, considering that approximately 70% of fuel consumed by enterprises in Malta is utilised for automotive purposes, the impact of ETS2 is ever more tangible. The vulnerability accentuated by these two factors is notably prevalent among micro-enterprises operating within the following NACE sectors: F (Construction), G (Wholesale and retail trade; repair of motor vehicles and motorcycles), H (Transportation and Storage), L (Real estate activities), E (Water supply; sewerage, waste management and remediation activities), B (Mining and quarrying), M (Professional, scientific and technical activities), C (Manufacturing), I (Accommodation and food service activities), Q (Human health and social work activities) and P (Education). These micro-enterprises typically report net turnover figures below €183,000, making them particularly susceptible to market fluctuations or increases in operational costs. In the case of NACE F, G and H, fuel consumption for transport purposes collectively accounts for circa 58% of the total, making them, at face value, more vulnerable to the impact of ETS2.

The relatively low turnover of enterprises in these sectors also points to potential obstacles that may hinder the growth of micro-enterprises and their ability to contribute more substantially to the economy in a climate-conscious manner. These obstacles might include challenges in accessing green markets, difficulties in adopting clean technologies, or the struggle to attract employees with the skills necessary for a low-carbon economy. As Malta transitions to a low-carbon economy, workforce upskilling and ensuring that workers in vulnerable positions have access to training in energy efficiency, renewables and digital tools is essential to enable participation in the green economy.

Another critical issue is the lack of economies of scale, and as a result, micro-enterprises may not have the purchasing power to negotiate lower prices for bulk orders or shipping rates. This results in higher per-unit costs for goods and services, further eroding their competitive edge. Larger companies and online retailers can leverage their scale to reduce costs and offer lower prices, putting micro-enterprises at a significant disadvantage.

1.2.3 The Buildings Sector

The second largest consumers of final energy consumption in Malta are activities related to the buildings sector. These include energy consumption in the commercial and public services at 21.6%, households at 19.3% and industry at 12.5%[16]. The commercial sector encompasses a wide range of establishments such as offices, hotels, restaurants, elderly care homes, shops, schools, hospitals and government buildings. Energy consumption in this sector accounts for activities like spatial heating, water heating, spatial cooling, cooking, lighting as well as operation of equipment and machinery, amongst others. The residential sector emerged as one of the primary consumers of energy consumption in Malta as it includes energy usage in households for spatial heating (albeit limited), water heating, spatial cooling, cooking,

lighting and appliances, amongst others. The industry sector represents another major consumer of energy in Malta, covering manufacturing plants, factories, production facilities, mining, quarrying and construction.

The significant energy consumption in buildings and other facilities underscores the need for sustainable practices to mitigate Malta's environmental footprint. Factors such as population growth, economic development, climate change (for example, increasing temperatures) and changing lifestyles are contributing to an increasing trend of energy consumption in buildings. Making the building stock more efficient is key to achieving net-zero-emissions by 2050, as outlined in Malta's Long Term Renovation Strategy (LTRS)[17]. The latter, together with a review of existing permitting systems to streamline processes and accelerate permit-granting procedures for renewable energy projects, formed integral reforms within Malta's RRP. Such reforms complement other EU funded investments in energy including the development of the second interconnector and investment in battery storage facilities under the ERDF, investments in the grid and energy efficiency under the RRP, investment in clean energy within ports under the JTF as well as complementary financial instruments supporting green growth under InvestEU. These investments complement other nationally funded schemes as outlined in Section 1.2.3.1 hereunder. Building on these reforms and investments, the SCF is foreseen to scale up investments in EE and RES. Administrative innovations such as the establishment of collective PVs and energy storage mechanisms, including through energy communities, may also be explored, as further outlined in Section 2.1.2.1.1.

1.2.3.1 Households

Based on the 2021 Census, the number of households reported for 2021 were 215,691: 92.4% of households are located within the island of Malta, while the remaining 7.6% are situated in the Gozo and Comino islands. The Northern Harbour and Southern Harbour areas account for 46.8% of the total population in Malta. Apartments emerged as the most prevalent residential property type, representing 48% of all dwellings. This was followed by terraced houses at 23%, maisonettes making up 24%, with semi and fully detached houses only constituting a mere 4% of the total housing stock[18].

In Malta, the at-risk-of-poverty threshold (ARPT), as defined by the European Statistics on Income and Living Conditions (EU-SILC) survey (2023), is set at €11,364, representing 60% of the median national equivalised income (NEI). Individuals with an NEI below this threshold are considered to be at-risk-of-poverty (ARP). In 2023, 88,462 individuals, or 16.6% of the target population, fell into this category[19].These represent a total of 43,301 households[20]. The significance of social welfare is underscored by the fact that excluding all social transfers, including pensions, the lack of provision of social welfare would increase the ARP rate by 17%[21].

Households with dependent children have an ARP rate of 17.9%, while those without dependent children have a rate of 15.7%. Single parent households are particularly vulnerable, with 41.6% below the ARPT. Similarly, elderly individuals in single-person households or in 2-adult households with no dependent children are more prone to poverty. The ARP rate also varies with household work intensity[22]; 73.5% of persons living in households with very low work intensity[23] are ARP.

The National Strategy for Poverty Reduction and Social Inclusion[24] underscores that females are more likely to engage in part-time, low-paid and fixed-term contracts, driven by the need for flexibility due to disproportionate responsibilities in the home and childcare. Additionally, there is a significant Gender Pay Gap among the 35-54 year age cohort, standing at 14.3% in the private sector, compared to 5% in the public sector, where in the latter women more frequently occupy senior positions and benefit from collective agreements. The Gender Pension Gap remains substantial for women over 65 years, resulting from past socio-cultural and traditional gender roles[25].

In addition to this, the Material and Social Deprivation (MSD) indicator for Malta in 2023 stands at 9.2%, while the Severe MSD (SMSD) indicator is at 4.1%[26], reflecting the proportion of the population facing challenges in affording basic necessities and dealing with unexpected financial expenses. A person living in a household is deemed to be materially and socially deprived if this person does not afford at least 5 of the 13 material and social deprivation items[27], whereas those who do not afford at least 7 of these items are severely materially and socially deprived. With reference to specific deprivation items, 15.9% declared that their household would not be able to settle an unexpected financial expense of €770 and over.

The EU-SILC 2023 also revealed that 6.8% of households could not afford to keep their home adequately warm in winter[28] and 4.9% of the respondents stated that their household was in arrears on utility bills[29]. The EU-SILC methodology does not capture space cooling as a poverty indicator, which is particularly relevant in the local context, especially during the hot summer months. Final energy consumption statistics for Maltese households indicate that the highest energy usage is associated with water heating and space cooling, the latter being fully reliant on electricity. Consequently, individuals who are materially and socially deprived are likely unable to keep their homes adequately cool in summer, leading to another form of deprivation. Furthermore, 7.2% of the total Maltese population live in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor[30]. Thus, tackling energy poverty complements the broader objectives of the green transition.

In addition to these challenges, over 13,000 households were reported to be struggling with housing costs, with the proportion of income spent on housing having doubled from 2018 to 2022. The rise in property prices, alongside slow real wage growth, has made it increasingly difficult for young people, low-to-middle income earners and vulnerable groups to enter the property market[31].

Social housing plays a crucial role in ensuring that individuals and families with low incomes have access to safe and affordable housing. It helps address the housing needs of vulnerable cohorts within the population, including low-wage workers, seniors, people with disabilities and those experiencing homelessness. By providing affordable options, social housing helps prevent individuals from being forced into inadequate living conditions or homelessness. This assistance is given to individuals with an income which is less than €10,000 for singles or €12,000 plus €700 per child for couples/single parents and assets worth less than €28,000.

From 2018 to 2023, the Social Accommodation waiting list has seen a significant decrease in applications, dropping from 3,172 in 2018 to 1,576 in 2023[32]. A 2021 study revealed that 75% of applicants in 2018 and 2019 were women, with a majority being single parents and a significant portion unemployed[33]. These two categories are captured under the vulnerable household definition which comprises of 88,462 individuals whose income is 60% of the median national equivalised income. This puts them at-risk-of-poverty and makes them eligible for social accommodation.

The Housing Authority has implemented 2 rental assistance schemes - the Housing Benefit Scheme and the Pre-1995 Rent Subsidy Scheme – through which beneficiaries nearly doubled from 2,898 households in 2019 to 5,176 in 2023. These programs provide substantial financial support for rent, significantly alleviating the rent burden and preventing homelessness, with total expenditure exceeding €42 million from 2019 to 2023[34].

Additionally, the Private Leases Act was enacted to enhance the private rental market[35] and promote affordability through housing benefits[36]. The Social Loan Scheme was introduced to assist individuals in purchasing a property for residential use and become homeowner/s by covering the property's deposit and providing subsidies for loan repayments[37].

Based on the 2015 Household Budgetary Survey (HBS)[38] adjusted for inflation for 2023, households spend over 9% of their income on housing, water, electricity, gas and other fuels[39]. The highest expenditure is on food and non-alcoholic beverages at 21%, followed by transport (13%) and miscellaneous goods and services (11%)[40].

Within the ‘housing, water, electricity, gas and other fuels’ expenditure category, the highest share goes towards electricity, accounting for 28% of the total expenditure[41]. This significant portion highlights the critical impact of electricity costs on household budgets, especially for vulnerable households that may already be struggling with limited financial resources.

Rentals constitute the second-largest share of this expenditure category at 21.2%, indicating that a substantial portion of household income is dedicated to securing housing. This is followed by material for maintenance of the dwelling at 17% and services for maintenance of the dwelling at 15.3%. These figures underscore the ongoing financial burden of maintaining a home, which can be particularly challenging for low-income households.

Water supply expenses account for 11.1% of the expenditure in this category, reflecting the essential nature of water services in daily living. It is important to note that in Malta, a significant portion of water

is provided through reverse osmosis, a process that is highly dependent on electricity. Therefore, an increase in electricity wholesale prices would not only directly impact household electricity bills but also indirectly affect water prices. This interconnection further amplifies the financial strain on households, as higher electricity costs would lead to increased water expenses as well. Gas expenses (which in Malta is understood to refer to LPG) represents 4.8% of the total, while other services related to the dwelling make up 2.5%.

The final energy consumption statistics for Maltese households reveals several key insights in the energy consumed in 2022[42]. Households primarily rely on electricity for various end-uses, with the highest consumption observed in water heating and space cooling. Specifically, water heating, which accounts for the largest share of energy consumption, is predominantly powered by electricity, with some contribution from renewable sources, namely solar water heating (SWH) and heat pump water heating. Space cooling also shows significant energy consumption, entirely dependent on electricity. The predominant technology for space cooling is air-to-air heat pumps, which are then used in reverse mode for spatial heating in the cooler months. Other categories such as cooking and space heating also rely heavily on electricity, although fossil fuels are used to some extent in these areas.

The fact that Malta is an island with limited resources exacerbates the impact of any increase in prices. The predominance of apartment dwellings in Malta presents challenges for the installation of solar photovoltaic (PV) and SWH systems, as these setups typically require ample roof space. Additionally, shading from neighbouring buildings further limits the effectiveness and potential of solar installations. Technologies such as heat pump water heaters and SWH remain relatively expensive compared to traditional electric water heaters, necessitating a significant capital outlay by households to adopt sustainable options. In the Heating and Cooling Assessment undertaken in 2024, it was determined that an electric water heater costs approximately €220 plus VAT. In contrast, heat pump water heaters and solar panels are significantly more expensive, with investments exceeding €2,000 plus VAT. The same analysis indicates that the savings in operational costs from switching from an electric water heater (which costs around €162 annually to operate in terms of electricity required) to a heat pump or solar water heater do not offset the investment costs over the analysed period. Therefore, the assessment concluded that without subsidies or government incentives, it would not be financially attractive for a private household to adopt these alternative technologies.[43]

To this end, Government has launched various measures to incentivise renewable energy and energy efficiency in households. For instance, in 2024, Technical Guide F[44] that sets new minimum energy performance requirements for new and renovated buildings was adopted. The ‘Irrinova Darek’/‘Renovate your Home’ scheme[45], launched in 2022, also aims at renovating properties to enhance their energy efficiency. Recently, the ‘Buy Sustainable Property’ scheme[46] was introduced to offer financial support for individuals purchasing or planning to buy energy-efficient homes. This initiative promotes sustainable housing by highlighting the benefits of energy-efficient buildings, such as reduced energy consumption and long-term cost savings, while encouraging greener building practices in Malta and Gozo. Additional efforts include incentives related to the Renewable Energy Schemes[47] and Feed-in Tariffs Scheme[48], the Solar Water Heater Scheme[49], the Heat Pump Water Heater Scheme[50], the Domestic Cisterns Restoration Scheme that encourages rainwater harvesting via the restoration of water cisterns[51] as well as the Water Purification Scheme[52].

On a national scale, the National Development and Social Fund (NDSF) has committed €50 million to a social housing project, in partnership with the Housing Authority, aiming to construct 500 new eco-friendly social housing units across 12 localities in Malta[53]. Government also offers free tailored energy and water consultation service by technical officers to interested households[54]. Other incentives to encourage energy efficiency include a rising block tariff and eco-reduction system for electricity usage.

Low-income households and social cases are assisted through various measures. One such measure is the free replacement of old and inefficient appliances with new energy-efficient models for households classified as socially vulnerable[55]. The Energy Benefit Scheme is another significant initiative, aimed at mitigating the impact of increased expenditure on water and electricity bills. This scheme provides assistance to social cases or low-income families by covering 30% of their electricity consumption before any eco-reduction.

Furthermore, Government has prioritised mitigating the impact of rising energy prices due to the COVID-19 pandemic and the Russian conflict in Ukraine. These efforts have been funded through Government resources, demonstrating a commitment to shielding the population from the financial strain caused by global energy market fluctuations. By absorbing some of the increased costs, Government aims to maintain economic stability, also to protect the most vulnerable segments of society from the adverse effects of energy price hikes.

To further ease the pressure of increased overall costs, low-income households in Malta are also supported through an additional Cost of Living Adjustment (COLA) mechanism. This benefit ranges from €100 to €1,500 annually, depending on the household's income level and size. The structure is progressive in nature whereby households with lower income and more dependents receive higher amounts. For instance, a single individual earning €8,000 annually may receive around €202 per year, whereas a family of five with a household income of €15,000 could be entitled to the maximum benefit of €1,376 annually[56].

1.2.3.2 Micro-enterprises

Data indicates that all economic sectors, as classified by NACE or NACE groupings, consume fuel for both automotive and non-automotive purposes[57]. Approximately 70% of fuel consumed by enterprises in Malta is utilised for automotive purposes, while the remaining 30% is allocated for non-automotive uses within buildings, such as cooking, water heating, space heating, space cooling and industrial processing.

Energy data for Maltese enterprises is only available at the NACE/sectoral level for all enterprises, without differentiating between the size of the enterprise. This lack of granularity might translate in less precise conclusions, as the operational nature and energy consumption patterns of medium and large enterprises can differ significantly from those of micro-enterprises. This is also the case for most other Member States, where energy data at micro-level enterprise is relatively non-existent. Proxies were used based on data aggregation methods, despite the inherent limitations. As already explained in Section 1.2.2.1, micro-enterprises, which form the backbone of many economies, grapple with unique barriers in advancing towards energy-efficient and sustainable practices and also have constraints on their financial resources, such as lower profit margins which can make large capital expenditures impractical. Furthermore, structural improvements in occupied buildings are not always possible in view of lease agreement obligations.

There are already several government programs and incentives aimed at supporting enterprises in transitioning to alternative energy sources or improving energy efficiency.

Financial schemes are being offered to micro-enterprises which include the MicroInvest 2024 scheme, the Smart and Sustainable Investment Grant, as well as the promotion of Energy Audits Scheme. Furthermore, the Energy and Water Awareness Programme provides free advisory services to households and micro-enterprises on efficient energy and water use. Additional schemes are in place to support enterprises in the renovation of buildings[58] and support for investment in solar PV through the Feed-in Tariffs Scheme and the Invitation to Bid for Financial Support[59]. An ESG (Environmental, Social and Governance) Grant has also been provided to cover 75% of the cost for specialised advisory services to help with ESG reporting[60].

1.2.4 The Transport Sector

In 2022, Malta's final energy consumption reached 6,878 GWh. Fossil fuels constituted the largest share of this consumption (54.6%). The transport sector, consisting of road transport, national navigation and aviation, is the largest final energy consumer at 42.6%[61].

The transport sector has been a particular focus in both the LCDS and the NECP, in view of the substantial contribution this sector has on energy consumption and related emissions. Therefore, measures within this sector are key to further accelerate Malta's decarbonisation effort and the achievement of the national target of -19% in terms of GHG emissions by 2030. Major transport strategies such as the National Transport Strategy, the Transport Master Plan, as well as Sustainable Urban Mobility and Logistics Plans are being updated. Measures like shifting to more active transportation modes, electrifying transport and expanding the free public transport scheme nationally are included in both the LCDS and the NECP.

Over the period 2015-2024 there has been a significant increase in the number of registered motor vehicles in Malta. By the end of 2024, the number of licensed vehicles in Malta amounted to 445,711. The majority of these are passenger cars, equivalent to 330,484 vehicles, or 74.1%, of the entire stock of licensed vehicles. This is followed by commercial and agriculture vehicles, which account for 14.3%, and motorcycles, making up 10.9% of the overall number of licensed vehicles[62].

Before the COVID-19 pandemic, Malta experienced a consistent rise in the number of newly licensed passenger cars with a marked preference for 'used' cars. However, in the post-pandemic period, a trend towards new cars has persisted. This trend extends to all motor vehicle categories. As a result, in 2024, out of the 22,634 newly licensed motor vehicles, 12,994 were newly licensed 'new' vehicles whilst 9,640 were newly licensed 'used' ones[63]. The number of cars per kilometer (km) on Maltese roads has also increased. Back in 2005, there were roughly 72 cars per km, whereas in 2022, there were 150 motor vehicles per km increasing traffic congestion[64].

Government's aim of reducing GHG emissions in the road transport sector encompasses a variety of initiatives, particularly those focused on the electrification of transport to facilitate the shift towards zero-emission vehicles. These initiatives are being developed with consideration to EU legislation, including an EU ban on ICE vehicle sales following the amendments introduced to Regulation (EU) 2019/631[65]. This amendment seeks to tighten CO2 emission standards for new passenger cars and light commercial vehicles to align with the EU's increased climate goals, while also considering supply challenges and price convergence.

Malta has utilised resources from its Recovery and Resilience Plan over 3 years to focus on actions that promote the transition to EVs. Furthermore, through additional resources provided by the EU's REPowerEU initiative, interventions have been undertaken in relation to the extension of the electricity distribution network to support the electrification of transport and renewable electricity generation, amongst others. From 2013 to 2017, there has been a gradual but steady increase in EVs registered, with a steep escalation since 2020 as more grants were provided by Government and through bank loan guarantees. Notably, as at the end of 2024, there were 17,759 EVs on the road[66] [67]. Incentives in the transport sector to facilitate the transition to lower emissions and decarbonisation have been progressively introduced in the form of legislation, subsidies, grants and various schemes.

The following is a summary of policies, reforms and measures that are in place to support the transition to vehicle electrification:

- Promoting the electrification of the vehicle fleet, targeting the equivalent savings and emissions reduction of 65,000 EVs by 2030.
- Expansion of publicly accessible EV charging stations network to support the goal of increasing EV adoption.
- Encouraging active mobility by providing incentives and enhancing transport infrastructure for safety.
- Establishing a national system for free public transportation and complementary school transport.
- Ensuring readiness for the cut-off date regarding the importation of ICEs, in accordance with the Council's adoption of Regulation (EU) 2019/631[68], which sets CO2 emission performance standards for new passenger cars and light commercial vehicles.
- Regulatory obligations and incentives to encourage the installation of private charging infrastructure[69].
- Incentives to encourage the uptake of EVs for personal and commercial use.

Malta has in place a biofuel blending obligation in fuel used for road transport through the fuel supplier obligation in Subsidiary Legislation 545.17[70], by incrementally raising the biofuel blending requirement for petrol and diesel importers from 10% in 2020 to 14% by 2030, measured by energy content. Further support to decarbonise road transport is offered through incentives to purchase EVs and various other schemes to support the shift to e-scooters, bicycles and pedelecs, amongst others. To support EV infrastructure, the Maltese islands have about 360 charging stations in place. In order to support the shift

to EV use, under Legal Notice 134 of 2020[71], new non-residential structures, as well as those undergoing significant renovations with more than 10 parking spots, are mandated to install at least 1 EV recharging station in accordance with Directive 2014/94/EU on the deployment of alternative fuels infrastructure[72].

Malta has made strides in improving the national public transport bus service. In 2018, free access was given to public transport for young people and students aged 16 to 20, individuals with disabilities, and those above the pensionable age. By the end of 2022, through a reform under the RRP, this initiative was expanded to offer free public transport services to all holders of the 'Tal-linja' / 'Public bus' card, with data from 2023 indicating there are 479,667 cardholders[73].

Through the RRP, other reforms in the transport sector are also being undertaken, including: the development of a robust policy framework for sustainable transport; the adoption of a Sustainable Urban Mobility Plan for the Valletta Region, covering 40% of Malta's population; the creation of car-free and open spaces in Malta and Gozo; as well as the introduction of ride-sharing mobility services across government institutions to lead by example in sustainable transport, amongst others. Building on these reforms the SCF aims to scale up shared mobility services at local community level, complementing actions under the SUMP as well as the transport policy framework.

In addition to multimodal and collective transport measures, a fast ferry connection between Malta and Gozo has been launched to enhance the traditional ferry operations provided by Gozo Channel, and in its inaugural year from June 2021 to July 2022, the service accommodated 627,493 passengers. Furthermore, Gozo residents benefit from subsidised fares when travelling on the Gozo Channel ferry (passenger and car ticket) or the Gozo Highspeed fast ferry (passenger ticket)[74] [75], and Gozo residents working on a full-time basis in Malta, both within the public and private sector, are eligible for a yearly subsidy to cover daily commuting expenses[76].

Around €35 million under the CF (2021-2027) are foreseen to support a network of green mobility measures including pedestrianisation, passageways and cycle lanes, amongst others[77].

A range of fiscal measures are also in place based on the polluter pays principle. The aim is to have a cleaner, smaller and newer private passenger vehicle fleet on the road. Registration tax is calculated on emissions, the length of the vehicle and its value. The annual circulation license is based on the vehicle fuel type and emission rating. EVs licenses are capped at a token rate[78]. Other incentives that support free collective transport measures include free harbour ferry service to holders of a personalised Tal-linja Card[79], free school transport to students in compulsory schooling and kindergarten, attending State, Church and Independent Schools[80], and the Silver T Service that is a national transportation service tailored for older individuals to conduct their daily errands[81]. Furthermore, around 400 additional daily trips, together with new bus routes, were announced in April 2025[82].

1.2.4.1 Private Transport Use

Private transport trends and user demographics in Malta reveal significant insights into the population's personal travel habits and preferences. The National Household Travel Survey[83] conducted in 2021 found that 57.7% of the population travelled on the specified Travel Day[84]. Commuting was the most frequent reason for travel, constituting 42.2% of the total trips, followed by trips for educational purposes (11.6%) and shopping (9.3%). Private vehicles were the dominant mode of transportation, used for 84.3% of all trips, with walking (7.0%) and bus travel (5.2%) trailing behind[85]. Those between the ages of 25 and 44 use their private vehicle as their main mode of transportation (65.6%), followed by those aged between 45 and 64 years (88.1%). Those aged 65 and older also have a high dependency on private vehicles (76.9%)[86].

During the first quarter of 2024, Malta Public Transport recorded a 19% increase in passenger numbers compared to the same period in the previous year, amounting to 17.2 million passengers. Additionally, the number of active Tal-Linja cardholders who used the bus at least once in the first quarter of 2024 compared to the first quarter of 2023 also rose by 19%, reflecting the growing use of public transport among residents[87].

Notwithstanding this, passenger cars make up the largest cohort of vehicles in Malta. Of these, 58.2% were petrol vehicles and 35.1% were diesel vehicles. The rest are a mix of electric, mild hybrid

(petrol/diesel-electric), LPG, petrol/diesel-LPG and plug-in hybrid (electric-petrol/diesel) vehicles[88]. In 2022, passenger cars accounted for the majority of travelled km, covering 2,321 million km or 79.5% of the total. On average, each passenger car was driven for 7,136 km[89]. Over 96% of licensed passenger cars, equivalent to 303,261 vehicles, are vehicles typically owned and used by private citizens[90]. The remaining 4% include garage hire, self-drive, leased vehicles and taxis[91]. This data highlights the predominant reliance on privately owned vehicles in Malta, which as at the end of 2023, had an average age of 16 years[92].

An analysis of the engine capacity of licensed passenger cars in Malta as of 2022 reveals a strong preference for smaller engine vehicles, with the majority (141,389 cars) of the passenger cars having an engine capacity of 1,300cc or less. This is followed by 47,180 vehicles in the 1,301cc to 1,449cc range, 39,147 vehicles in the 1,501cc to 1,800cc range, 36,168 vehicles in the 1,801cc to 2,000cc range, 32,304 vehicles in the 1,450cc to 1,500cc range and 21,046 vehicles in the range over 2,000cc[93]. However, 43% of newly licensed passenger vehicles in 2024 were classified as 'used' vehicles[94], meaning that they are second-hand cars.

This shows that whilst there is a preference for smaller engine vehicles, their efficiency might be compromised by the fact that nearly half of the newly licensed vehicles are second-hand. Second-hand cars, although more affordable, may not offer the same level of fuel efficiency and performance as new vehicles, potentially leading to higher maintenance costs and fuel consumption over time. This trend suggests that economic considerations are driving consumers to opt for more affordable used cars, even if it means sacrificing some efficiency.

The HBS (2015), adjusted by the National Statistics Office (NSO) to reflect 2023 prices, shows that transport expenses are the second largest household expense, accounting for 13% of their disposable income suggesting that these costs have a significant impact on household budgets.

A Commission report highlights that a significant share of Maltese households spends more than 6% on transport and have a total expenditure below the national median. Notably, Malta ranks fourth in this regard, with over 20% of households falling into this category, surpassed only by Cyprus, Slovenia and Portugal. Furthermore, around 37.5% of the ARP household population spends more than 6% on transport[95], highlighting the need for more affordable and efficient transport options to alleviate their financial burden and improve their overall quality of life. On a national level, an average household consisting of 2 adults and 2 dependent children allocates 13% of its total expenditure to transport services, whereas an average single-parent household with 1 or more dependent children allocates almost 11% to the same category[96]. To alleviate the impact of rising fuel costs on vehicle owners, following the increase in international oil prices resulting from the conflict between Russia and Ukraine, Government has been subsidising this increase, maintaining a price stability for unleaded petrol at €1.34 per litre, and €1.21 per litre for diesel[97].

1.2.4.2 Commercial Transport Use

According to the 2023 Transport Statistics[98], the total number of passenger cars classified under the M1 category that are registered for commercial purposes are equivalent to 13,574. Furthermore, the statistics indicate that there are 40,141 light goods-carrying vehicles, defined as those with a gross vehicle weight not exceeding 3,500 kg, which includes vans and pick-ups (N1 category vehicles). Additionally, there are 12,432 heavy goods-carrying vehicles, characterised by a gross vehicle weight above 3,500 kg (N2 category vehicles). The average age of petrol goods-carrying vehicles is 26.7 years, while the average age of diesel vehicles is 19.5 years, and those powered by LPG engines have an average age of 13.5 years.

In terms of fuel consumption by vehicles used by enterprises, similar to the energy data presented earlier, the available data is aggregated for all enterprises regardless of size. 70% of the fossil fuels used within the economic sectors is used for road transport purposes. All NACE categories across agriculture and fishing, industry and services report usage of petrol and diesel. Notably, given the use of goods-carrying vehicles by enterprises, which are typically powered by diesel, diesel constitutes 86.4% of the fuel used by enterprises, while petrol makes up the remaining share, with minimal use of LPG[99].

Given this context, it is evident that micro-enterprises must access financial support to transition to low or zero-emission transportation solutions. This transition is particularly vital for small businesses reliant on road transport for their operations. While households can often switch to public transport, most micro-

enterprises cannot replace their commercial vehicles with mass transportation. Additionally, businesses that do not directly consume road transport fuel may still subcontract other firms for their transport needs, making them subject to the impacts of rising fuel prices due to ETS2 indirectly.

The financial strain on micro-enterprises due to increased fuel prices may expedite the transition to more cost-effective and environmentally friendly options, such as electric and hybrid vehicles. However, micro-enterprises with lower profit margins may find it challenging to make the initial investment and continue to depend on traditional petrol and diesel vehicles, thereby exacerbating their financial difficulties.

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[22] The work intensity of a household is the ratio of the total number of months that all working-age household members have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period.

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[27] These include: (1) face unexpected financial expenses, (2) pay for a one-week annual holiday away from home, (3) household not able to replace worn-out furniture, (4) household cannot afford a car, (5) keep the home adequately warm in winter, (6) afford a meal with meat, chicken, fish or vegetarian equivalent every second day, (7) arrears on mortgage or rent payments, utility bills, hire purchase instalments or other loan payments, (8) replace worn-out clothes with new ones, (9) internet connection for personal use at home, (10) spend a small amount of money each week on yourself, (11) regularly participate in a leisure activity, (12) two pairs of properly fitting shoes, (13) get-together with friend/family for a drink/meal at least once a month.

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[41] At the EU level, this accounts for circa 20% of the total expenditure within the ‘housing, water, electricity, gas and other fuels’ expenditure category, using the HICP item weights. For comparison, the share in Malta using this approach is 24%, which closely aligns with the HBS data and reflects Malta's energy consumption patterns that rely heavily on electricity rather than gas. In fact, gas expenses in the EU, represent roughly 10% of the total within the ‘housing, water, electricity, gas and other fuels’ expenditure category, whilst in Malta the share of income spent on gas is circa 2%.

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[93] NSO (2024), Transport Statistics 2023 – Reference Year: 2022, https://nso.gov.mt/wp-content/uploads/Transport-publication-2023.pdf

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[95] European Commission (2024), Transport poverty: definitions, indicators, determinants, and mitigation strategies, https://employment-social-affairs.ec.europa.eu/transport-poverty-definitions-indicators-determinants-and-mitigation-strategies-final-report_en.

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1.3. Public consultation process

A summary of the consultation process of local and regional authorities, social partners, civil society organisations, youth organisations, and other relevant stakeholders, as implemented in accordance with the national legal framework, for the preparation and, where available implementation of the Plan, covering the scope, type, and timing of consultations activities, as well as how the views of the stakeholders are reflected in the Plan.

The consultation process for developing the SCF engaged a wide range of stakeholders, ensuring a thorough approach to addressing the climate challenges faced by vulnerable households, micro-enterprises and transport users. Key discussions focused on fund allocation, regulatory parameters, applicable timeframes, areas of support and potential interventions.

The consultation on the SCF began in February 2024, with various Government Ministries and entities invited to provide input on the needs that the SCF may address. This was followed by several bilateral meetings between stakeholders and the Ministry responsible for EU Funds throughout 2024 and 2025.

In September 2024, a broader consultation event was held, involving Government representatives, economic partners, civil society organisations, youth and regional groups, amongst others.

The event featured a comprehensive presentation on the SCF and Malta's social climate needs, with the feedback from this session incorporated into the SCF Plan. Key points raised included:

- Rising electricity costs, partly driven by carbon pricing and the need to provide improved efficiencies to encourage households and vulnerable transport users to shift towards cleaner fuels.
- The need to consider gender realities in addressing increasing costs and the inherent needs of low-income households going beyond energy and transport poverty.
- The need for consideration when transitioning to electric fleets, as infrastructure upgrades may present unclear financial challenges for businesses.

- The need to support enterprises who rely on transport in view of the impact that rising fuel costs will have on their operations, particularly those that use commercial vehicles as part of their operations.
- The need to cater for challenges in the implementation of retrofitting actions, particularly when temporary relocations are needed.
- The reluctance of vulnerable micro-enterprises to seek grants due to reporting requirements, highlighting the need for simpler funding processes.

Between 2024 and 2025, several round-table/bilateral discussions were held with key stakeholders, to develop investment ideas as well as gathering the necessary data for costing methodologies. The Authority that will implement the SCF was also consulted across the different stages of the Plan development. Such meetings were held in an effort to spark dialogue and encourage active engagement.

In May 2025, a consultation session on the SCF was carried out with the Malta Council for Economic and Social Development (MCESD), which is a consultative body formed by representatives of government, employers, unions and civil society to advise on economic and social policy.

In June 2025, a wide public consultation was launched on the SCF, allowing the public to contribute to the strategy for utilising the SCF and provide feedback. The document was launched on the Fondi.eu website and the Government's Public Consultation website, in addition to being publicised through digital adverts, social media websites and on different new portals as well as on the Sunday local newspapers.

Furthermore, an event was organised for Local Councils during which information on the SCF's objectives and relevance at the community level was provided. Stakeholders invited to participate at this information session include representatives from relevant Government Departments, Regional Authorities, Local Councils and implementing bodies. The proposed investment was positively received, with stakeholders particularly commending the full financing of EVs and charging infrastructure and the centralised approach to reduce administrative burden on Local Councils. The main recommendations emanating from this information session included the need to cover drivers' costs as part of the project as well as the importance of further discussion during the implementation phase.

Furthermore, to engage with stakeholders, meetings were also organised with the Malta Chamber of Commerce, Enterprise and Industry and Friends of the Earth Malta.

Feedback was received during events/meetings and/or in writing from a number of organisations, including the public administration, social partners, local and regional authorities, representatives of minority groups and NGOs, amongst others.

The relevant submissions received are broadly reflected in the document, where relevant. The main recommendations from the public consultation exercise include the following:

- Reaffirmed alignment with the proposed initiatives as part of the SCF and Malta's priorities, including the NECP, which are also complementary to existing initiatives;
- Widening the scope of energy efficiency actions to include RES and possibly consider energy communities;
- Supporting the shared mobility action through stronger set-up costs and further discussing operational arrangements;
- The provision of support towards energy efficiency, the renovation of buildings as well as the shift towards electric mobility were considered positively;
- Alignment of the interventions under Components 1 and 2 with the National Strategy for the Environment 2050, Noise Action Plan (2019-2024) as well as the Quality Air Plan for Malta 2025.

Further details on the partnership process, list of stakeholders and presentations can be found on: https://fondi.eu/public-consultations/.

1.4. Definitions

An explanation of how the definitions of energy poverty and transport poverty are to be applied at national level.

Energy Poverty

As per the 2025 NECP[1], Malta has developed its definition of energy poverty based on 2 indicators: energy costs and income. Households benefitting from the Energy Benefit Scheme have been considered as low-income households for the purpose of the NECP and the SCF. This framework effectively identifies households needing financial support for energy needs, even if the need is not directly due to energy costs. Some beneficiaries may qualify as humanitarian cases and receive social security benefits like social assistance, age pension and unemployment assistance, meaning not all households receiving the energy benefit are necessarily energy inefficient or have high energy bills. To address this, data on households receiving the energy benefit was linked with total income and utility expenditure data (excluding LPG used for heating/cooking) to identify those households with a high share of energy expenditure relative to their income. The high share of energy expenditure in income (also known as 2M) measures the proportion of households whose energy costs exceed twice the national median. Using this methodology, approximately 3,747 households have been identified as energy poor. The cohort of energy poor households is a sub-group of those defined as vulnerable households.

Transport Poverty

The European Commission report on Transport Poverty[2] outlines that Malta has one of the highest shares of ARP population identified as affected by the 6% and 2M indicators amongst all the EU Member States. Affordability is a significant concern for many individuals and households. The share of people who cannot afford a personal car is significantly higher among those ARP. In fact, 6.5% of the households below 60% of the NEI cannot afford a personal car, compared to 2.1% of the total households[3]. Private car usage remains high in Malta, with 330,484 passenger cars registered in a population of approximately 574,250 [4], and around 15,000 new cars licensed each year [5], reflecting a strong structural reliance on private vehicles for daily mobility.

Although the same report notes that the share of the population with ‘very difficult’ access to public transport in Malta is relatively low[6], it is important to contextualise this finding. In Malta, the only available form of land-based public transport is the bus network. The absence of alternative modes—such as metro, rail or tram—means that ‘access’ to public transport is largely defined by access to this single mode. As such, the diversity and resilience of the public transport offer is limited, and its adequacy must be assessed not just in terms of geographic reach but also in terms of service quality, frequency, and convenience.

While bus services are free of charge for all Maltese residents, areas with limited routes or infrequent service effectively leave individuals without viable mobility options. In such cases, reliance on private vehicles becomes a necessity rather than a choice, which may place a disproportionate financial burden on low-income individuals and families. In practice, despite the availability of free public transport, many individuals continue to rely on private vehicles (Malta has 330,484 passenger cars registered in a population of approximately 574,250, and around 15,000 new cars licensed each year) or ride-hailing services such as Uber and Bolt due to concerns related to frequency, reliability and availability. Users commonly report issues such as bus punctuality, long travel times, inconvenient routes requiring multiple transfers, and overcrowding[7], all of which diminish the usability of the service.

Accessibility remains a key dimension of transport poverty. Driving licence ownership is one relevant indicator, with lower rates observed among elderly women and youths. However, low levels of driving licence ownership should not automatically be interpreted as a negative outcome. In the Maltese context, it may reflect underlying structural limitations and be symptomatic of transport poverty—particularly in

the absence of alternative transport modes. For some individuals, the lack of a licence may stem from specific health conditions or disabilities that prevent them from driving. In such cases, these individuals become fully dependent on public transport or taxi services to access essential services. Moreover, while alternatives such as ride-hailing services are available, these may not be financially accessible to all individuals, particularly those on fixed incomes such as pensioners, thereby reinforcing reliance on public transport despite its limitations.

Furthermore, elderly individuals remain among the most frequent pedestrians across all age groups[8], which necessitates consideration of age-related limitations, safety concerns, and the walkability of the built environment. Many elderly persons also rely on others for private vehicle trips[9], highlighting a form of transport dependency that may compromise their autonomy. This dependency is further heightened by the fact that, due to age or physical constraints, private car use may become impractical over time, particularly for those who relinquish their driving licence, limiting their independent mobility options.

Malta's definition of transport poverty is based on difficulties in meeting the cost of transport, as well as limited access to and availability of transport needed to reach essential socio-economic services and activities. Accordingly, individuals considered to fall within the transport poverty cohort include those who are ARP and are either aged 60 or older, those who report limitations in activities due to health problems, or those with disabilities (physical and/or mental). This definition reflects the broader national context, where the absence of a dependable and diversified public transport system, combined with strong reliance on private vehicles, amplifies vulnerability among specific population groups. Based on this definition, an estimated 36,728 individuals in Malta are considered to be experiencing transport poverty.

[1] European Commission (2025), Malta – Final updated NECP 2021-2030 (submitted in 2025), https://commission.europa.eu/publications/malta-final-updated-necp-2021-2030-submitted-2025_en.

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[3] Data provided by NSO following a specific request.

[4] NSO (2025), World Population Day: 11 July 2025, https://nso.gov.mt/world-population-day-11-july-2025/.

[5] NSO (2026), Motor Vehicles: Q4/2025, https://nso.gov.mt/motor-vehicles-q4-2025/.

[6] European Union (2024), Transport poverty – Definitions, indicators, determinants, and mitigation strategies – Final report, https://op.europa.eu/en/publication-detail/-/publication/0b300f5f-b125-11ef-acb1-01aa75ed71a1/language-en.

[7] NSO (2021), National Household Travel Survey, https://nso.gov.mt/themes_publications/national-household-travel-survey-nhts/.

[8] Ibid.

[9] Ibid.

1.5. Projected impact on vulnerable groups

An estimate of the likely effects of the increase in prices resulting from the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC on households, and in particular on incidence of energy poverty and transport poverty, and on micro-enterprises, comprising in particular an estimated number of, and the identification of, vulnerable households, vulnerable micro-enterprises and vulnerable transport users. These effects are to be analysed at the appropriate territorial level as

established by each Member State, taking into account national specificities and elements such as access to public transport and basic services and identifying the areas mostly affected.

Context indicators	
1. Number of vulnerable households	43,301
1.1. Number of single female households without dependant children	0
1.2. Number of single households with dependant children	0
1.3. Of which number of single female households with dependant children	0
1.4. Number of households with at least one member >65 years old	0
1.5. Number of households with at least one member with a disability	0
2. Number of households in energy poverty	3,747
2.1. Number of single female households without dependant children	0
2.2. Number of single households with dependant children	0
2.3. Of which number of single female households with dependant children	0
2.4. Number of households with at least one member >65 years old	0
2.5. Number of households with at least one member with a disability	0
18. Number of vulnerable transport users	147,215
18.1. Number of single female households without dependant children	0
18.2. Number of single households with dependant children	0
18.3. Of which number of single female households with dependant children	0
18.4. Number of households with at least one member >65 years old	0
18.5. Number of households with at least one member with a disability	0
19. Number of households in transport poverty	36,728
19.1. Number of single female households without dependant children	0
19.2. Number of single households with dependant children	0
19.3. Of which number of single female households with dependant children	0
19.4. Number of households with at least one member >65 years old	0
19.5. Number of households with at least one member with a disability	0
32. Number of vulnerable micro-enterprises	39,545
32.1. Number of female-led micro-enterprises	0
35. Share of the temporary direct income support in the total costs of the Social Climate Plans	0

A description of the methodology used in the estimates, while making sure that the estimates are calculated with a sufficient level of regional disaggregation and if relevant, provide a breakdown of the data by gender, by age and by disability status

Definitions of vulnerable households, vulnerable transport users and vulnerable micro-enterprises

Vulnerable households are being defined as persons who are ARP, that is, persons living in households which fall below 60% of the median NEI. This aligns with the NSO's definition, which, based on EU-SILC 2023, translates to 43,301 households.

Vulnerable transport users are being defined as those individuals who are 60 years or older, those persons aged 16 years and older who have limitation in activities because of health problems, persons with disabilities (physical and/or mental), and ARP households in transport poverty which are classified as vulnerable, totalling to 147,215 individuals[1]. In Malta's context, this definition captures not only socio-economic vulnerability but also structural constraints arising from a transport system characterised by strong reliance on private vehicles and limited viable alternatives. Vulnerable transport users face disproportionate financial pressures. An increase in the price of taxi services and other private transport modes will cause financial strain for vulnerable transport users. This is particularly significant given their greater reliance on such services in the absence of dependable and accessible transport options. This situation is particularly concerning for those already struggling with transport poverty, emphasising the need for immediate attention to their unique challenges.

While free public transport is available, it is essential to acknowledge the accessibility and availability issues that can hinder its effectiveness for elderly and individuals with limited mobility. In line with the Plan, challenges such as limited frequency, reliability concerns, as well as significantly longer travel times compared to private car use, reduce the overall usability of the service. Many individuals in this cohort may not have easy access to public transport options, reinforcing the need for alternative solutions tailored to their specific needs. Physical access barriers and the practical difficulties associated with complete or multi-leg journeys further limit the ability of these groups to rely on public transport in practice. Simply providing free public transport is insufficient if it does not adequately meet the accessibility requirements of these vulnerable users.

Furthermore, the broader societal implications of neglecting vulnerable transport users must be considered. Failure to address their transport needs could lead to increased social isolation, reduced access to essential services, and a decline in overall quality of life. These risks are exacerbated by wider income dynamics, particularly among retirees who experience a significant reduction in disposable income and therefore have limited capacity to rely on alternative transport options such as ride-hailing services. This perspective illustrates the urgency of addressing the needs of this group, as their well-being is interconnected with the health of the broader community. Addressing these challenges is therefore critical not only from a social protection perspective but also for ensuring inclusive and sustainable socio-economic participation.

Vulnerable micro-enterprises in Malta are being classified in the context of the SCF in relation to fuel use intensity and revenue capacity of these micro-enterprises. Micro-enterprises operating within NACE H (Land Transport and Transport via Pipelines, Warehousing and Supporting Activities for Transportation, and Postal and Courier Activities), NACE F (Construction) and NACE G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles) are particularly exposed, as they collectively account for 58% of total fossil fuel consumption for road transport purposes. Additionally, micro-enterprises within NACE L (Real Estate Activities), E (Water Supply; Sewerage, Waste Management and Remediation Activities), B (Mining and Quarrying), M (Professional, Scientific and Technical Activities), C (Manufacturing), I (Accommodation and Food Service Activities), Q (Human Health and Social Work Activities), and P (Education) consume a further 29% of transport fuel. These enterprises typically record net revenue below €183,000, making them especially vulnerable to fuel price shocks that could significantly impact their operational sustainability. In this regard, the aforementioned NACE categories total to 39,545 vulnerable micro-enterprises.

Methodology

The carbon price trajectory for ETS2 from 2027 to 2030 referenced in the SCF is derived from the recommendations provided to Member States in March 2023 regarding the update of the NECPs under the title 'Recommended parameters to model ETS2 in the context of the update of NECP'. However, the prices have been adjusted to reflect the values from 2020 to 2023 (as per the European Commission Guidance Document). The estimate value for 2027 is €30 per tonne of CO2 (in 2023 prices), increasing to €60 per tonne of CO2 (in 2023 prices) in 2032, which aligns with the 2030 ETS price modelled in the MIX scenario for the new ETS sectors, as published in the ETS revision impact assessment.

A sensitivity analysis was conducted using the S&P 2026-2030 Intercontinental Exchange EUA Futures contract prices, sourced from S&P Capital IQ. For the years 2031-2032, projections were developed based on historical trends and forecasts for 2026-2030. For 2027, the carbon price is projected to be €79.24 per tonne of CO2, increasing to €91.82 per tonne of CO2 in 2032. S&P Capital IQ is a leading financial intelligence platform that provides data research, and analytics to support informed decision-making in various sectors, including energy and commodities.

With primary reference to the projected fuel prices, the methodology for estimating the impact of ETS2 on petrol and diesel prices for vehicles is underpinned by the following variables:

- The average annual distance a vehicle travels
- The average fuel consumption in litres per 100 km travelled
- The tonnes of CO^2 equivalent emitted per litre

The tables below provide the values for each of these variables:

Average vehicle kilometres per year	Petrol	Diesel
M1 (except 'other' classification)	9,491	30,076
N1 (all - private/commercial)	9,541	8,756

Average fuel consumption per 100km, in L	
Petrol passenger cars (M1)	7.32
Diesel passenger cars (M1)	6.23
Petrol goods-carrying cars (N1)	15.80
Diesel goods-carrying cars (N1)	13.17

Emissions from vehicles	*tCO2eq/litre*
Petrol	0.00227
Diesel	0.00269

By multiplying all three variables, the average tonnes of CO^2 equivalent per vehicle per year can be determined (table below):

Average tCo2 per vehicle per year	Petrol	Diesel
M1	1.58	5.04
N1	3.43	3.10

These figures are then multiplied by the carbon prices applied in the assessment, i.e. the harmonised carbon prices from the European Commission and the higher S&P carbon prices (table below):

Carbon pricing projections	*EUR/tCO2*	2026	2027	2028	2029	2030	2031	2032
Carbon pricing scenario 1	Harmonized prices - EC	30.00	30.00	50.00	55.00	60.00	60.00	60.00
Carbon pricing scenario 2	S&P	76.93	79.24	81.72	84.32	86.63	89.19	91.82

The discrepancy between diesel and petrol prices is influenced by the higher average annual kilometres covered by M1 diesel vehicles. These figures are based on official estimates from the National Statistics Office in Malta. At the time of the assessment, it was necessary to understand why diesel M1 vehicles are reported to cover greater distances than their petrol counterparts. The explanation indicated that the difference in average distance travelled by diesel and petrol M1 passenger cars may be attributed to the higher average distance driven by leased diesel M1 passenger cars.

Furthermore, Malta notes that, in relation to the estimates of cost increases, space heating and cooling are predominately powered by electricity rather than by conventional fuels, with the latter being primarily

used for cooking purposes in Malta. Within this context, the assessment focuses on quantifying the potential reduction in energy expenditure that vulnerable households may achieve through the implementation of the targeted Investments. These interventions would not only decrease total energy consumption but would also mitigate households' exposure to costs arising from the ETS2.

The methodology utilised to estimate CO^2 emission reductions in the buildings sector is based on the energy consumption savings generated by each of the Investments implemented under Component 1. The installation of heat pump water heaters and PV units is estimated to result in energy savings of 3,649,425 kWh. In addition, the renovation of all public social housing units identified in Section 2 contributes a further 1,563,195 kWh in energy savings. Together, these interventions yield a total projected reduction of 5,212,620 kWh in final energy consumption.

When translated into household-level impacts, the renovation measures correspond to estimated savings, in monetary terms, of approximately €828.86 per apartment per year. For apartments installing a heat pump water heater, a PV system, or both, the estimated monetary benefits could amount to anywhere between €104.97 to €470.23 per apartment per year, depending on the specific intervention undertaken.

Households:

A comprehensive analysis of household types at the national level reveals a total of 215,691 households, with a significant focus on the 43,301 households classified as being ARP. This figure represents approximately 20% of the total households, underscoring the pressing need for targeted interventions and support systems to address the financial vulnerabilities experienced by these households. Among the households classified as being ARP, a total of 33,006 are identified as households without dependent children, while 10,295 are households with dependent children. Among the households ARP with no dependent children, there are 10,028 one-person households with individuals under 65 years of age. This category underscores the financial challenges faced by younger individuals living alone, who may struggle with limited income sources and lack of social support. In contrast, there are 8,254 one-person households aged 65 years and over, reflecting the unique circumstances and potential vulnerabilities of older adults who may rely on fixed incomes such as pensions.

The analysis further categorised households with 2 adults but no dependent children, totalling to 2,643. This group may experience different economic pressures compared to those with children. Specifically, households with 2 adults, where at least 1 adult is aged 65 years or older, i.e. 10,304, indicates a significant demographic that may face challenges related to retirement and healthcare costs. Households consisting of 2 adults and 2 dependent children, amount to 2,577. These figures illustrate the varying financial responsibilities associated with raising children and the potential impact on household stability.

Transport:

In examining the living conditions of households classified as being "ARP", key statistics reveal important insights into their resource accessibility and overall circumstances. A significant 65.5% of ARP households possess a car or van, indicating a moderate level of mobility among this demographic[2]. This relatively high level of vehicle ownership must be interpreted within the broader national context, where reliance on private vehicles remains structurally embedded due to limitations in the public transport system. Consequently, since ARP households are classified as vulnerable according to household definitions, they are recognised as vulnerable transport users. Additionally, individuals aged 60 and over, as well as those with activity limitations due to health issues, are also categorised as vulnerable transport users due to challenges they may encounter regarding transport accessibility and availability.

Malta's transport landscape is shaped more by accessibility and availability challenges than by affordability. Although public transport is free for all residents, the absence of a mass transit system, long travel times, and concerns over frequency and reliability contribute to a continued dependence on private cars. This is reflected in the high vehicle ownership rate, with over 330,000 registered passenger cars in a population of roughly 574,000, and the annual licensing of around 15,000 new vehicles. Ride-hailing services such as Uber and Bolt provide additional alternatives, and Government fuel subsidies introduced following the Russia-Ukraine conflict helped stabilise petrol and diesel prices for vehicle users. However,

for older individuals and those with activity limitations, private vehicles or ride-hailing services may not be practical. As driving becomes less feasible with age or physical constraints, public transport often becomes their only viable option. In this context, the challenges are more related to accessibility and availability rather than affordability.

Micro-Enterprises:

The impact of ETS2 will significantly affect all enterprises either directly or indirectly. Micro-enterprises are considered vulnerable in view of various realities in Malta. Despite that 92.6% of all enterprises in Malta are micro-enterprises, their income is disproportionate and does not exceed 11.2% of the total income generated in the country. The same goes for the investments made in tangible assets, which amount to only 7% of the total investment in assets, and which would include investment in equipment related to energy and climate. This disproportionate income and limited investment capacity means that any increase in fuel costs can significantly impact their operational viability.

As elaborated in Section 1.2.2.1, businesses in Malta face a number of peculiarities resulting from the geographic and economic conditions, consequently giving rise to heavy reliance on maritime and air transport, which are much more expensive than land transport. Furthermore, many micro-enterprises contract other businesses in different sectors to cover their transportation (such as courier services and delivery) needs. As a result, even if a micro-enterprise has low direct fuel consumption for transport, it can still be significantly affected by rising fuel costs, which can lead to increased delivery expenses and, consequently, impact their overall operational costs. This underscores the critical role of transport initiatives in reducing overall fuel consumption and emissions.

For the SCF in Malta's context, proxies were utilised to evaluate the impact of the ETS2 on micro-enterprises. 70% of the fossil fuel consumed by Malta's economic sectors is for road transport while the remaining 30% is used within buildings. This distribution underscores the critical impact that transport fuel increases will have across all industries in Malta due to the introduction of the ETS2, assuming that there will not be additional government intervention. The method applied is thus split into 2 separate impacts: that on transport costs and that on buildings costs. To estimate the impact on transport costs, the annual vehicle km of passenger and light goods vehicles for both petrol and diesel vehicles were taken into consideration. On average, without government support, enterprises are expected to face an increase in transport costs. For example, an enterprise owning a petrol-fuelled passenger vehicle is expected to face an additional cost of €47 in 2027, increasing to €95 by 2032. For diesel-fuelled passenger vehicles, the cost is projected to rise from €151 in 2027 to €302 by 2032. Enterprises with light-goods vehicles may see transport costs go up from €103 in 2027 to €206 by 2032 for petrol vehicles, and from €93 in 2027 to €186 by 2032 for diesel vehicles. The extent of the impact on an enterprise's operational costs is directly proportional to the number of vehicles it owns and the total km travelled annually. The more vehicles an enterprise operates and the higher the mileage, the greater the financial burden due to rising fuel costs.

In 2027, without additional government support, the extra transport cost per vehicle based on S&P carbon prices will be €125 for a petrol passenger vehicle, €399 for a diesel passenger vehicle, €272 for a petrol light goods vehicle, and €246 for a diesel light goods vehicle. By 2032, these costs are projected to increase to €145 for a petrol passenger vehicle, €463 for a diesel passenger vehicle, €315 for a petrol light goods vehicle, and €285 for a diesel light goods vehicle.

To estimate the impact of fuel usage within buildings (that is, non-road fuel consumption), it is crucial to recognise the distinct effects on different economic sectors. Enterprises within the industry sector having high fuel consumption levels, such as quarrying, construction and manufacturing, along with hospitality and food and beverages activities within the services sector, are projected to incur significant additional costs without government intervention. In such scenario, these enterprises are expected to face an average additional cost of €216 in 2027, which will rise to €432 by 2032. In contrast, other services sectors (excluding hospitality and food and beverages services) will experience a smaller increase, with costs rising from €15 in 2027 to €29 in 2032.

If one had to assume that there will be no additional government support, the additional cost per enterprise for fuels used in buildings based on S&P carbon prices reveals significantly higher financial implications. The industry sector, including quarrying, construction, manufacturing as well as the hospitality and food

and beverages activities, are projected to incur an average additional cost of €571 in 2027, which will rise to €661 by 2032. Conversely, enterprises within other services sectors (excluding hospitality and food and beverages services) are expected to face a smaller effect, with costs starting at €39 in 2027 and increasing to €45 by 2032.

When comparing the European Commission harmonised price effect to the sensitivity scenario of S&P carbon pricing, it is evident that enterprises will face substantially higher costs under the S&P scenario. The S&P projections indicate a more dramatic increase in expenses, suggesting that enterprises will need to allocate significantly more funds to cover fuel costs. This disparity highlights the financial pressures that enterprises, particularly those reliant on transport, either directly or indirectly, will encounter.

In summary, the ETS2 in Malta could have material environmental and economic impacts. By placing a price on carbon emissions, the ETS2 aims to incentivise reductions in greenhouse gas emissions across the target sectors, encouraging the adoption of cleaner technologies and energy-efficient practices. For Malta, a small island nation with limited resources, this could accelerate the transition towards renewable energy sources and enhance energy efficiency, ultimately contributing to a reduction in energy costs for consumers. The introduction of carbon pricing may also lead to increased costs for fuel and transportation however, impacting the cost of living and economic competitiveness. As elaborated under Sections 1.1.2, 1.1.3 and 1.2 of the Plan, the estimated ETS2 impact is foreseen to be felt across the buildings and transport sectors, thus affecting vulnerable households, vulnerable micro-enterprises and vulnerable transport users. Primarily, despite the reliance on electricity for cooling buildings, most buildings are still not energy efficient, thus still consuming too much energy. The ARPT threshold, which is set at €11,364, indicates that 43,301 households fall below this threshold, thus identifying them as vulnerable households at risk of poverty living in social housing and being low-income households. There is also heavy reliance on private car use, from both the residential and commercial sectors. The latter is predominantly made up of micro- and small firms, which use their commercial vehicles for delivery and servicing their customers. Taking into account the high level of fossil fuels consumed, and that the micro-enterprises making use of such fuel generate a net revenue below €183,000, the aforementioned cohort would be highly susceptible to operational pressures consequent to the ETS2. Malta's ageing population will also increasingly find mobility challenges, requiring more availability and accessibility to the various transport modes, including public transport. The ETS2 will result in increased mobility-related pressures, particularly for elderly persons, individuals with disabilities (physcial and/or mental) and persons with limited mobility, further highlighting the need for continued access to essential services despite rising transport costs. In this regard, the SCF aims to balance these challenges with measures to support vulnerable populations and ensure a just transition towards a more sustainable economy. Overall, while the ETS2 presents challenges, it also offers Malta an opportunity to align with EU climate goals and foster a greener future.

[1] Data provided by NSO in Q1 of 2025 following a specific request.

[2] Data provided by NSO following a specific request.

2. DESCRIPTION OF THE MEASURES AND INVESTMENTS, MILESTONES AND TARGETS

2.1. COMPONENT: C1 - Buildings sector

2.1.1. Description of the component (Summary box)

Intervention area: Buildings sector

Objective:

The objective is to carry out a number of interventions within Social Housing Estates, including providing more efficient water heating and air-cooling mechanisms, the installation of PVs together with battery storage systems. Under this Component, efforts will also aim to transform low-performing energy social housing buildings in more efficient and low energy consuming buildings, with a view to improve affordability and reduce vulnerabilities which may lead to energy poverty. The interventions to be funded under Component 1 of Malta's SCF Plan are also in line with Article 8(1)(c) of the SCF Regulation.

Measures and investments:

The investments foreseen under this Component are:

- I1 - Enhancing energy efficiency and RES in public Social Housing Estates - EUR 16.2M
- I2 - Retrofitting public social housing units to improve energy performance - EUR 15.5M

Estimated total costs: EUR 31,726,014 of which

Costs requested to be covered under the Fund: EUR 23,794,510

Costs to be covered by transfers from Shared management programmes (e.g. ESF+, ERDF, etc.): EUR 0

Costs to be covered by the national contribution: EUR 7,931,504

2.1.2. Description of the measures and investments of the component

2.1.2.1. Measure/Investment: 2: Retrofitting public social housing units to improve energy performance

Intervention area: Art.8.1.(a) - Support building renovations, in particular for vulnerable households and vulnerable micro-enterprises occupying the worst performing buildings, and including for tenants and people living in social housing

2.1.2.1.1. Description of the measure/investment

Clear and evidence-based analysis of the existing challenges and how they are addressed by the measures and the investments

Through the SCF, an initiative under Component 1 is foreseen in relation to the retrofitting of public social housing units, which will aim to address the persistent challenge of low energy performance in these aforementioned units by implementing comprehensive renovations, including roof insulation, wall insulation, double glazing with low-E soft coating as well as solar PVs, amongst other initiatives. Public social housing units shall undergo deep renovation works, in line with the definition in the Energy Performance of Buildings Directive (Article 2(20)). A 'deep renovation' is defined as a renovation leading to a zero-emission building level, whilst acknowledging that renovations to achieve zero-emission buildings may not always be feasible. In line with the Commission Guidance on the Implementation of the SCF, a 60% reduction in primary energy use can therefore also be considered a deep renovation for the purpose of drafting and implementing the SCF Plans. Such investments will improve affordability and reduce energy poverty, also within the context of the investment under Component 1 related to the shift to heat pump water heaters which will further contribute to energy efficient measures.

This initiative reinforces Investment 1 under Component 1 by targeting the structural energy performance of entire housing blocks, enabling a more comprehensive transformation of low-performing buildings. It contributes to the EPSR Principle 19 on access to quality housing and Principle 20 on access to essential services, while further aligning with Malta's National Building Renovation Plan (BRP). The investment also supports the objectives of Malta's Recovery and Resilience Plan (RRP) by extending the renovation wave to the social housing sector and addressing CSRs on improving energy efficiency in buildings. Further to Investment 1 under this Component, Investment 2 also aligns with the NECP's objectives and complements Malta's Just Transition Plan (JTP) by advancing a fair and inclusive transition nationwide.

The nature, type and size of the measure or investment, which may include additional technical support measures in accordance with Article 11(4), indicating whether it is new or is an existing measure or investment intended to be extended with the support from the Fund

The investment will foresee the retrofitting of public social housing units, in an effort to achieve zero net energy status. The 236 public social housing units to be retrofitted represent approximately 4% of the total public social housing stock managed by the Housing Authority, which, at the time of drafting the SCF, manages around 5,031 public social housing units.

This investment will build on Malta's investment in the renovation of public and private buildings under the RRP energy efficiency investments under the ERDF/CF/JTF 2021-2027 Programme, as well as other energy-related financing instruments under the InvestEU, amongst others.

Malta confirms that equal treatment and non-discrimination across all social groups will be ensured, as the Investment will aim to support vulnerable people in managing the impacts of energy poverty brought about by the ETS2. The needs of persons with disabilities shall be respected in line with Chapter 627

‘United Nations Convention on the Rights of Persons with Disabilities Act’ of the Laws of Malta.

Detailed information on the objective of the measure or investment and about who and what is targeted by it; an explanation of how the measure and investment would contribute effectively to the achievement of the objectives of the Fund within the overall setting of a Member State’s relevant policies, and how it will reduce fossil fuel dependency

The retrofitting investment will also result in a consequential reduction in energy bills for vulnerable households, alleviating the financial pressure of such investment whilst making energy consumption more efficient. This is in line with the objectives as detailed within the SCF Regulation, specifically Article 8(1)(a) vis-à-vis supporting building renovations particularly for vulnerable households.

With reference to the categorisation and prioritisation criteria utilised by the Housing Authority when assessing blocks to be retrofitted, primarily the highest priority was given to those blocks whereby public social housing units comprise of at least 65% of the whole block (with the rest possibly being privately-owned units; it is to be understood that these were heavily subsidised units which vulnerable people may have acquired through initiatives launched by Government over time). Another criterion relates to the assessment of the energy initiatives potential of the block, whereby blocks which demonstrate the capacity to support the implementation of energy conservation initiatives identified in the project documentation are given preference. Consideration is also given to the types of occupants in a block (such as elderly individuals and/or vulnerable tenants) ensuring that social considerations remain at the forefront of the selection process.

Sections 1.2 ‘Overview of current policy situation’ and 1.5 ‘Projected impact on vulnerable groups’ provide an overview of the impact foreseen on vulnerable households within the national context. Additional information on the support to be provided through this Investment is elaborated in Section 2.1.2.1.4 ‘Methodology’. This initiative is in line with a number of national policies and strategies, as further detailed in Section 4.2.

Description of how the measure or investment is implemented (means of implementation), referring to the administrative capacity of the Member State at central, and where relevant regional and local levels, with an explanation on how the resources will be absorbed in a timely manner and how they are channelled to sub-national levels, if applicable

The public entity/ies responsible for social accommodation will be implementing this investment. At the time of submission of the SCF, the responsible entity is currently the Housing Authority (falling within the remit of the Ministry responsible for Accommodation).

The implementation timelines are considered in the methodological assumptions. Any deviations from such assumptions may impact the timelines or achievement of targets.

An explanation of how the measure or investment will aim to address gender inequality, if applicable

According to a 2021 study by the entity responsible for the management of social housing estates, 3 in every 4 social housing applicants are women, whilst 2 in every 3 applicants are single parents. Within this context, this investment will particularly aim to improve social inequalities within low-income households[1].

[1] Housing Authority (2021), Profiling social housing applicants – Individuals applying for an alternative accommodation, https://housingauthority.gov.mt/wp-content/uploads/2022/06/Profiling-social-housing-applicants.pdf.

The timeline of the measure or investment; (for support concerning low-emission vehicles, a timetable for gradually reducing that support)

The timeline for achievement is provided in Section 2.1.2.1.3.

2.1.2.1.2. Do no significant harm

Information on how measures and investments included in the component comply with the principle of 'do no significant harm' within the meaning of Article 17 of Regulation (EU) 2020/852. The Commission will provide technical guidance, pursuant to Article 6(5) of this Regulation.

All interventions included respect the 'do no significant harm' principle within the meaning of Article 17 of Regulation (EU) 2020/852 and the Commission's technical Guidance Document on this same principle. The 'do no significant harm' assessment carried out in preparation for the submission of this document is presented as part of the supporting documentation submitted with this document.

2.1.2.1.3. Milestones, targets and timeline

Information on each milestone and target that will reflect the progress on implementing measures and investments of this component, as follows:

Milestone: C1.A.I2.1 Signature of contract(s) for the retrofitting or renovation of public social housing units

Description

Signature of the contract(s) for contracting services for the retrofitting or renovation of public social housing units. The contract(s) shall include a requirement to ensure compliance with the 'do no significant harm' (DNSH) criteria, in particular under Annex 1, activity B3.1 of Commission Notice C/2025/1596.

Target: C1.A.I2.I4 Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)

Description

141 public social housing units shall have benefitted from retrofitting or renovation up to Q4 2030. The indicator "number of building units" refers to the number of public social housing units. 95 public social housing units shall have benefitted from retrofitting or renovation by Q3 2032. The indicator "number of building units" refers to the number of public social housing units. 3 energy performance certificates per building block of renovated building units, shall be issued after the retrofitting or renovation activities, showing an improvement reaching at least a B energy performance class.

Table containing information on milestones, targets and timeline for achievement for the measure/investment

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C1.A.I2.1.2028Q1	C1.A.I2	M	Signature of contract(s) for the retrofitting or renovation of public social housing units				2028	Q1
C1.A.I2.I4.2030Q4	C1.A.I2	T	Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)	Building units	0.00	141.00	2030	Q4
C1.A.I2.I4.2032Q3	C1.A.I2	T	Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)	Building units	141.00	236.00	2032	Q3

Why the specific milestone(s) or target(s) was/were chosen

The Milestones and Targets were selected in view of their relevance to assessing the successful implementation of this investment.

What the milestone(s) or indicator(s)/target(s) is/are measuring

The unit of measurement is provided in Section 2.1.2.1.3.

What methodology and source will be used, and how the proper achievement of the milestone(s) or target(s) will be objectively verified

Milestone 'Signature of contract(s) for the retrofitting or renovation of public social housing units'

Summary document justifying how the milestone was satisfactorily fulfilled. More specifically this summary document shall explain works to be undertaken. This summary document shall include as an annex the following evidence: (a) the signed contract(s) for the works in question.

Target 'Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)'

Summary document justifying how the target was satisfactorily fulfilled. The summary document shall include as an annex the following evidence: (a) a list of units that have benefitted from retrofitting/renovation with at least 65% being publicly-owned; and (b) certificate/s of works.

What is the baseline (starting point) and what is the level or specific point to be reached (only for indicators/targets)

The baseline and target are provided in Section 2.1.2.1.3 'Table containing information on milestones, targets and timeline for achievement for the measure/investment'.

By when the final milestone(s) or target(s) will be reached (by quarter and year)

The timeline for achievement is provided in Section 2.1.2.1.3 'Table containing information on milestones, targets and timeline for achievement for the measure/investment'.

Who and which institution will be in charge of implementing, measuring and reporting

The public bodies responsible for social accommodation will be implementing this initiative. At the time of submission of the SCF, the responsible entities are currently the Housing Authority (falling within the remit of the Ministry responsible for Accommodation).

The Housing Authority is responsible for the management of the social housing estates under its remit. For the implementation of larger-scale initiatives, the Authority may complement its internal resources through the engagement of specialised external expertise, as is standard practice in the delivery of complex projects. The Authority also draws on prior experience in the implementation of EU-funded initiatives, including projects supported under the ERDF 2014–2020 programming period.

2.1.2.1.4. Financing and costs

Information and explanation on the estimated total costs of the component and for each measure and investment, backed up by appropriate justification, including:

The methodology used, the underlying assumptions made (e.g. on unit costs, costs of inputs) and justification for these assumptions

Market research and historical data were used as the primary means of identifying costs. Research showed that the average cost of deep renovation for housing units is €393.37 per sqm. This is attested by figures provided by the Housing Authority in relation to the BOQ of tender TWO 2/2024, awarded in 2025, reflecting a price of €1,665,680. The project covers the pilot project for the deep renovation of 40 social housing units. The renovations include roof insulation, single wall insulation, double glazing with low-e, high efficiency HPWHs, high efficiency air-conditioning and solar PVs. It also included €46,460 relating to non heating and cooling appliances, which are not eligible under the SCF and were therefore deducted, resulting in an adjusted amount of €1,619,220. An additional €260,000 would be required to install 5 kWh battery storage and inverter for the 40 social housing units.

The housing units covered in tender TWO 2/2024 (covering civil, electrical, plumbing, and finishing works, as well as the supply, installation, and commissioning of energy-efficiency measures, including external wall and roof insulation, energy-efficient fenestration, heat-pump water heaters, and reversible-cycle heat pumps for air-conditioning) and tender TWO 0014/2025 (covering the supply, delivery, installation, testing, commissioning and certification of façade and roof mounted photovoltaics systems) are used as a proxy project in terms of costs for this measure.

Apart from the average cost per sqm in the BOQ of these tenders, the following costs were also included based on the implementation of the pilot action and expert judgement:

- Permit applications, surveying and structural integrity testing including roof assessments and other preparatory services. This is needed for older type buildings, like most social housing blocks targeted, which require tests to be carried out, before undergoing major renovation as well as the possible re-positioning of services.
- Social housing unit-specific modifications and adaptation to existing fittings during installations. As energy efficiency solutions need to be adapted to the different housing units, adjustments such as relocating heat pump water heaters and modifying related piping and tiling are often required.
    - Structural reinforcement for PV and battery systems. At times it may not possible to load the roofs and therefore additional horizontal beams would need to be installed on load bearing walls to support the rooftop/vertical PV structure and modules.
- Other expenses such as ensuring that appropriate condensate pipes are installed for the heat pumps in line with health and safety requirements.

As a result, the average cost of deep renovation for housing units targeted between 2028 and 2032 is estimated at €461.92 per sqm.

A total of 236 housing units are projected to be renovated between 2028 and 2032 and thus inflation is applied to the cost per sqm to reflect the year of implementation. A baseline inflation rate of 2% has been adopted, in line with European Commission projections, to forecast cost increases over the implementation period. However, labour costs associated with construction and installation have increased by an average of 3.43% annually between 2008 and 2024[1]. To account for this, an incremental 1.43% inflation has been added to the baseline rate, resulting in a total annual inflation adjustment of 3.43% [2] for projected investment costs related to renovations and energy efficient systems.

During the renovation phase, tenants may need to temporarily vacate their public social housing unit and will be assigned to alternative accommodation. This measure takes into account the annual rent that the authority responsible for social housing will need to cover for the tenants, estimated at around €900 per month as the median monthly rent for a three-bedroom unit registered with the Housing Authority [3].

Approximately 20% of units may require the temporary re-allocation of tenats. The project cost for re-allocation expenses is foreseen to increase from €105,419 in 2028 to €126,787 in 2032, in line with baseline inflation rate of 2% a year.

The measure also takes into account the cost involved to undertake Energy Performance Audits pre and post renovation on 3 units within each block (totalling to 6 EPCs per block). The cost to carry out an EPC audit is foreseen to total approximately €440 per unit for both audits (pre- and post-renovation), based on Housing Authority sources. The measure presumes that an EPC will be carried out both before and after the renovation on a maximum of 3 units per block (covering top floor apartment, ground floor apartment and another EPC for the middle apartment). Given that the project covers a total of 32 social housing blocks, this results in an overall requirement of 96 EPCs. This number applies both prior to the implementation of renovation works and following the completion of the renovations, with 96 EPCs issued in each phase. This measure also incorporates Project Management costs associated with the roles of the Structural Engineer, Project Manager, two Coordinator Architects, and a Consultant Engineer in Sustainable Energy. These costs are subject to annual increases, reflecting yearly adjustments.

VAT costs are deemed ineligible costs and are not included in the budget estimates of the SCF.

On the basis of this assessment, the proposed budget is deemed reasonable and justifiable.

[1] https://ec.europa.eu/eurostat/databrowser/view/tps00173__custom_18595358/default/table

[2] Labour cost levels by NACE Rev. 2 activity, https://ec.europa.eu/eurostat/databrowser/view/LC_LCI_LEV/default/table?lang=en

[3] Housing Authority, 2023 H2 Update: Registered Rental Contracts in Malta.

The indicative comprehensive timetable within which these costs are expected to be incurred

The breakdown takes into account implementation parameters of this specific investment, and experience from the implementation of previous Plans/Programmes.

Information on the national contribution to the total costs of the measure and investment

Beyond the co-financing aspect, no additional national contribution is foreseen.

Any information on what financing from other Union instruments is or could be envisaged related to the same measure/investment

Financing from other Union instruments is not envisaged at initial programming stage.

Any information on envisaged financing from private sources and which leverage level is targeted, if relevant

Financing from private sources is not envisaged at initial programming stage.

Justification on the plausibility and reasonability of the estimated costs, where necessary, taking into account national specificities

The methodology is developed by independent economic experts engaged to develop the FNLCs in the SCF. The unit cost estimations are outlined in Section 2.1.2.1.4 ‘methodology used’. The methodology for establishing unit costs takes into account a combination of historical data, actual data, market research and expert opinions. In as far as possible, official primary and secondary data sources have been used for the purposes of developing an independent estimation and verification of monetary values, as well as budgetary calculations and assumptions for the SCF. Data used is either publicly available and reasonably sourced providing a justifiable and commensurate basis for the costings methodology. All data sourced or provided by stakeholders and consulted bodies has been analysed and reviewed by independent economic experts engaged to develop costing methodologies for the SCF. Within this context, the amounts are deemed plausible, reasonable and justifiable.

Table containing information on the estimated total cost of the measure/investment

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C1.A.I2	Retrofitting public social housing units to improve energy performance	1 Jan 2028	31 Dec 2032	15,513,057	0	0	2,974,234	3,017,951	3,086,285	3,168,811	3,265,776

2.1.2.1.5. Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)

If support from the Fund is provided through public or private entities other than vulnerable households, vulnerable micro-enterprises, or vulnerable transport users, an explanation of what measures or investments those entities will enact and how those measures and investments will ultimately be to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users;

If support from the Fund is provided through financial intermediaries, a description of the measures that the Member State intends to adopt to ensure that financial intermediaries pass on the entire benefit to the final recipients.

Not applicable.

2.1.2.1.6. Additionality

Explanation and justification of how the new or existing measures or investments are additional and do not substitute recurring national budgetary expenditure, pursuant to Article 13(2), including such explanation and justification with regard to measures and investments included in the Plan in accordance with Article 4(5).

The SCF will finance the scaling-up of retrofitting investments in social housing, thereby complementing nationally funded retrofitting investments in other social housing buildings. The targeting of separate social housing units will allow for a clear demarcation. Furthermore, the heat pump water heaters, PVs and battery storage solutions as part of this retrofitting investment are additional to the interventions to be carried out under Investment 1 of this same Component.

The substitution of recurring national budgetary expenditure from the SCF is not envisaged.

2.1.2.1.7. Compliance with EU Rules on State aid

Explanation whether the support for the measure or investment will (i) not constitute State aid within the scope of Article 107(1) TFEU, (ii) be financed on the basis of an existing State aid scheme falling under a block exemption regulation, in particular the GBER or approved by a Commission State aid decision (providing the reference number to such scheme (SA.nnnnn) or (iii) result in a new State aid measure, an explanation whether it will comply with the conditions of a block exemption regulation, for example the GBER (indicating which Article thereof), (iv) comply with the de minimis Regulation, (v) require a State aid notification, indicating when the Member State intends to pre-notify or notify to the Commission the planned support for the measure or investment, and the applicable State aid instrument ensuring its compatibility with the internal market.

Before launching the investment, the national State aid authorities should assess the presence of an economic activity, as the provision of housing may constitute an economic activity depending on the conditions under which it is carried out and cannot be excluded by the sole fact that the beneficiary is a public body. If the activity is found to be economic in nature and thus falling within the scope of Article 107(1) TFEU, the national State aid authorities should assess the measure under the applicable State aid framework. Applicable EU State aid rules may include for example the Commission Decision of 16

December 2025 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and repealing Decision 2012/21/EU (2025/2630), or Article 38a of the General Block Exemption Regulation (GBER), which lays down the conditions for investment aid for energy efficiency measures in buildings.

2.1.2.1. Measure/Investment: 1: Enhancing energy efficiency and RES in public Social Housing Estates

Intervention area: Art.8.1.(b) - Support access to affordable energy-efficient housing, including social housing

2.1.2.1.1. Description of the measure/investment

Clear and evidence-based analysis of the existing challenges and how they are addressed by the measures and the investments

As outlined in Section 3.4.4 of the NECP[1] and in Section 1.2 of this document, Malta has existing challenges of high energy consumption and energy inefficiency, all contributing to the rise of energy poverty at the national level. With specific reference to the inefficiency of electric resistance boilers, on average, a typical Maltese household allocates 28% of its electricity usage to water heating[2]. By improving energy efficiency and reducing GHG emissions, the investment will contribute to reducing fossil fuel dependency and achieving the objectives of the Fund, whilst striving to achieve carbon neutrality by 2050.

To mitigate the impact of the introduction of the ETS2 and ensure long-term sustainability, the proposed investment will target structural improvements that reduce households' exposure to energy poverty. In particular, the investment aims to benefit vulnerable households - especially those in social housing - through measures that may not necessarily be installed in individual units but are implemented for their direct advantage. These include the replacement of electric resistance boilers with heat pump water heaters, the installation of photovoltaic (PV) systems, and battery storage solutions. Collectively, these upgrades will improve the overall energy performance of social housing estates. Recognising that the upfront costs of such energy efficiency measures can be prohibitive for vulnerable households, the investment - implemented through the Social Climate Fund (SCF) - will remove the financial burden from affected households and support long-term energy savings.

This investment is aligned with the European Pillar of Social Rights (EPSR), particularly Principle 19 on access to quality housing and Principle 20 on access to essential services. By improving energy efficiency in social housing units, together with investment in RES, such efforts directly reduce energy consumption and operating costs for vulnerable households, thereby contributing to the Action Plan's poverty reduction targets. The initiative complements Cohesion Policy Programmes by building on ERDF and RRP-supported energy efficiency and renewable energy investments, and supports Malta's NECP and the LCDS by addressing energy poverty, contributing to decarbonisation objectives and continued efforts in the installation of RES. It also addresses Country-Specific Recommendations (CSRs) calling for improved energy efficiency in buildings, together with the fostering of RES.

[1] European Commission (2025), Malta – Final updated NECP 2021-2030 (submitted in 2025), https://commission.europa.eu/publications/malta-final-updated-necp-2021-2030-submitted-2025_en.

[2] Ministry for the Environment, Energy and Regeneration of the Grand Harbour (2024), Comprehensive Assessment on the Potential for Efficiency in Heating and Cooling in Malta.

The nature, type and size of the measure or investment, which may include additional technical support measures in accordance with Article 11(4), indicating whether it is new or is an existing measure or investment intended to be extended with the support from the Fund

Heat pump water heaters, photovoltaic (PV) systems and battery storage solutions are planned to be installed across publicly owned Social Housing Estates using the funds allocated for this investment.

These interventions will be specifically tailored to benefit vulnerable households identified as energy poor under the SCF. The systems will be procured and installed by the entity responsible for managing the social housing estates.

In addition, the SCF may explore the establishment of energy communities as a means of further supporting energy-poor households. As part of a pilot initiative, the installation of PV systems could be integrated into a collective self-consumption or energy sharing model, subject to the outcome of a forthcoming study on energy communities—as referenced in Section 3.2 of the NECP—and in line with the evolving legal and regulatory framework. This pilot would seek to test innovative models for shared access to renewable energy benefits within the context of social housing.

The installation of 954 heat pump water heaters and 954 PVs and battery storage systems are foreseen to be carried out within 1,431 public social housing units. This reflects approximately 33% of the total public social housing stock managed by the Housing Authority at the time of drafting of the SCF.

Detailed information on the objective of the measure or investment and about who and what is targeted by it; an explanation of how the measure and investment would contribute effectively to the achievement of the objectives of the Fund within the overall setting of a Member State's relevant policies, and how it will reduce fossil fuel dependency

This investment involves replacing electric resistance boilers with heat pump water heaters, which are significantly more energy-efficient, to contribute towards decarbonisation by providing access to energy-efficient systems, in addition to the installation of PVs and battery storage systems in an effort to increase efforts in RES. Such measures are in line with the objectives within the SCF Regulation, particularly Article 8(1)(b).

With particular reference to heat pumps, these are being considered for a variety of reasons, including:

- Physical Limitations of Existing Structures: According to recent data, SWHs accounted for only 11.5% of the total residential hot water demand in 2022[1]. This low uptake can be attributed to the increasing trend of residents living in apartments, which limits access to roof space for SWH installation. Many social housing units in Malta either have no roof access or lack adequate roof space to install SWH systems that would meet the total hot water demand for all the households within the units. Additionally, the available roof space is tendentially used for multiple purposes including the installation of water tanks and air drying clothes, amongst others. Any remaining limited space is allocated for PV systems. The structural design of these buildings frequently results in insufficient area for effective SWH installation, thereby limiting their practicality in this context.
- Efficiency and Performance: SWHs in Malta are mostly effective when they are least needed. Heat pump water heaters can achieve a high co-efficient of performance, making them a more effective solution for residential water heating in densely populated areas where space is constrained. They also require no roof structures, are less exposed to natural elements and therefore require less maintenance. Furthermore, heat pump water heaters provide a reliable alternative when compared to SWHs, ensuring consistent hot water availability throughout the year, even during periods of low solar radiation.

Sections 1.2 'Overview of current policy situation' and 1.5 'Projected impact on vulnerable groups' provide an overview of the impact foreseen on vulnerable households within the national context. Additional information on the support to be provided through this Investment is elaborated in Section 2.1.2.1.4 'Methodology'. Furthermore, this initiative is in line with a number of national policies and strategies, as further detailed in Section 4.2.

[1] The Energy and Water Agency (2024), Comprehensive Assessment on the Potential for Efficiency in Heating and Cooling in Malta, https://energywateragency.gov.mt/wp-content/uploads/2025/01/20241011-Heating-and-cooling-Assessment_Final-Report.pdf.

Description of how the measure or investment is implemented (means of implementation), referring to the administrative capacity of the Member State at central, and where relevant regional and local levels, with an explanation on how the resources will be absorbed in a timely manner and how they are channelled to sub-national levels, if applicable

The public bodies responsible for social accommodation will be implementing this investment. At the time of submission of the SCF, the responsible entity is currently the Housing Authority (falling within the remit of the Ministry responsible for Accommodation).

The implementation timelines are considered in the methodological assumptions. Any deviations from such assumptions may impact the timelines or achievement of targets.

An explanation of how the measure or investment will aim to address gender inequality, if applicable

According to a 2021 study by the Housing Authority in Malta (established under Act XV of 1976[1], known as the Housing Authority Act), 3 in every 4 social housing applicants are women, whilst 2 in every 3 applicants are single parents. Within this context, this investment will particularly aim to improve social inequalities within low-income households[2].

[1] CAP 261 of the laws of Malta (1976), Housing Authority Act, https://legislation.mt/eli/cap/261/eng/pdf.

[2] Housing Authority (2021), Profiling social housing applicants – Individuals applying for an alternative accommodation, https://housingauthority.gov.mt/wp-content/uploads/2022/06/Profiling-social-housing-applicants.pdf.

The timeline of the measure or investment; (for support concerning low-emission vehicles, a timetable for gradually reducing that support)

The timeline for achievement is provided in Section 2.1.2.1.3.

2.1.2.1.2. Do no significant harm

Information on how measures and investments included in the component comply with the principle of 'do no significant harm' within the meaning of Article 17 of Regulation (EU) 2020/852. The Commission will provide technical guidance, pursuant to Article 6(5) of this Regulation.

All interventions included respect the 'do no significant harm' principle within the meaning of Article 17 of Regulation (EU) 2020/852 and the Commission's Technical Guidance Document on this same

principle. The ‘do no significant harm’ assessment carried out in preparation for the submission of this document is presented as part of the supporting documentation submitted with this document.

2.1.2.1.3. Milestones, targets and timeline

Information on each milestone and target that will reflect the progress on implementing measures and investments of this component, as follows:

Milestone: C1.B.I1.1 Signature of contract(s) for the installation of heat pump water heaters and photovoltaic systems with battery storage solutions

Description

Signature of the contract(s) for contracting services for the installation of 954 heat pump water heaters, and 954 photovoltaic systems with battery storage solutions in Public Social Housing Estates.

Target: C1.B.I1.S2 Installation of heat pump water heaters and photovoltaic systems with battery storage solutions

Description

475 heat pump water heaters as well as 475 photovoltaic systems with battery storage solutions, shall be installed by Q4 2029, in Public Social Housing Estates. An additional 479 heat pump water heaters and 479 photovoltaic systems with battery storage solutions shall be installed by Q4 2031. A report containing the assessment of the energy savings achieved shall be concluded by a warranted engineer in accordance with the requirements of Subsidiary Legislation 623.01, Energy Performance of Buildings Regulations (Legal Notice 47 of 2018, as amended) or any subsequent amendments.

Table containing information on milestones, targets and timeline for achievement for the measure/investment

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C1.B.I1.1.2028Q1	C1.B.I1	M	Signature of contract(s) for the installation of heat pump water heaters and photovoltaic systems with battery storage solutions				2028	Q1
C1.B.I1.S2.2029Q4	C1.B.I1	T	Installation of heat pump water heaters and photovoltaic systems with battery storage solutions	Number of heat pump water heaters and photovoltaic systems with battery storage solutions installed	0.00	950.00	2029	Q4
C1.B.I1.S2.2031Q4	C1.B.I1	T	Installation of heat pump water heaters and photovoltaic systems with battery storage solutions	Number of heat pump water heaters and photovoltaic systems with battery storage solutions installed	950.00	1,908.00	2031	Q4

Why the specific milestone(s) or target(s) was/were chosen

The Milestones and Targets were selected in view of their relevance to assessing the successful implementation of this investment.

What the milestone(s) or indicator(s)/target(s) is/are measuring

The unit of measurement is provided in Section 2.1.2.1.3.

What methodology and source will be used, and how the proper achievement of the milestone(s) or target(s) will be objectively verified

Milestone 'Signature of contract(s) for the installation of heat pump water heaters and photovoltaic systems with battery storage solutions'

Summary document justifying how the milestone was satisfactorily fulfilled. The summary document shall include, as an annex, copies of the contract/s for the installation of 1,908 heat pump water heaters, photovoltaic systems and battery storage solutions, indicating the number and type of heat pump water heaters, photovoltaic systems and battery storage solutions to which they relate.

Target 'Installation of heat pump water heaters and photovoltaic systems with battery storage solutions'

Summary document justifying how the target was satisfactorily fulfilled. The summary document shall include as an annex the following evidence: (a) certificate/s of provisional acceptance or other documents signed by an architect or engineer demonstrating that 475 heat pump water heaters, as well as 475 photovoltaic systems and battery storage solutions, have been installed, totalling to 950 installations by Q4 2029, and an additional 479 heat pump water heaters, as well as 479 photovoltaic systems and battery storage solutions, have been installed, totalling to 1,908 installations by Q4 2031; (b) a report on the energy savings achieved, based on the technical specifications of the heat pump water heaters installed.

What is the baseline (starting point) and what is the level or specific point to be reached (only for indicators/targets)

The baseline and target are provided in Section 2.1.2.1.3 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

By when the final milestone(s) or target(s) will be reached (by quarter and year)

The timeline for achievement is provided in Section 2.1.2.1.3 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

Who and which institution will be in charge of implementing, measuring and reporting

The public bodies responsible for social accommodation will be implementing this initiative. At the time of submission of the SCF, the responsible entity is currently the Housing Authority (falling within the remit of the Ministry responsible for Accommodation).

The Housing Authority is responsible for the management of the social housing estates under its remit. For the implementation of larger-scale initiatives, the Authority may complement its internal resources through the engagement of specialised external expertise, as is standard practice in the delivery of complex projects. The Authority also draws on prior experience in the implementation of EU-funded initiatives, including projects supported under the ERDF 2014–2020 programming period.

2.1.2.1.4. Financing and costs

Information and explanation on the estimated total costs of the component and for each measure and investment, backed up by appropriate justification, including:

The methodology used, the underlying assumptions made (e.g. on unit costs, costs of inputs) and justification for these assumptions

The methodology takes into consideration the BOQ of the TWO 2/2024 tender issued for one of the foreseen social housing buildings being targeted, whereby the cost item of each heat pump water heater was of around €2,625 (including labour costs).

For the installation of PVs and battery storage solutions, the public entity responsible for social accommodation provided unit costs based on the tender TWO 2/2024 and TWO 0014/2025 issued for one of the foreseen social housing buildings being targeted and therefore is considered the best approximate estimation for the investment foreseen. The cost per PV is estimated at approximately €3,200, whilst the cost per battery storage system is estimated at approximately €6,500. In this regard, the cost for each combined PV and 5kWh battery storage system is estimated at approximately €9,700. The combined unit cost was increased by 18% to reflect surveying services and related testing for structural integrity of the roof, and structural reinforcement costs that may be required prior to the installation of these systems, as per expert judgement declaration. Therefore, the total unit cost for each combined PV and 5kWh battery storage system is approximately €11,500.

A total of 1,908 social housing units are projected to have at least one energy efficiency technology installed between 2028 and 2031 and thus inflation is applied to the cost per unit to reflect the year of implementation. A baseline inflation rate of 2% has been adopted, in line with European Commission projections, to forecast cost increases over the implementation period. However, labour costs associated with construction and installation have increased by an average of 3.43% annually between 2008 and 2024[1]. To account for this, an incremental 1.43% inflation has been added to the baseline rate, resulting in a total annual inflation adjustment of 3.43%[2] for projected investment costs related to energy efficient systems. Other costs related to energy performance certificates are applied the baseline inflation rate of 2%.

This measure is foreseen to cover around 954 water heating units, and 954 PVs and battery storage systems, in social housing units across Malta and Gozo which are publicly owned.

The measure also takes into account the cost involved to undertake Energy Performance Audits pre- and post-renovation on each of the units targeted, estimated by the Housing Authority at €220 per EPC. The EPC cost includes a registration fee of €75 [3]. The number of EPC audits carried out will depend on the percentage number of public social housing units that will benefit from the installation of both HPWH and RES systems. It is being assumed that around 50% will benefit from both systems, owing mainly to logistics such as roof space and other spatial considerations. The remaining number of HPWHs and PVs targeted under this investment are assumed to be installed as separate systems for the benefit of different units. The measure also incorporates Project Management costs associated with the role of the Project Manager. These costs are subject to annual increases, reflecting yearly adjustments, and subject to the number of installations carried out each year.

VAT costs are deemed ineligible costs and are not included in the budget estimates of the SCF.

[1] https://ec.europa.eu/eurostat/databrowser/view/tps00173__custom_18595358/default/table

[2] Labour cost levels by NACE Rev. 2 activity, https://ec.europa.eu/eurostat/databrowser/view/LC_LCI_LEV/default/table?lang=en

[3] https://bca.gov.mt/epcs/#:~:text=The%20registration%20fee%20is%20%E2%82%AC,%2C%20excluding%20assessors'%20professional%20fees.

The indicative comprehensive timetable within which these costs are expected to be incurred

The breakdown takes into account implementation parameters of this specific investment, and experience from the implementation of previous Plans/Programmes.

Information on the national contribution to the total costs of the measure and investment

Beyond the co-financing aspect, no additional national contribution is foreseen.

Any information on what financing from other Union instruments is or could be envisaged related to the same measure/investment

Financing from other Union instruments is not envisaged at initial programming stage.

Any information on envisaged financing from private sources and which leverage level is targeted, if relevant

Financing from private sources is not envisaged at initial programming stage.

Justification on the plausibility and reasonability of the estimated costs, where necessary, taking into account national specificities

The methodology is developed by independent economic experts engaged to develop the FNLCs in the SCF. The unit cost estimations are outlined in Section 2.1.2.1.4 ‘methodology used’. The methodology for establishing unit costs takes into account a combination of historical data, actual data, market research and expert opinions. In as far as possible, official primary and secondary data sources have been used for the purposes of developing an independent estimation and verification of monetary values, as well as budgetary calculations and assumptions for the SCF. Data used is either publicly available and reasonably sourced providing a justifiable and commensurate basis for the costings methodology. All data sourced or provided by stakeholders and consulted bodies has been analysed and reviewed by independent economic experts engaged to develop costing methodologies for the SCF.

Within this context, the amounts are deemed plausible, reasonable and justifiable.

Table containing information on the estimated total cost of the measure/investment

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C1.B.I1	Enhancing energy efficiency and RES in public Social Housing Estates	1 Jan 2028	31 Dec 2031	16,212,957	0	0	3,956,287	4,003,509	4,084,990	4,168,171	0

2.1.2.1.5. Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)

If support from the Fund is provided through public or private entities other than vulnerable households, vulnerable micro-enterprises, or vulnerable transport users, an explanation of what measures or investments those entities will enact and how those measures and investments will ultimately be to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users;

If support from the Fund is provided through financial intermediaries, a description of the measures that the Member State intends to adopt to ensure that financial intermediaries pass on the entire benefit to the final recipients.

Not applicable.

2.1.2.1.6. Additionality

Explanation and justification of how the new or existing measures or investments are additional and do not substitute recurring national budgetary expenditure, pursuant to Article 13(2), including such explanation and justification with regard to measures and investments included in the Plan in accordance with Article 4(5).

The investment will be targeted to some of the vulnerable households in social housing thereby establishing a clear demarcation with other initiatives. Primarily, the investment will complement various national schemes including the 'Vulnerable Households Scheme'[1] initiative which is already being provided by the Energy and Water Agency, and a specific 'Heat Pump Water Heater' scheme[2] which was initiated in 2021 by the same Regulator for Energy and Water Services, and has been extended for 2022, 2023 and 2024, with the scope of encouraging the use of energy efficient equipment in the domestic sector. Furthermore, with reference to the installation of PVs together with the battery storage system, the investment to be carried out through the SCF will complement the 'Renewable Energy Sources Scheme'[3] also offered by the Regulatory for Energy and Water Services. The complementary national schemes are aimed at a wider target audience. This is further elaborated in Section 4.2 below.

The substitution of recurring national budgetary expenditure from the SCF is not envisaged.

[1] The Energy & Water Agency (n.d.), Vulnerable Households Scheme, https://energywateragency.gov.mt/vulnerable-households-scheme/.

[2] Regulator for Energy and Water Services (2025), 2021 Heat Pump Water Heater Scheme, https://www.rews.org.mt/#/en/sdgr/466-2021-heat-pump-water-heater-scheme-active.

[3] Regulatory for Energy and Water Services (2025), 2024 Renewable Energy Sources Scheme, https://www.rews.org.mt/#/en/sdgr/581-2024-renewable-energy-sources-scheme.

2.1.2.1.7. Compliance with EU Rules on State aid

Explanation whether the support for the measure or investment will (i) not constitute State aid within the scope of Article 107(1) TFEU, (ii) be financed on the basis of an existing State aid scheme falling under a block exemption regulation, in particular the GBER or approved by a Commission State aid decision (providing the reference number to such scheme (SA.nnnnn) or (iii) result in a new State aid measure, an

explanation whether it will comply with the conditions of a block exemption regulation, for example the GBER (indicating which Article thereof), (iv) comply with the de minimis Regulation, (v) require a State aid notification, indicating when the Member State intends to pre-notify or notify to the Commission the planned support for the measure or investment, and the applicable State aid instrument ensuring its compatibility with the internal market.

Before launching the investment, the national State aid authorities should assess the presence of an economic activity, as the provision of housing may constitute an economic activity depending on the conditions under which it is carried out and cannot be excluded by the sole fact that the beneficiary is a public body. If the activity is found to be economic in nature and thus falling within the scope of Article 107(1) TFEU, the national State aid authorities should assess the measure under the applicable State aid framework. Applicable EU State aid rules may include for example the Commission Decision of 16 December 2025 on the application of Article 106(2) of the Treaty on the Functioning of the European Union to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and repealing Decision 2012/21/EU (2025/2630), or Article 38a of the General Block Exemption Regulation (GBER), which lays down the conditions for investment aid for energy efficiency measures in buildings.

2.1.3. Estimated total costs of the component C1

Table containing information on the estimated total cost of the measures/investments for the Component

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C1.A.I2	Retrofitting public social housing units to improve energy performance	1 Jan 2028	31 Dec 2032	15,513,057	0	0	2,974,234	3,017,951	3,086,285	3,168,811	3,265,776
C1.B.I1	Enhancing energy efficiency and RES in public Social Housing Estates	1 Jan 2028	31 Dec 2031	16,212,957	0	0	3,956,287	4,003,509	4,084,990	4,168,171	0
TOTAL				31,726,014	0	0	6,930,521	7,021,460	7,171,275	7,336,982	3,265,776

Table containing information on the financing of the Component

TOTAL	SCF contribution	Transfer from Shared management programmes	National public contribution	Share of the National Contribution (= National public/Total)
31,726,014	23,794,510	0	7,931,504	25.0000%

2.1.4. Milestones and targets of the component C1

Table containing information on milestones, targets and timeline for achievement for the Component

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C1.A.I2.1.2028Q1	C1.A.I2	M	Signature of contract(s) for the retrofitting or renovation of public social housing units				2028	Q1
C1.A.I2.I4.2030Q4	C1.A.I2	T	Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)	Building units	0.00	141.00	2030	Q4
C1.A.I2.I4.2032Q3	C1.A.I2	T	Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)	Building units	141.00	236.00	2032	Q3
C1.B.I1.1.2028Q1	C1.B.I1	M	Signature of contract(s) for the installation of heat pump water heaters and photovoltaic systems with battery storage solutions				2028	Q1
C1.B.I1.S2.2029Q4	C1.B.I1	T	Installation of heat pump water heaters and photovoltaic systems with battery storage solutions	Number of heat pump water heaters and photovoltaic systems with battery storage solutions installed	0.00	950.00	2029	Q4
C1.B.I1.S2.2031Q4	C1.B.I1	T	Installation of heat pump water heaters and photovoltaic systems with battery storage	Number of heat pump water heaters and	950.00	1,908.00	2031	Q4

			solutions	photovoltaic systems with battery storage solutions installed				

2.1.5. Scenario in the event of a later start of the emissions trading system

A description and quantification of the necessary adjustments to the measures, investments, milestones, targets, the amount of national contribution and any other relevant element of the Plan resulting from the postponement of the start of the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC in accordance with Article 30k of that Directive.

A separate version of the summary box, the table on milestones, targets and timeline and the table on estimated costs.

The delayed start is foreseen to solely affect Investment 1 'Enhancing energy efficiency and RES in public Social Housing Estates' under this Component.

Table containing information on milestones, targets and timeline for achievement for Component

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C1.A.I2.1.2028Q1	C1.A.I2	M	Signature of contract(s) for the retrofitting or renovation of public social housing units				2028	Q1
C1.A.I2.I4.2030Q4	C1.A.I2	T	Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)	Building units	0.00	141.00	2030	Q4
C1.A.I2.I4.2032Q3	C1.A.I2	T	Number of buildings having undergone deep renovation (i.e. a renovation which transforms a building or building unit (a) before 1 January 2030, into a nearly zero-energy building (b) as of 1 January 2030, into a zero-emission building)	Building units	141.00	236.00	2032	Q3
C1.B.I1.1.2028Q1	C1.B.I1	M	Signature of contract(s) for the installation of heat pump water heaters and photovoltaic systems with battery storage solutions				2028	Q1
C1.B.I1.S2.2029Q4	C1.B.I1	T	Installation of heat pump water heaters and photovoltaic systems with battery storage solutions	Number of heat pump water heaters and photovoltaic systems with battery storage solutions installed	0.00	355.00	2029	Q4
C1.B.I1.S2.2031Q4	C1.B.I1	T	Installation of heat pump water heaters and photovoltaic systems with battery storage solutions	Number of heat pump water heaters and photovoltaic systems with battery storage	355.00	762.00	2031	Q4

			solutions installed					

Table containing information on the estimated total cost of the actions for the Component

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C1.A.I2	Retrofitting public social housing units to improve energy performance	1 Jan 2028	31 Dec 2032	15,513,057	0	0	2,974,234	3,017,951	3,086,285	3,168,811	3,265,776
C1.B.I1	Enhancing energy efficiency and RES in public Social Housing Estates	1 Jan 2028	31 Dec 2031	6,491,739	0	0	807,441	2,186,791	1,973,522	1,523,985	0
TOTAL				22,004,796	0	0	3,781,675	5,204,742	5,059,807	4,692,796	3,265,776

Table containing information on the financing of the Component

TOTAL	SCF contribution	Transfer from Shared management programmes	National public contribution	Share of the National Contribution (= National public/Total)
22,004,796	16,503,597	0	5,501,199	25.0000%

2.1. COMPONENT: C2 - Road transport sector

2.1.1. Description of the component (Summary box)

Intervention area: Road transport sector

Objective:

Primarily, interventions under Component 2 will aim to scale-up on-demand services at the local level for vulnerable transport users, particularly the elderly, persons with limited mobility due to health reasons[1], persons with disabilities (physical and/or mental), and ARP households in transport poverty which are classified as vulnerable. The Component will also aim to facilitate the transition to electric mobility for vulnerable micro-enterprises by improving access, affordability and infrastructure.

[1] ‘Limited' refers to those persons who have limitation in activities because of health problems as defined by the National Statistics Office when collecting data as part of the EU-SILC 2023.

Measures and investments:

The investments foreseen under this Component are:

- I1 - Community Transport Services to Vulnerable Transport Users - EUR 8.1 M
- I2 - Enhancing the Uptake of EVs amongst Vulnerable Micro-Enterprises - EUR 19.5 M

Estimated total costs: EUR 27,684,208 of which

Costs requested to be covered under the Fund: EUR 20,723,552

Costs to be covered by transfers from Shared management programmes (e.g. ESF+, ERDF, etc.): EUR 0

Costs to be covered by the national contribution: EUR 6,960,656

2.1.2. Description of the measures and investments of the component

2.1.2.1. Measure/Investment: 2: Enhancing the uptake of EVs amongst vulnerable micro-enterprises

Intervention area: Art.8.1.(f) - Provide access to zero- and low-emission vehicles and bicycles, while maintaining technological neutrality, including financial support or fiscal incentives for their purchase as well as for appropriate public and private infrastructure, in particular, where relevant, purchase of zero- and low-emission vehicles, infrastructure for recharging and refuelling and development of a second-hand zero-emission vehicles market; Member States shall aim to ensure that where zero-emission vehicles are an affordable and deployable solution, support to such vehicles is prioritised in their Plans

2.1.2.1.1. Description of the measure/investment

Clear and evidence-based analysis of the existing challenges and how they are addressed by the measures and the investments

As elaborated in Section 1.2, the majority of business units in Malta are micro-enterprises, which are predominantly comprised of self-employed individuals and small family businesses. This further emphasises the need for tailored schemes and mechanisms to ensure that such a substantial portion of Malta's economic structure is supported. With specific reference to the ETS2, the increase in costs will impact businesses which rely on transport as part of their daily operations. Approximately 70% of fuel consumed by enterprises in Malta is utilised for automotive purposes, further underlining the importance of appropriate transport initiatives. Taking into consideration the peculiarities faced by Malta as a small island Member State, the high import and export costs, together with the direct and indirect consequences of the ETS2, such effects on vulnerable micro-enterprises would be even more pronounced.

Support will take the form of grant schemes aimed at incentivising vulnerable micro-enterprises, to shift towards electric commercial vehicles. The scheme will provide a grant to cover the full estimated price differential between new EVs and internal combustion engine vehicles up to a specific ceiling. Support for charging infrastructure is also envisaged. The scheme is based on the "one in - one out" notion to promote greener mobility without increasing the number of vehicles on the road. The investment is foreseen to be implemented in line with the de minimis State Aid Regulation. In designing and implementing the scrappage scheme, particular attention will be given to Gozo, in line with the objective to accelerate Gozo's transition towards carbon neutrality. Various methods of proofs are requested by the Authority to ensure that scrapped vehicles are effectively subject to end-of-life, from the End-Of-Life Certificate issued on behalf of the applicant, to the deregistration of the vehicles from the Authority's Vehicle Register. The check is based on the vehicle's unique system number, as opposed to the registration number since the latter may vary during a vehicle's life and may also be transferred between vehicles.

This investment supports the EPSR's employment and inclusion principles by helping small and micro-enterprises adapt to new carbon pricing mechanisms. It complements transport and small- and medium-sized enterprises (SME)-focused interventions under Malta's Cohesion Policy instruments. The initiative reinforces RRP investments supporting green mobility and SMEs, and contributes to CSRs calling for reduced emissions from road transport. This investment also supports NECP transport goals and emission reduction through electrification, while also aligning with the spirit of Malta's JTP by promoting resilience among vulnerable economic actors across Malta.

The nature, type and size of the measure or investment, which may include additional technical support measures in accordance with Article 11(4), indicating whether it is new or is an existing measure or investment intended to be extended with the support from the Fund

Through the funds allocated for this investment, the take-up of grants is foreseen through the purchase of electric commercial vehicles together with the installation of charging points (1 EV and 1 charging point will be covered through the scheme), in an effort to support vulnerable micro-enterprises in mitigating the increased costs due to the introduction of the ETS2. The charging point is a wall mounted plug which typically requires a single phase and low power of 7.4kW. The cost differential between a public charging pillar (as considered for C2 I1) and a private wall charger is not just driven by the power but also by the fact that public charging pillars are freestanding pillars with a reinforced casing including multiple sockets, communication modules and monitoring hardware. Moreover, trenching and ducting, concrete bases and bollards might be required. The investments will be based on deminimis aid, and will target to remove the price differential between new EVs and ICE commercial vehicle investments, with a view to further encouraging vulnerable micro-enterprises to participate in the scheme.

The scheme will be launched for vulnerable micro-enterprises under NACE categories linked to road transport and supporting activities, namely, Land Transport and Transport via Pipelines (NACE H49), Warehousing and Supporting Activities for Transportation (NACE H52), as well as Postal and Courier Activities (NACE H53), Construction (NACE F) and Wholesale and Retail Trade, and Repair of Motor Vehicles and Motorcycles (NACE G). The scheme aims to provide a balance between targeting vulnerable micro-enterprises and the sectors/operations that relate more directly to impacts of ETS2.

The uptake of the scheme will be monitored and a revision of the scheme may be considered after at least a year of implementation (which would be at the earliest in 2028, since the scheme is foreseen to be launched in 2027) should the uptake of the scheme be significantly lower than the foreseen expenditure.[1]

The grant scheme allocation will be on a first come first served basis for the vulnerable micro-enterprises eligible and each micro-enterprise will only benefit once from the scheme throughout the duration of the SCF[2].

The foreseen durability period of car retention is at least 3 years, in line with State Aid rules.

This scheme will constitute the scaling-up of an existing initiative that is currently offered by the public entity responsible for managing transport-related schemes[3]. Furthermore, the possibility to combine the scheme for vulnerable micro-enterprises with financial instruments under the InvestEU, amongst others, may also be considered. This possibility shall be explored during implementation. However, should complementary funding be considered in this regard, there will be no risks of double-funding and the checks as elaborated under Section 4.3 ‘Complementarity of funding’ in the Plan shall apply accordingly.

The initiative to be funded as part of the SCF will work towards providing financial support for the purchase of zero- and low-emission vehicles and infrastructure for recharging. At the time of drafting this document, there were approximtaely 17,759 registered EVs across Malta and Gozo[4][5]. This will see an increase of around 5.4% in EVs.

[1] This will ensure that any revision will be timed with the programming of the MFF period 2028-2034.

[2] Whilst each beneficiary may benefit once from the grant scheme, it is not excluded that more than one vehicle is supported in the same grant application.

[3] Transport Malta (2025), Purchase of New Electric Vehicles-2024, https://www.transport.gov.mt/land/sustainable-transport/financial-incentives-2024/new-electric-vehicles-6667.

[4] These include fully EVs and plug-in hybrids.

[5] NSO (2025), Motor Vehicles: Q4/2024, https://nso.gov.mt/transport/motor-vehicles-q4-2024/.

Detailed information on the objective of the measure or investment and about who and what is targeted by it; an explanation of how the measure and investment would contribute effectively to the achievement of

the objectives of the Fund within the overall setting of a Member State's relevant policies, and how it will reduce fossil fuel dependency

This investment primarily targets vulnerable micro-enterprises as defined in the SCF with a focus on those enterprises falling under NACE codes H, F, G through the provision of an EV scheme, in an effort to shift towards less polluting vehicles to aid in their daily professional operations. These micro-enteprises falling under the specified NACE codes do not have an alternate method to operate, since operators rely heavily on their private vehicles as the use of public transport methods is not feasible to render their service. The uptake of the scheme will be monitored and a revision of the scheme may be considered after at least a year of implementation (which would be at the earliest in 2028, since the scheme is foreseen to be launched in 2027) should the uptake of the scheme be significantly lower than the foreseen expenditure. This is in line with the objectives as detailed within the SCF Regulation, specifically Article 8(1)(f) in an effort to provide access to zero- and low-emission vehicles as well as infrastructure for recharging and refuelling.

Sections 1.2 'Overview of current policy situation' and 1.5 'Projected impact on vulnerable groups' provide an overview of the impact foreseen on vulnerable micro-enterprises within the national context. Additional information on the support to be provided through this Investment is elaborated in Section 2.1.2.1.4 'Methodology'. In addition, this initiative will further contribute to Malta's progression towards decarbonisation in line with the EU's climate neutral target for 2050[1], Malta's NECP[2] as well as the Net-Zero Industry Act[3]. Such complementarity and consistency with national policies and strategies are further detailed in Section 4.2.

[1] European Union (2020), Long-term low greenhouse gas emission development Strategy of the European Union and its Member States, http://unfccc.int/documents/210328.

[2] European Commission (2025), Malta – Final updated NECP 2021-2030 (submitted in 2025), https://commission.europa.eu/publications/malta-final-updated-necp-2021-2030-submitted-2025_en.

[3] European Union (2024), Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724, https: //eur-lex.europa.eu/eli/reg/2024/1735/oj/eng.

Description of how the measure or investment is implemented (means of implementation), referring to the administrative capacity of the Member State at central, and where relevant regional and local levels, with an explanation on how the resources will be absorbed in a timely manner and how they are channelled to sub-national levels, if applicable

The public body responsible for Transport schemes will be responsible for this initiative. At the time of submission of the SCF, the responsible entity is Transport Malta, falling within the remit of the Ministry responsible for Transport.

The implementation timelines are considered in the methodological assumptions. Any deviations from such assumptions may impact the timelines or achievement of targets.

An explanation of how the measure or investment will aim to address gender inequality, if applicable

Out of the total 39,545 vulnerable micro-enterprises in Malta and Gozo, around 25.5% are women who

are registered as self-employed, of whom around 14.4% are employers (NSO data).

The timeline of the measure or investment; (for support concerning low-emission vehicles, a timetable for gradually reducing that support)

The timeline for achievement is provided in Section 2.1.2.1.3.

2.1.2.1.2. Do no significant harm

Information on how measures and investments included in the component comply with the principle of 'do no significant harm' within the meaning of Article 17 of Regulation (EU) 2020/852. The Commission will provide technical guidance, pursuant to Article 6(5) of this Regulation.

All interventions included respect the 'do no significant harm' principle within the meaning of Article 17 of Regulation (EU) 2020/852 and the Commission's Technical Guidance Document on this same principle. The 'do no significant harm' assessment carried out in preparation for the submission of this document is presented as part of the supporting documentation submitted with this document. It is to be noted that the environmental impacts associated with vehicle scrappage are subject to strict regulatory controls through environmental and Integrated Pollution Prevention and Control (IPPC) permitting. The Investment does not introduce new scrappage practices but rather encourages ICE vehicle owners to use existing/permitted scrapyards. This is particularly relevant given that Malta's vehicle fleet is older than the EU average and that the share of ICE vehicles remains relatively high with only approximately 3% being EVs. Malta clarifies that the Investment itself would not give rise to additional waste since old vehicles would have to be scrapped eventually. With regard to ensuring criteria for eligible tyres, entities intending to purchase EVs must present documentation proving that the specified tyre-related criteria have been met. This evidence would be supplied by the bidding contractors prior to vehicle purchase (ex-ante).

2.1.2.1.3. Milestones, targets and timeline

Milestone: C2.F.I2.1 Launch of a scheme for support to micro-enterprises for the purchase of new EVs, including a mandatory scrappage scheme

Description

Launch of a scheme to support micro-enterprises under NACE codes F, G and H for the purchase of new EVs, subject to the mandatory scrappage of a vehicle. The scheme shall include a requirement to ensure compliance with the DNSH criteria, in particular under Annex 1, activities T3 and T4 of Commission Notice C/2025/1596.

Milestone: C2.F.I2.2 Report on demographics of micro-enterprises that have benefitted from the scheme by NACE code

Description

After at least one year of scheme implementation, a report evidencing the uptake of the scheme by micro-enterprises under NACE codes F, G and H shall be prepared. If the report demonstrates an uptake by less than 25% of the NACE categories, those may be revised.

Target: C2.F.I2.I21 Purchases of zero-emission vehicles

Description

420 zero-emission vehicles shall be purchased through grant schemes by micro-enterprises by Q4 2029. 445 zero-emission vehicles shall be purchased by Q3 2032.

Table containing information on milestones, targets and timeline for achievement for the measure/investment

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C2.F.I2.1.2027Q1	C2.F.I2	M	Launch of a scheme for support to micro-enterprises for the purchase of new EVs, including a mandatory scrappage scheme				2027	Q1
C2.F.I2.2.2028Q4	C2.F.I2	M	Report on demographics of micro-enterprises that have benefitted from the scheme by NACE code				2028	Q4
C2.F.I2.I21.2029Q4	C2.F.I2	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	0.00	420.00	2029	Q4
C2.F.I2.I21.2032Q3	C2.F.I2	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	420.00	865.00	2032	Q3

Why the specific milestone(s) or target(s) was/were chosen

The Milestones and Targets were selected in view of their relevance to assessing the successful implementation of this investment.

What the milestone(s) or indicator(s)/target(s) is/are measuring

The unit of measurement is provided in Section 2.1.2.1.3.

What methodology and source will be used, and how the proper achievement of the milestone(s) or target(s) will be objectively verified

Milestone 'Launch of a scheme for support to micro-enterprises for the purchase of new EVs, including a mandatory scrappage scheme'

Summary document justifying how the milestone was satisfactorily fulfilled. The summary document shall, more specifically, describe how the requirement that only fully new EVs shall receive financial support has been incorporated in the call for applications. This summary document shall include, as an annex, a copy of the launch of the scheme together with the relevant documentation.

Milestone 'Report on demographics of micro-enterprises that have benefitted from the scheme by NACE code'

Summary document justifying how the milestone was satisfactorily fulfilled. The report shall outline the number of micro-enterprises which have benefitted from the grant for the purchase of EVs and charging infrastructure and will assess the level of grant uptake to the foreseen expenditure in the SCF.

Target 'Purchases of zero-emission vehicles'

Summary document duly justifying how the target was satisfactorily fulfilled. This document shall include, as an annex, an anonymised list of the awarded grants, indicating, for each of them: (a) official reference to the award resolution or notification from the relevant authority (or alternatively, links to the official publications if required by the applicable legislation) proving that grant support for new EVs has been granted; (b) the specific type and category of new EVs benefitting from the awarded grant, including confirmation that the vehicle is an EV; and (c) the registration number of the ICE vehicles scrapped.

What is the baseline (starting point) and what is the level or specific point to be reached (only for indicators/targets)

The baseline and target are provided in Section 2.1.2.1.3 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

By when the final milestone(s) or target(s) will be reached (by quarter and year)

The timeline for achievement is provided in Section 2.1.2.1.3 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

Who and which institution will be in charge of implementing, measuring and reporting

The public body responsible for Transport schemes will be responsible for this initiative. At the time of submission of the SCF, the responsible entity is Transport Malta, falling within the remit of the Ministry responsible for Transport. The Land Transport Directorate within Transport Malta is tasked with the administration of various incentive schemes, including the scheme for new electric vehicles under the RRP together with other national schemes (such as on the promotion of the use of motorcycles, electric kick scooters, user electric vehicles and wheelchair accessible vehicles, amongst others). The Directorate is involved in the process from scheme definition and promotion, processing and approval of applications, liaison with clients, liaison with the Authority’s financial department for the payment process, liaison with the Ministry responsible for EU Funds for the transfer of funds, as well as the auditing of the schemes.

2.1.2.1.4. Financing and costs

Information and explanation on the estimated total costs of the component and for each measure and investment, backed up by appropriate justification, including:

The methodology used, the underlying assumptions made (e.g. on unit costs, costs of inputs) and justification for these assumptions

Preliminary market research was carried out on commercial vehicles to estimate price differentials between ICE vehicles and EVs. This took into account several Government tenders awarded for the purchase of similar vehicles between 2023 and 2024[1]. For the purpose of this exercise and for the identification of budget costs, market research was carried out on small commercial vehicles, typically N1/M1 vehicles. Market research indicates that the average capital cost typically for an N1 EV is around €54,830. This is also attested in various recent government tenders awarded for the purchase of similar EVs that were used to modulate the baseline assumptions of budgetary costs. Based on market research undertaken by Transport Malta, the authority responsible for vehicle registration in Malta, on average a conventional fossil-fuel N1 vehicle costs circa €27,628. In this regard, the price differential of around €27,202 was identified. The same approach was applied for the M1 electric vehicles, which are estimated at €37,137, compared to their fossil-fuel counterpart costing €22,501, leaving around €14,636 in price cost differential. On this basis, for N1 vehicles, the maximum grant ceiling should be set at €27,200, corresponding to the estimated average price differential between ICE N1 vehicles and electric N1 alternatives; and for M1 vehicles, the maximum grant ceiling should be set at €14,630, reflecting the average price differential between ICE and EV passenger cars. Charging infrastructure is also estimated at an average cost of €830. This encompassess the cost of the charging point of €746 together with a fee of €80 for the installation of an EV electricity meter by ARMS Limited (the local entity entrusted with utility billing for energy and water).

A budget assumption of 100% grant funding has been applied for the period 2027-2029, decreasing to 90% in 2030 and 2031, and further reducing to 80% in 2032.

The scheme is foreseen to be implemented in line with Deminimis aid.

For the purpose of budgetary estimations, it is assumed that the EV grant will also include a scrappage component. At the time of drafting the SCF, the amount tied to the scrappage grant is foreseen to be €3,000 for vehicles scrapped in Malta, and €4,000 for vehicles scrapped in Gozo. This provides a more favourable grant to the ‘Grant Scheme for the Purchase of New Electric Vehicles’ promoted by Transport Malta. The scrappage grant pertaining to the latter initiative is of €1,000 for vehicles scrapped in Malta and €2,000 for vehicles scrapped in Gozo. The difference in this value is an effort to further promote this EU-funded initiative, and to incentivise micro-enterprises to apply and benefit. Such funding will allow for the kick-start, or acceleration thereof, of the electrification of commercial vehicle segments which have so far struggled to transition. This would deliver tangible environmental and congestion-related benefits, given the high utilisation rates of these vehicles, while also supporting operators by improving the quality and sustainability of the transport services provided.

All EV grants under this scheme will be combined with the scrappage mechanism, with 70% of vehicles foreseen to be scrapped in Malta, whilst the remaining 30% of vehicles are foreseen to be scrapped in Gozo. The scrappage grant is retained at 100% for all years.

VAT costs are deemed ineligible costs and are not included in the budget estimates of the SCF.

On the basis of this assessment, the proposed budget is deemed reasonable and justifiable.

[1] Including tenders with reference code: KLBO06/2024; XLC/03/2024; QLLC/10/2024; VELEC/02/2023; XM/2024/74; SPD1/2023/146; SPD1/2023/021.

The indicative comprehensive timetable within which these costs are expected to be incurred

The breakdown takes into account implementation parameters of this specific investment, and experience from the implementation of previous Plans/Programmes.

Information on the national contribution to the total costs of the measure and investment

Beyond the co-financing aspect, no additional national contribution is foreseen.

Any information on what financing from other Union instruments is or could be envisaged related to the same measure/investment

Financing from other Union instruments is not envisaged at initial programming stage. Nevertheless, to encourage the necessary uptake of the investment by undertakings, it may be possible to complement grant support under the SCF with other financing instruments (including Union instruments) so long as the Gross Grant Equivalent remains within the thresholds of de minimis aid. This is in line with Recital 35 of the SCF Regulation which indicates that 'Measures and investments financed under the Fund should be able to receive funding from other Union Programmes and instruments provided that such support does not cover the same costs.'

Any information on envisaged financing from private sources and which leverage level is targeted, if relevant

Financing from private sources is not envisaged at initial programming stage.

Justification on the plausibility and reasonability of the estimated costs, where necessary, taking into account national specificities

The methodology is developed by independent economic experts engaged to develop the FNLCs in the SCF. The unit cost estimations are outlined in Section 2.1.2.1.4 'methodology used'. The methodology for establishing unit costs takes into account a combination of historical data, actual data, market research and expert opinions. In as far as possible, official primary and secondary data sources have been used for the purposes of developing an independent estimation and verification of monetary values, as well as budgetary calculations and assumptions for the SCF. Data used is either publicly available and reasonably sourced providing a justifiable and commensurate basis for the costings methodology. All data sourced or provided by stakeholders and consulted bodies has been analysed and reviewed by independent economic experts engaged to develop costing methodologies for the SCF.

Within this context, the amounts are deemed plausible, reasonable and justifiable.

Table containing information on the estimated total cost of the measure/investment

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C2.F.I2	Enhancing the uptake of EVs amongst vulnerable micro-enterprises	1 Jan 2027	31 Dec 2032	19,527,302	0	1,726,698	4,189,826	4,189,826	3,829,854	3,829,854	1,761,244

2.1.2.1.5. Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)

If support from the Fund is provided through public or private entities other than vulnerable households, vulnerable micro-enterprises, or vulnerable transport users, an explanation of what measures or investments those entities will enact and how those measures and investments will ultimately be to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users;

If support from the Fund is provided through financial intermediaries, a description of the measures that the Member State intends to adopt to ensure that financial intermediaries pass on the entire benefit to the final recipients.

Not applicable.

2.1.2.1.6. Additionality

Explanation and justification of how the new or existing measures or investments are additional and do not substitute recurring national budgetary expenditure, pursuant to Article 13(2), including such explanation and justification with regard to measures and investments included in the Plan in accordance with Article 4(5).

This initiative will be specifically targeted towards micro-enterprises, which are deemed vulnerable within the scope of the SCF and as outlined in the description of the investment. The substitution of recurring national budgetary expenditure from the SCF is not envisaged. This Investment will build on actions undertaken through Malta's RRP, particularly in relation to promoting the sustainability of the transport sector and enhancing the uptake of EVs in the private sector. The RRP scheme is not enterprise specific and will end by mid-2026. Furthermore, retroactive expenditure is not foreseen. The SCF action is specifically targeting vulnerable micro enterprises with different conditions than those found in RRP schemes. The possibility of combining the scheme for vulnerable micro-enterprises with financial instruments under the InvestEU, amongst others, may also be considered. This is further elaborated in Section 4.3 'Complementarity of funding'.

2.1.2.1.7. Compliance with EU Rules on State aid

Explanation whether the support for the measure or investment will (i) not constitute State aid within the scope of Article 107(1) TFEU, (ii) be financed on the basis of an existing State aid scheme falling under a block exemption regulation, in particular the GBER or approved by a Commission State aid decision (providing the reference number to such scheme (SA.nnnnn) or (iii) result in a new State aid measure, an explanation whether it will comply with the conditions of a block exemption regulation, for example the GBER (indicating which Article thereof), (iv) comply with the de minimis Regulation, (v) require a State aid notification, indicating when the Member State intends to pre-notify or notify to the Commission the planned support for the measure or investment, and the applicable State aid instrument ensuring its compatibility with the internal market.

This investment is foreseen to be implemented in line with the de minimis state aid regulation. A specific State Aid measure will be designed. The necessary notifications of the measure as well as monitoring and annual inventory reporting will be done in line with the respective State Aid rules.

2.1.2.1. Measure/Investment: 1: Community Transport Services to Vulnerable Transport Users

Intervention area: Art.8.1.(g) - Incentivise the use of affordable and accessible public transport and support private and public entities, including cooperatives, in developing and providing sustainable mobility on demand, shared mobility services and active mobility options

2.1.2.1.1. Description of the measure/investment

Clear and evidence-based analysis of the existing challenges and how they are addressed by the measures and the investments

Whilst acknowledging that there are a number of transport-related initiatives at the local level to encourage the use of shared mobility, such as free public transport in Malta for all holders of the 'Tal-Linja Card'[1], there is still a gap in transport accessibility and availability as vulnerable transport users within the community tend to have limited access to transport in view of inherent limitations, such as their age and possible disabilities. The accessibility and affordability of public transport for vulnerable groups has also been identified in Malta's National Transport Strategy[2], and the provision of free transportation has alleviated such a demand[3]. However there is still the existing gap of the provision of the appropriate transport methods for vulnerable transport users. Accessibility and availability for persons with limited mobility, persons with disabilities (physical and/or mental) and the elderly remains an inherent limitation, placing them at a disadvantage with the rest of the population. Whilst acknowledging the extensive multimodal public transport network in Malta and Gozo, as illustrated in Figure 19 of the National Transport Master Plan 2030[4], accessibility must also be considered in terms of the walking distance required to reach a bus stop. This may present particular challenges for persons with limited mobility, persons with disabilities (physical and/or mental) and the elderly. In this regard, the initiative is earmarked to target the cohort which includes persons aged 60 and over, as well as individuals whose physical and/or mental disabilities limit their ability to access public transport services independently.

Where public transport is limited in providing adequate service availability or is inaccessible, the alternative is to use private means of transportation, such as personal private cars or a private taxi service. The former is very often not available either, as the elderly are likely to relinquish their licence as they grow older. Additionally, an increase in the price of taxi services and other private transport options will cause financial strain for the elderly and those with health-related activity limitations. Neglecting these individuals not only affects them directly but also has ripple effects throughout society, potentially leading to diminished community cohesion. By prioritising the transportation needs of these vulnerable users, one can foster a more inclusive environment that benefits everyone, ultimately enhancing the resilience and vitality of the community as a whole. Addressing these challenges is not just a matter of equity, but it is essential for building a sustainable and thriving society, one that is less reliant on private transport, as elaborated in Section 1.2.

In this regard, the initiative being proposed aims to integrate and scale-up the services currently in place, in order to provide a holistic transport alternative to vulnerable transport users. This service is already available in some localities and the project will scale up the service to achieve broader coverage across local councils. The service currently in place is already earmarked to target vulnerable transport users and the promotional campaign, foreseen as part of the project, will continue reinforcing this aspect to ensure that the service is earmarked to target this cohort. This door-to-door community service is already a success in the localities it is available in, as it provides a tailored service to vulnerable transport users, allowing them to be more mobile and active within the community. The 'personalisation' aspect of this service is important especially to elderly people and those with physical and/or mental disabilities, as they feel comfortable making use of the service and they build a relationship with the officials monitoring the booking system and the drivers of the vehicles. Whilst acknowledging that this service may be used by individuals not falling within the cohort of vulnerable transport users (i.e. individuals of age 60 and over who may be identified through their identification card (ID card) as issued by Identità Malta, and persons with disabilities), other individuals may only benefit from the service temporarily in the event that they

have mobility and health limitations (physical and/or mental). In Malta, public transport is free and there is a high usage of private vehicles, therefore there is little incentive for anyone else to access such service apart from those individuals with accessibility and affordability issues related to private car use.

Furthermore, the Local Government Division is in the process of finalising a competitive call for the provision of a digital system which residents can use to access Local Council services, and the booking of transportation is one of the modules which is included. All applications received through this system can be automatically processed whereby route availability is verified, and updated passenger lists and pick-up points are automatically generated. Service users would still be able to book by phone, in which case back-end staff would enter the request into the same system. This allows flexibility in the booking system should users be unable to utilise/access the system on their personal mobile device. Within the context of the ETS2, this approach will aim to mitigate the consequential impact on vulnerable transport users, whilst also providing a tailored transport solution which will engage the local communities directly, thus reducing reliance on private vehicles whilst also promoting active ageing.

This investment supports EPSR Principle 20 by enhancing access to clean, on-demand transport for persons with limited mobility. It aligns with ERDF and the European Social Fund Plus (ESF+) efforts in active ageing and inclusive urban transport. It is coherent with Malta's RRP, which promotes electrification and shared mobility together with the concept of ride-sharing effectively, alleviating the use of private cars and traffic congestion resulting from the use of private cars. This initiative also advances Malta's NECP on the electrification of transport and it supports the just transition agenda by ensuring nationwide accessibility and transport inclusion.

[1] Malta Public Transport (2016), Free Travel Scheme with effect from 1 October 2022, https://www.publictransport.com.mt/en/free-travel.

[2] Transport Malta (n.d), National Transport Strategy (2050) and Transport Master Plan (2025), www.transport.gov.mt/strategies/strategies-policies-actions/national-transport-strategy-and-transport-master-plan-1343.

[3] Malta Public Transport (2016), Free Travel Scheme with effect from 1 October 2022, https://www.publictransport.com.mt/en/free-travel.

[4] Government of Malta, Ministry for Trasport, Infrastructure and Public Works (n.d.), National Transport Master Plan 2030, https://infrastructure.gov.mt/wp-content/uploads/2026/01/NATIONAL-TRANSPORT-MASTERPLAN-2030.pdf.

The nature, type and size of the measure or investment, which may include additional technical support measures in accordance with Article 11(4), indicating whether it is new or is an existing measure or investment intended to be extended with the support from the Fund

This investment aims to enhance and expand the provision of free transport services at the community level. The goal is to provide Local Councils with new EVs, as applicable, charging infrastructure, and a centralised booking system to ensure that every locality offers green community transport services for vulnerable transport users within their communities. This community transport initiative will build on existing services in some localities, improving access to essential needs and services while promoting active ageing among residents.

For the purpose of assessing the existing service, a sample was taken on two localities offering this service. From this sample, the total number of trips for the Local Council Community Service from September 2025 to February 2026 was 3,642 with 1,493 users making use of this service. On a monthly basis, this translates to an average of 607 trips, with approximately 249 users utilising the service each month. The service typically operates from Monday to Friday, between 7am and 2pm, with departures every 30 minutes. However, this may vary according to the needs of the individual Local Councils, and may therefore be extended as necessary. This schedule allows for a potential of 15 trips per day, resulting

in annual total of 3,900 trips. When extrapolated across all localities in Malta, the maximum number of annual trips is estimated at 265,200.

The service enhanced by the Investment proposed under Component 2 could potentially serve around 30,497 users by the end of the implementation of the SCF. This figure represents approximately 21% of the total vulnerable transport users. It is to be noted that whilst the availability of the service will be in place, the actual usage can only be attested at implementation stage. The service also has the potential to reach another 7,609 users defined as transport poor in Section 1.5 of this document by the end of the implementation period.

Furthermore, the total number of operational EVs as distributed to Local Councils is foreseen to increase from the current 21 vehicles to 130 vehicles. The increase in EVs will help address a number of existing shortcomings, particularly the insufficient supply currently available to meet high demand, as well as the limited availability of vehicles when units are rendered temporarily inoperable due to maintenance and repair works, thereby disrupting the continuity of the service. Furthermore, the vehicles will be specifically designed to cater for persons with mobility impairments, including wheelchair users, addressing a gap that is not currently covered by other comparable national initiatives. Consideration must also be given to the practical limitations that may still be encountered by persons with disabilities, including wheelchair users, when accessing public transport services.

The charging pillars installed will have a capacity of at least 7KW and, where feasible, a capacity of 22KW.

Such figures reflect what is foreseen by the end of the implementation period of this Investment. The vehicles to be used for this service, as part of this Investment, will consequently alleviate the use of private cars and traffic congestion, since the service allows for ride-sharing and increased mobility within communities.

Additionally, a centralised awareness campaign will be launched, as an accompanying measure, to promote the shared mobility service. Furthermore, driver salaries for the first two years of service operation shall also be covered.

The initiative to be funded as part of the SCF will work towards the holistic provision of transport services to vulnerable transport users, to assist in their daily needs.

Detailed information on the objective of the measure or investment and about who and what is targeted by it; an explanation of how the measure and investment would contribute effectively to the achievement of the objectives of the Fund within the overall setting of a Member State's relevant policies, and how it will reduce fossil fuel dependency

This intervention focuses on shared mobility initiatives within communities with the aim of offering transport services to vulnerable transport users, especially those with limited mobility as well as physical and/or mental disabilities, accessibility and independence to ensure that they have access to essential services as required. This is in line with the objectives as detailed within the SCF Regulation, specifically Article 8(1)(g) in an effort to provide sustainable mobility on demand, shared mobility services and active mobility options.

The vulnerable transport users identified tend to rely on family members and their private vehicles to access basic services. This places additional care obligations on relatives and contributes to the number of private cars on the road. Scaling up this service would therefore not only strengthen social cohesion by reducing dependency on family support and fostering a stronger sense of community, but would also generate wider benefits through shared mobility, including more efficient use of transport resources, reduced traffic pressure, and a gradual shift towards more sustainable and environmentally friendly modes of transport. Such efforts will also contribute towards reducing traffic congestion, in view of the collective transport usage and urban mobility efforts.

Sections 1.2 'Overview of current policy situation' and 1.5 'Projected impact on vulnerable groups'

provide an overview of the impact foreseen on vulnerable transport users within the national context. Additional information on the support to be provided through this Investment is elaborated in Section 2.1.2.1.4 ‘Methodology’. This initiative is in line with a number of national policies and strategies, as further detailed in Section 4.2 of this document. The provision of on-demand clean transport, together with the installation of charging pillars, will aim to contribute to the reduction of fossil fuels and GHG emissions.

Description of how the measure or investment is implemented (means of implementation), referring to the administrative capacity of the Member State at central, and where relevant regional and local levels, with an explanation on how the resources will be absorbed in a timely manner and how they are channelled to sub-national levels, if applicable

The Directorate responsible for Local Government within the Ministry responsible for Local Councils will be responsible for this initiative. At the time of submission of the SCF, the responsible entity is the Local Government Division, falling within the remit of the Ministry responsible for Local Government.

It is foreseen that vehicles purchased by the Directorate responsible for local government will be transferred for usage by Local Councils, however vehicle ownership will be retained by the Ministry responsible for Local Government. Whilst budgetary assumptions are made based on a number of considerations, EVs will be allocated by the Directorate responsible for Local Government in relation to the needs and realities at implementation stage whilst also exploring the potential for shared mobility arrangements where appropriate. Moreover, in terms of sustainability, the Directorate responsible for Local Government will ensure support in the financing of the operation which will be maintained after the closure of the SCF, with related costs subsequently being integrated into the Government budget.

The implementation timelines are considered in the methodological assumptions. Any deviations from such assumptions may impact the timelines or achievement of targets.

Considering Malta’s difficulty in sourcing electric vehicles with a left hand drive, which is not conventional on mainland Europe, as well as the limited economies of scale and small market of car dealers, it is not possible to segregate the sourcing of vehicles from the impact this would have on the implementation of the investment. Nevertheless, where relevant and feasible, the sustainability of EV value chains may be taken into account, including aspects related to supply chain resilience and sourcing practices.

An explanation of how the measure or investment will aim to address gender inequality, if applicable

The transport services provided under this Investment will be made available to around 147,215 individuals who are 60 years or older, and those persons aged 16 years and older who have limitation in activities because of health problems[1]. Among them, it is estimated that 76,113 (representing 51.7% of the total) are women.

[1] ‘Limitation in activities’ refers to persons (aged 16 years and older) who have limitation in activities because of health problems. It consists of those persons (16 years and older) who have stated that they are severely limited, and limited but not severely. During the EU-SILC 2023 process, carried out by the National Statistics Office.

The timeline of the measure or investment; (for support concerning low-emission vehicles, a timetable for gradually reducing that support)

The timeline for achievement is provided in Section 2.1.2.1.3.

2.1.2.1.2. Do no significant harm

Information on how measures and investments included in the component comply with the principle of 'do no significant harm' within the meaning of Article 17 of Regulation (EU) 2020/852. The Commission will provide technical guidance, pursuant to Article 6(5) of this Regulation.

All interventions included respect the 'do no significant harm' principle within the meaning of Article 17 of Regulation (EU) 2020/852 and the Commission's Technical Guidance Document on this same principle. The 'do no significant harm' assessment carried out in preparation for the submission of this document is presented as part of the supporting documentation submitted with this document.

2.1.2.1.3. Milestones, targets and timeline

Milestone: C2.G.I1.1 Signature of the contract(s) for the purchase of EVs and charging pillar infrastructures for distribution for Local Councils

Description

Signature of the contract(s) for the purchase of 109 electric vehicles and 80 charging pillar infrastructures for distribution to Local Councils. The contract(s) shall include information on the specification of the charging pillars infrastructure and the type of vehicles. The contract(s) shall include a requirement to ensure compliance with the DNSH criteria, in particular under Annex 1, activities T3 and T4 of Commission Notice C/2025/1596.

Milestone: C2.G.I1.2 Report on the awareness campaign rolled out and additional population served by the mobility services provided by Local Councils

Description

A report demonstrating the different media communications used in the campaign shall be prepared. An executive summary of this report shall be published. The report shall outline the additional population served by the shared mobility service. The report shall refer to the population covered in the Local Councils in Malta and Gozo where the service is being introduced or scaled up.

Target: C2.G.I1.I21 Purchases of zero-emission vehicles

Description

80 electric vehicles shall be purchased and distributed for use to Local Councils. 60 charging pillar infrastructures shall be installed in the Local Councils areas by Q4 2029. 29 electric vehicles shall be purchased and distributed for use to Local Councils by Q4 2030. 20 charging pillar infrastructures shall be installed in the Local Councils areas by Q4 2030.

Table containing information on milestones, targets and timeline for achievement for the measure/investment

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C2.G.I1.1.2028Q1	C2.G.I1	M	Signature of the contract(s) for the purchase of EVs and charging pillar infrastructures for distribution for Local Councils				2028	Q1
C2.G.I1.2.2030Q4	C2.G.I1	M	Report on the awareness campaign rolled out and additional population served by the mobility services provided by Local Councils				2030	Q4
C2.G.I1.I21.2029Q4	C2.G.I1	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	0.00	80.00	2029	Q4
C2.G.I1.I21.2030Q4	C2.G.I1	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	80.00	109.00	2030	Q4

Why the specific milestone(s) or target(s) was/were chosen

The Milestones and Targets were selected in view of their relevance to assessing the successful implementation of this investment.

What the milestone(s) or indicator(s)/target(s) is/are measuring

The unit of measurement is provided in Section 2.1.2.1.3.

What methodology and source will be used, and how the proper achievement of the milestone(s) or target(s) will be objectively verified

Milestone 'Signature of the contract(s) for the purchase of EVs and charging pillar infrastructures for distribution to Local Councils'

Summary document justifying how the milestone was satisfactorily fulfilled. The summary document shall provide, as an annex, a copy of the contract(s) signed, which will include information on the specification of the charging pillars infrastructure and the type of vehicles.

Milestone 'Report on the awareness campaign rolled out and additional population served by the mobility services provided by Local Councils'

A report duly justifying how the milestone was satisfactorily fulfilled. The report shall include a description of each activity carried out as part of the awareness raising campaign (including dates, media used, duration where relevant, a description of the content and links to the digital versions of the content, where relevant and copies of print campaign materials as applicable). The report shall also outline the additional population of vulnerable transport users, comprising of individuals aged 60 and over, those with activity limitations due to health issues, as well as individuals with physical and/or mental disabilities, served by the shared mobility service by referring to the population covered in the Local Councils in Malta and Gozo where the service is being introduced or scaled up.

Target 'Purchases of zero-emission vehicles'

Summary document justifying how the target was satisfactorily fulfilled. The summary document shall also provide, as an annex, a list of the vehicles distributed to the Local Councils totalling to 80 vehicles, and a list of the charging pillars installed, which amount to 60 charging infrastructures by Q4 2029, as well as an additional 29 vehicles and 20 charging infrastructures, totalling to 109 vehicles purchased and 80 charging infrastructures installed by Q4 2030.

What is the baseline (starting point) and what is the level or specific point to be reached (only for indicators/targets)

The baseline and target are provided in Section 2.1.2.1.3 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

By when the final milestone(s) or target(s) will be reached (by quarter and year)

The timeline for achievement is provided in Section 2.1.2.1.3 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

Who and which institution will be in charge of implementing, measuring and reporting

The Directorate responsible for Local Government, within the Ministry responsible for Local Councils, will be responsible for implementing this initiative. At the time of submission of the SCF, the responsible entity is the Local Government Division, falling with the remit of the Ministry responsible for Local Government.

2.1.2.1.4. Financing and costs

Information and explanation on the estimated total costs of the component and for each measure and investment, backed up by appropriate justification, including:

The methodology used, the underlying assumptions made (e.g. on unit costs, costs of inputs) and justification for these assumptions

Market research was carried out to attest the capital cost of vehicles that could be used for this project. Due to the nature of the initiative and the size of Maltese localities, 7-seater vehicles were considered. Market research indicated that the average capital cost for a 7-seater vehicle (without a tail-lift) costs around €38,319. This is attested in various government tenders[1] awarded for the purchase of 7-seater vehicles. On the other hand, the capital cost of the 7-seater with a tail-lift totalled to an estimate of €46,749, indicating a 22% price difference when compared to the 7-seater vehicle without a tail-lift. The fleet will cater for the needs of vulnerable transport users and managed by the government at Local Council level. The costs for the SCF are based on an average of prices identified in different tenders for similar vehicles. The budgetary calculations are made on the assumption of seven-seater vehicles, with 54 vehicles equipped with a tail-lift and 55 vehicles without a tail-lift.

The calculations also include the procurement of charging pillars in the Local Councils participating in this measure whereby one charging pillar includes two charging points. Market research[2] shows that a pillar with two charging points costs around €13,654, as attested in several tenders. The investment will also cater for the purchase and installation of 130 vehicle sensors at €550 each. The vehicle sensors (which will be installed on existing and new vehicles) will serve to track the location of the vehicles, which needs to be considered in conjunction with the ride-sharing platform service. The number of vehicles covers the 109 vehicles which will be purchased as part of this SCF investment, together with the 21 vehicles currently in use as part of the existing initiative.

In recent years, the purchase of EVs by Local Councils has been limited due to the constraint capacity to provide any co-financing element at the local level. In view of this, as well as the fact that Local Councils will be offering a public service and that the vehicles/infrastructure will be owned by Government, a 100% grant rate has been applied on the total capital cost of vehicle and charging infrastructure.

Based on the number of Local Councils in Malta, the following costing methodology was applied to arrive at the number of EVs:

In Malta, there are 68 Local Councils in total, of which 49[3] currently do not have EVs and amongst which:

- 24 Local Councils have a population of less than 5,000 and have been each allocated 1 EV;
- 9 Local Councils have a population between 5,000 and 10,000, and have been each allocated 2 EVs;
- 13 Local Councils have a population between 10,000 and 20,000, and have been each allocated 3 EVs; and
- 3 Local Councils have a population exceeding 20,000, and have been each allocated 4 EVs.

The above results in 93 EVs which are to be allocated to Local Councils without existing EVs.

The following additional EV allocations for Local Councils with existing EVs were also considered:

- 3 Local Councils with a population between 5,000 and 10,000 already have 1 EV and will receive 1 additional EV each;
- 5 Local Councils with a population between 10,000 and 20,000 already have 1 EV and will receive 2 additional EVs each; and
- 1 Local Council with a population exceeding 20,000 already has 1 EV and will receive 3 additional EVs.

It is to be noted that 10 Local Councils with a population of less than 5,000 already have 1 EV, and, for the purpose of the calculation, will therefore not be awarded any additional EVs[4].

The above additional calculations total to 16 EVs which are to be allocated to Local Councils with existing EVs. Combining both new and additional allocations, the total number of EVs to be allocated under this Investment amounts to 109.

With reference to the charging pillars, the methodology considers that each charging pillar supports 2 charging points. In this regard, the estimated number of charging pillars required is 80, which was worked out as follows:

- 33 Local Councils with a maximum of 2 EVs each will require 1 charging pillar each, totalling to 33 charging pillars; and
- 16 Local Councils allocated 3 or 4 EVs will require 2 charging pillars each, totalling to 32 charging pillars.

Amongst Local Councils with existing EVs:

- 3 Local Councils obtaining an additional 1 EV each will require 1 charging pillar each, totalling to 3 charging pillars; and
- 6 Local Councils obtaining an additional 2 EVs (adding on to the 1 EV already procured) will require 2 charging pillars each, totalling to 12 charging pillars.

Accompanying measure

To support a greater uptake of the scaled-up services under the SCF, a targeted awareness campaign will be launched, focusing primarily on vulnerable transport users and those at risk of transport poverty. This initiative aims to bridge awareness gaps regarding existing and enhanced services provided at Local Council level through EU and national funding. The campaign, designed to promote behavioural change and raise awareness, aligns with stakeholder recommendations identified during the development of Malta's 2025 National Energy and Climate Plan (NECP). As an accompanying measure, it will foster community engagement, enhance social well-being, encourage inter-community interaction, and increase the overall effectiveness of this investment under the SCF. This measure will also build on previous campaigns, such as those implemented under the SMITHS programme, as referenced in Malta's NECP[5].

An analysis was also done on the number of EVs already owned by Local Council as well as the population within each Local Council to arrive at an overall estimate of budget. It is being envisaged that the investment will cater for 109 electric vehicles and 80 charging pillars, together with capital and set-up costs related to a booking system and an awareness campaign. The costs for the booking system, monitoring and awareness campaign are based on a similar project implemented under Malta's RRP which targeted the public sector fleet. As population, demand and needs may change during the lifetime of the SCF, it will be up to the implementing body to assess the needs of each Local Council during the implementation of the SCF.

Considering that the procurement may be carried out in a consolidated manner, the amounts are deemed relevant for the implementation timelines foreseen. The calculations also include coverage of driver salaries for the first two years of service operation as part of the set up cost requirements taking into consideration that there shall be one driver for each vehicle. The yearly salary amounts to €17,708, which has been calculated on the basis of the schedule of grades (salaries) of public service officials[6].

VAT costs are deemed ineligible costs and are not included in the budget estimates of the SCF.

On the basis of this assessment, the proposed budget is deemed reasonable and justifiable.

[1] Including tenders with reference code: SPD4/2024/007; PLC 03_2018; SPD5/2023/016; SPD7/2022/086.

[2] Including tender with reference code: SPD7/2023/041; SPD1/2023/051.

[3] Based on information collated in June 2025.

[4] Based on information collated in June 2025.

[5] NECP, 2025, page 170.

[6] Ministry for Finance, Schedule of Grades (Salaries), https://finance.gov.mt/wp-content/uploads/2024/10/fe25-26-Appendices.pdf.

The indicative comprehensive timetable within which these costs are expected to be incurred

The breakdown takes into account implementation parameters of this specific investment, and experience from the implementation of previous Plans/Programmes.

Information on the national contribution to the total costs of the measure and investment

Beyond the co-financing aspect, no additional national contribution is foreseen.

Any information on what financing from other Union instruments is or could be envisaged related to the same measure/investment

Financing from other Union instruments is not envisaged at initial programming stage.

Any information on envisaged financing from private sources and which leverage level is targeted, if relevant

Financing from private sources is not envisaged at initial programming stage.

Justification on the plausibility and reasonability of the estimated costs, where necessary, taking into account national specificities

The methodology is developed by independent economic experts engaged to develop the FNLCs in the SCF. The unit cost estimations are outlined in Section 2.1.2.1.4 ‘methodology used’. The methodology for establishing unit costs takes into account a combination of historical data, actual data, market research and expert opinions. In as far as possible, official primary and secondary data sources have been used for the purposes of developing an independent estimation and verification of monetary values, as well as budgetary calculations and assumptions for the SCF. Data used is either publicly available and reasonably sourced providing a justifiable and commensurate basis for the costings methodology. All data sourced or

provided by stakeholders and consulted bodies has been analysed and reviewed by independent economic experts engaged to develop costing methodologies for the SCF.

Within this context, the amounts are deemed plausible, reasonable and justifiable.

Table containing information on the estimated total cost of the measure/investment

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C2.G.I1	Community Transport Services to Vulnerable Transport Users	1 Jan 2028	31 Dec 2030	8,156,906	0	0	2,057,222	4,659,577	1,440,107	0	0

2.1.2.1.5. Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)

If support from the Fund is provided through public or private entities other than vulnerable households, vulnerable micro-enterprises, or vulnerable transport users, an explanation of what measures or investments those entities will enact and how those measures and investments will ultimately be to the benefit of vulnerable households, vulnerable micro-enterprises and vulnerable transport users;

If support from the Fund is provided through financial intermediaries, a description of the measures that the Member State intends to adopt to ensure that financial intermediaries pass on the entire benefit to the final recipients.

Not applicable.

2.1.2.1.6. Additionality

Explanation and justification of how the new or existing measures or investments are additional and do not substitute recurring national budgetary expenditure, pursuant to Article 13(2), including such explanation and justification with regard to measures and investments included in the Plan in accordance with Article 4(5).

This initiative will foresee the scaling up of the Local Council Community Service which is currently in place. The Local Council Community Service aims to promote active ageing and mobility within the community, however this service is applied in less than 20 Local Councils (out of a total of 68 Local Councils across Malta and Gozo).

It is to be noted that the RRP measure (C2 R6 'Enhanced mobility management in the public service') relates to improved mobility vis-à-vis the public service work force and the government fleet. On the other hand, the investment proposed as part of the SCF Plan relates to the extension of a service for vulnerable transport users. The target groups for the 2 interventions are different, therefore double-funding is not foreseen. Furthermore, since the cohorts of the interventions are different, the data on the usage is not comparable.

The substitution of recurring national budgetary expenditure from the SCF is not envisaged.

2.1.2.1.7. Compliance with EU Rules on State aid

Explanation whether the support for the measure or investment will (i) not constitute State aid within the scope of Article 107(1) TFEU, (ii) be financed on the basis of an existing State aid scheme falling under a block exemption regulation, in particular the GBER or approved by a Commission State aid decision (providing the reference number to such scheme (SA.nnnnn) or (iii) result in a new State aid measure, an explanation whether it will comply with the conditions of a block exemption regulation, for example the GBER (indicating which Article thereof), (iv) comply with the de minimis Regulation, (v) require a State aid notification, indicating when the Member State intends to pre-notify or notify to the Commission the planned support for the measure or investment, and the applicable State aid instrument ensuring its compatibility with the internal market.

Before launching the investment, State aid clearance should be ensured either following an assessment

from the national state aid authorities in Malta under the General Block Exemption Regulation (GBER) in case the scheme falls under GBER, or if it is a Public Service Obligation (PSO), under Regulation No 1370/2007, or under Services of General Economic Interest (SGEI) De Minimis Regulation, and other relevant legislation of the Republic of Malta and of the European Union, where applicable; or by an assessment from the Commission for which a State aid notification is required.

2.1.3. Estimated total costs of the component C2

Table containing information on the estimated total cost of the measures/investments for the Component

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C2.F.I2	Enhancing the uptake of EVs amongst vulnerable micro-enterprises	1 Jan 2027	31 Dec 2032	19,527,302	0	1,726,698	4,189,826	4,189,826	3,829,854	3,829,854	1,761,244
C2.G.I1	Community Transport Services to Vulnerable Transport Users	1 Jan 2028	31 Dec 2030	8,156,906	0	0	2,057,222	4,659,577	1,440,107	0	0
TOTAL				27,684,208	0	1,726,698	6,247,048	8,849,403	5,269,961	3,829,854	1,761,244

Table containing information on the financing of the Component

TOTAL	SCF contribution	Transfer from Shared management programmes	National public contribution	Share of the National Contribution (= National public/Total)
27,684,208	20,723,552	0	6,960,656	25.1431%

2.1.4. Milestones and targets of the component C2

Table containing information on milestones, targets and timeline for achievement for the Component

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C2.F.I2.1.2027Q1	C2.F.I2	M	Launch of a scheme for support to micro-enterprises for the purchase of new EVs, including a mandatory scrappage scheme				2027	Q1
C2.F.I2.2.2028Q4	C2.F.I2	M	Report on demographics of micro-enterprises that have benefitted from the scheme by NACE code				2028	Q4
C2.F.I2.I21.2029Q4	C2.F.I2	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	0.00	420.00	2029	Q4
C2.F.I2.I21.2032Q3	C2.F.I2	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	420.00	865.00	2032	Q3
C2.G.I1.1.2028Q1	C2.G.I1	M	Signature of the contract(s) for the purchase of EVs and charging pillar infrastructures for distribution for Local Councils				2028	Q1
C2.G.I1.2.2030Q4	C2.G.I1	M	Report on the awareness campaign rolled out and additional population served by the mobility services provided by Local Councils				2030	Q4
C2.G.I1.I21.2029Q4	C2.G.I1	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	0.00	80.00	2029	Q4
C2.G.I1.I21.2030Q4	C2.G.I1	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	80.00	109.00	2030	Q4

2.1.5. Scenario in the event of a later start of the emissions trading system

A description and quantification of the necessary adjustments to the measures, investments, milestones, targets, the amount of national contribution and any other relevant element of the Plan resulting from the postponement of the start of the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC in accordance with Article 30k of that Directive.

A separate version of the summary box, the table on milestones, targets and timeline and the table on estimated costs.

The delayed start is not foreseen to affect this Component.

Table containing information on milestones, targets and timeline for achievement for Component

Seq. number	Measure	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of measure	Baseline	Goal	Year	Quarter
C2.F.I2.1.2027Q1	C2.F.I2	M	Launch of a scheme for support to micro-enterprises for the purchase of new EVs, including a mandatory scrappage scheme				2027	Q1
C2.F.I2.2.2028Q4	C2.F.I2	M	Report on demographics of micro-enterprises that have benefitted from the scheme by NACE code				2028	Q4
C2.F.I2.I21.2029Q4	C2.F.I2	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	0.00	420.00	2029	Q4
C2.F.I2.I21.2032Q3	C2.F.I2	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	420.00	865.00	2032	Q3
C2.G.I1.1.2028Q1	C2.G.I1	M	Signature of the contract(s) for the purchase of EVs and charging pillar infrastructures for distribution for Local Councils				2028	Q1
C2.G.I1.2.2030Q4	C2.G.I1	M	Report on the awareness campaign rolled out and additional population served by the mobility services provided by Local Councils				2030	Q4
C2.G.I1.I21.2029Q4	C2.G.I1	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	0.00	80.00	2029	Q4
C2.G.I1.I21.2030Q4	C2.G.I1	T	Purchases of zero-emission vehicles	Number of zero-emission vehicles	80.00	109.00	2030	Q4

Table containing information on the estimated total cost of the actions for the Component

Seq. number	Measure	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C2.F.I2	Enhancing the uptake of EVs amongst vulnerable micro-enterprises	1 Jan 2027	31 Dec 2032	19,527,302	0	1,726,698	4,189,826	4,189,826	3,829,854	3,829,854	1,761,244
C2.G.I1	Community Transport Services to Vulnerable Transport Users	1 Jan 2028	31 Dec 2030	8,156,906	0	0	2,057,222	4,659,577	1,440,107	0	0
TOTAL				27,684,208	0	1,726,698	6,247,048	8,849,403	5,269,961	3,829,854	1,761,244

Table containing information on the financing of the Component

TOTAL	SCF contribution	Transfer from Shared management programmes	National public contribution	Share of the National Contribution (= National public/Total)
27,684,208	20,734,465	0	6,949,743	25.1036%

2.3. COMPONENT: C4 - Technical assistance

2.3.1 Description of the component (Summary box)

Intervention area: Technical assistance

Objective:

Optimising the delivery of the SCF in line with regulatory requirements and procedures, including the absorption capacity of the funds in order to maximise their potential.

Actions:

The implementation of the SCF will be facilitated through Technical Assistance (TA) on the basis of effective and efficient practices through clear, simple and transparent processes, and strengthened organisational capacity with the ultimate aim of reducing administrative burden, enhancing knowledge transfer, improving outreach, communication and networking across key stakeholders.

Estimated total costs: EUR 1,189,281 of which

Costs requested to be covered under the Fund: EUR 891,961

Costs to be covered by transfers from Shared management programmes (e.g. ESF+, ERDF, etc.): EUR 0

Costs to be covered by the national contribution: EUR 297,320

2.3.2. Description of the actions of the component

2.3.2.1. Action:: 1- Technical Assistance

Intervention area: C4.TA.A1 Art.8.3 - Technical assistance

2.3.2.1.1 Description of the action of the component

Information about the nature, type and size of the technical assistance action

The actions which may be supported under TA include the following, amongst others:

- Actions pertaining to the preparation, management, monitoring, evaluation, information and communication, networking, complaint resolution, as well as control and audit;
- Actions for the reduction of the administrative burden on beneficiaries, including electronic data exchange systems;
- Actions to reinforce the capacity of Member State Authorities and beneficiaries to administer and use the Fund;
- Actions to support the strengthening of the institutional capacity of partners, in particular local authorities, economic and social partners and non-governmental organisations, in order to assist in their proper participation pertaining to the preparation, implementation, monitoring and evaluation of the SCF, as necessary;
- Reports and studies related to the sectors supported through the SCF;
- Actions to support in the preparation and programming of the SCF, including consultation exercises and actions pertaining to the provision of external expert assistance in the preparation of the SCF, including environmental assessments;
- Actions to support in the implementation of the SCF, including coordination actions between different stakeholders and the possibility of the provision of external expertise in the implementation of the SCF.

TA will also support any necessary training, roadmaps, studies, communication plans and activities, including publicity campaigns, on the objectives of the SCF, evaluation plans, if necessary, and activities as well as administrative assistance expenses (including additional staff) and information technology expenses required for the implementation of the SCF. In particular, TA will support SCF-related communication and visibility initiatives throughout the programming period.

2.3.2.1.2. Milestones, targets and timeline

Milestone: C4.TA.A1.1 Launch event of the Maltese Social Climate Plan

Description

A launch event for the Maltese SCP shall have taken place, following its endorsement by the European Commission. A report describing the event shall be approved.

Target: C4.TA.A1.S2 Training activities provided and the report delivered

Description

2 training activities shall be provided covering areas of expertise such as programming, evaluation, communication, HR, project management, simplification mechanisms, negotiations, governance structures, public policy, IT systems, simplification actions and procurement. The training activities shall be organised for officers working within the Authority responsible for the SCP, stakeholders and/or beneficiaries, as relevant. A report on the training activities held shall also be approved including such details.

Table containing information on milestones, targets and timeline for achievement for the action

Seq. number	Action	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of action	Baseline	Goal	Year	Quarter
C4.TA.A1.1.2027Q1	C4.TA.A1	M	Launch event of the Maltese Social Climate Plan				2027	Q1
C4.TA.A1.S2.2032Q3	C4.TA.A1	T	Training activities provided and the report delivered	Number of training activities	0.00	2.00	2032	Q3

Why the specific milestone(s) or target(s) was/were chosen

The Milestones and Targets were selected in view of their relevance to assessing the successful implementation of this investment.

What the milestone(s) or indicator(s)/target(s) is/are measuring

The unit of measurement is provided in Section 2.3.2.1.2.

What methodology and source will be used, and how the proper achievement of the milestone(s) or target(s) will be objectively verified

Milestone 'Launch event of the Maltese Social Climate Plan'

Agenda of the launch event and publication of information about the event on fondi.eu.

Target 'Training activities provided and the report delivered'

Agenda and attendance sheets of participants.

What is the baseline (starting point) and what is the level or specific point to be reached (only for indicators/targets)

The baseline and target are provided in Section 2.3.2.1.2 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

By when the final milestone(s) or target(s) will be reached (by quarter and year)

The timeline for achievement is provided in Section 2.3.2.1.2 ‘Table containing information on milestones, targets and timeline for achievement for the measure/investment’.

Who and which institution will be in charge of the action

The SCF Unit which falls under the Funds and Programmes Division (FPD) within the Ministry responsible for European Funds shall manage the TA, which shall be utilised for the effective administration and implementation of the investments as included in this document. Additional information on actions which may be supported is included in Section 2.3.2.1.1 ‘Description of the action

of the component’.

2.3.2.1.3. Financing and costs

The methodology used, the underlying assumptions made (e.g. on unit costs, costs of inputs) and justification for these assumptions

The methodology is based on information provided by the Managing Authority for Cohesion Policy Funds and the Recovery and Resilience Plan. The costings calculated for the Technical Assistance allocation are based on past events, campaigns, contracts for expertise as well as travel for meetings or training opportunities, amongst others, as provided by the Managing Authority for Cohesion Funds and the RRP in Q2 2025.

For the purpose of calculating costs, and on the basis of the above information, a breakdown of TA-related expenditure is being provided as follows:

- Salaries amounting to approximately €13,132.59 per pay period;
- Marketing campaigns at €1,925 each;
- Events foreseen at €4,895 each;
- Services for a contract for expertise at €44,748;
- Technical expertise at €5,525;
- Expertise for the DNSH assessment at €18,000;
- Training opportunity abroad at €2,641;
- Training activities in Malta foreseen at approximately €5,690;
- Organisation of a stakeholders event at €2,947; and
- Travel-related costs at approximately €967 per trip per person.

Costings related to salaries and per diem are based on the Collective Agreement for Employees in the Public Service[1] and travel circular issued by the Finance Ministry. Estimates draw on historical averages from 2017–2024, including Government tenders, stakeholder consultations, and previous training and marketing activities.[2]

VAT costs are deemed ineligible costs and are not included in the budget estimates of the SCF.

[1] Public Service, Collective Agreement for Employees in the Public Service: 1st January 2025 – 31st December 2030, https://publicservice.gov.mt/Media/Publications/Collective%20Agreement%20for%20Employees%20in%20the%20Public%20Service%201st%20January%202025%20%E2%80%93%2031st%20December%202030.pdf?v=2025-07-29-15 and Ministry for Finance (2024), Per Diem Allowance for Oversees Duty Travel Effective as from 1st January 2025, https://finance.gov.mt/wp-content/uploads/2025/03/Per-Diem-Allowance-for-Overseas-Duty-Travel-2025.pdf.

[2] These include Government tenders SPD7/2023/073, DNSH (SPD7/2024/47).

The indicative comprehensive timetable within which these costs are expected to be incurred

The breakdown takes into account implementation parameters of this specific investment, and experience from the implementation of previous Plans/Programmes.

Information on the national contribution to the total costs of the action

Beyond the co-financing aspect, no additional national contribution is foreseen.

Any information on what financing from other Union instruments is or could be envisaged related to the same action

Financing from other Union instruments is not envisaged at initial programming stage.

Any information on envisaged financing from private sources and which leverage level is targeted, if relevant

Financing from private sources is not envisaged at initial programming stage.

Justification on the plausibility and reasonability of the estimated costs, where necessary, taking into account national specificities

The methodology is developed by independent economic experts engaged to develop the FNLCs in the SCF. The unit cost estimations are outlined in Section 2.1.2.1.4 ‘methodology used’. The methodology for establishing unit costs takes into account a combination of historical data, actual data, market research and expert opinions. In as far as possible, official primary and secondary data sources have been used for the purposes of developing an independent estimation and verification of monetary values, as well as budgetary calculations and assumptions for the SCF. Data used is either publicly available and reasonably sourced providing a justifiable and commensurate basis for the costings methodology. All data sourced or provided by stakeholders and consulted bodies has been analysed and reviewed by independent economic experts engaged to develop costing methodologies for the SCF.

Within this context, the amounts are deemed plausible, reasonable and justifiable.

Table containing information on the estimated total cost of the action

Seq. number	Action	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C4.TA.A1	Technical Assistance	1 Jan 2026	31 Dec 2032	1,189,281	0	389,097	180,273	183,873	174,582	177,552	83,904

2.3.2.1.4. Justification for benefitting entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users (if applicable)

Not applicable.

2.3.2.1.5. Additionality

Explanation and justification of how the new or existing measures or investments are additional and do not substitute recurring national budgetary expenditure, pursuant to Article 13(2), including such explanation and justification with regard to measures and investments included in the Plan in accordance with Article 4(5).

To avoid the possibility of double funding, a clear demarcation of staff and TA initiatives related to the SCF will be monitored throughout the implementation of the SCF. More detailed information on the functions of the MA is included in Section 4 hereunder.

2.3.3. Estimated total costs of C4

Table containing information on the estimated total cost of the actions for the Component

Seq. number	Action	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C4.TA.A1	Technical Assistance	1 Jan 2026	31 Dec 2032	1,189,281	0	389,097	180,273	183,873	174,582	177,552	83,904
TOTAL				1,189,281	0	389,097	180,273	183,873	174,582	177,552	83,904

Table containing information on the financing of the Component

TOTAL	SCF contribution	Transfer from Shared management programmes	National public contribution	Share of the National Contribution (= National public/Total)
1,189,281	891,961	0	297,320	25.0000%

2.3.4. Milestones and targets of the component C4

Table containing information on milestones, targets and timeline for achievement for the Component

Seq. number	Action	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of action	Baseline	Goal	Year	Quarter
C4.TA.A1.1.2027Q1	C4.TA.A1	M	Launch event of the Maltese Social Climate Plan				2027	Q1
C4.TA.A1.S2.2032Q3	C4.TA.A1	T	Training activities provided and the report delivered	Number of training activities	0.00	2.00	2032	Q3

2.3.5. Scenario in the event of a later start of the emissions trading system

A description and quantification of the necessary adjustments to the measures, investments, milestones, targets, the amount of national contribution and any other relevant element of the Plan resulting from the postponement of the start of the emissions trading system established pursuant to Chapter IVa of Directive 2003/87/EC in accordance with Article 30k of that Directive.

A separate version of the summary box, the table on milestones, targets and timeline and the table on estimated costs.

The delayed start is not foreseen to affect this Component.

Table containing information on milestones, targets and timeline for achievement for Component

Seq. number	Action	Milestone / Target	Milestone / Target name	Quantitative indicator (target)			Timeline for achievement	
				Unit of action	Baseline	Goal	Year	Quarter
C4.TA.A1.1.2027Q1	C4.TA.A1	M	Launch event of the Maltese Social Climate Plan				2027	Q1
C4.TA.A1.S2.2032Q3	C4.TA.A1	T	Training activities provided and the report delivered	Number of training activities	0.00	2.00	2032	Q3

Table containing information on the estimated total cost of the actions for the Component

Seq. number	Action	From date	To date	TOTAL	2026	2027	2028	2029	2030	2031	2032
C4.TA.A1	Technical Assistance	1 Jan 2026	31 Dec 2032	1,189,281	0	389,097	180,273	183,873	174,582	177,552	83,904
TOTAL				1,189,281	0	389,097	180,273	183,873	174,582	177,552	83,904

Table containing information on the financing of the Component

TOTAL	SCF contribution	Transfer from Shared management programmes	National public contribution	Share of the National Contribution (= National public/Total)
1,189,281	891,961	0	297,320	25.0000%

2.4. Transfers to / from shared management programmes

If resources are intended to be transferred from the Fund to funds under shared management pursuant to Article 11(2), indication of which programmes these resources will be transferred to and under which timeline, and indication of how the measures and investments to be implemented under those programmes would comply with the objectives referred to in Article 3, including whether they fall under the measures and investments set out in Article 8.

2.4.1. Justification of the transfers to Shared Management programmes

Clear and evidence-based analysis of the need to transfer funds to Shared management programmes with detailed description of the operations to be funded in those programmes and their alignment with the objectives of the Social Climate Fund

The transfer of resources from the SCF to shared management programmes is not envisaged at initial programming stage.

2.4.2. Justification of the transfers from Shared Management programmes to the Social Climate Plan

Clear and evidence-based analysis of the need to transfer funds from Shared management programmes with detailed description of the measures/investment in the present Plan to be to be funded with those resources

The transfer of resources from shared management programmes to the SCF is not envisaged.

2.4.3. Transfers table

From / To	CCI	Fund	Category of region	Priority	Baseline (EUR)	In case of application of Article 30k Directive 2003/87/EC (EUR)

2.5. Estimated total costs of the Plan

Estimated total costs of the Plan, including any amounts made available for additional technical support under Article 11(4) of this Regulation, the amount of the cash contribution for the purpose of the Member State compartment pursuant to the relevant provisions of Regulation (EU) 2021/523 and any amount made available for additional technical assistance under Article 8(3) of this Regulation.

An indication of the national contribution to the total costs of its plan, including an indication of any resources intended to be transferred to the Fund from shared management programmes pursuant to Article 11(1) of this Regulation and any resources intended to be transferred from the Fund to shared management programmes pursuant to Article 11(2) of this Regulation.

2.5.1. Description of how the costs are in line with the principle of cost efficiency and commensurate to the expected impact of the Plan

Efforts in the drafting stages of the SCF have been undertaken to ensure that the costs being proposed to be undertaken are true, based on market prices and/or proxy projects, and are commensurate to the expected impact of the SCF. External consultants have been engaged to carry out the economic and financial assessments required for the SCF providing technical expertise and an independent assessment.

2.5.2. Table summarizing the cost of the Fund by source of funding

Total costs of Social Climate Plan	Baseline (EUR)	In case of application of Article 30k Directive 2003/87/EC (EUR)
Member State allocation under Annex II of the SCF Regulation after deduction of the amounts foreseen under Art. 10.3	45,410,023	
(Transfers to shared management programmes)	0	0
ESTIMATED TOTAL COSTS OF THE PLAN	60,599,503	50,878,285
of which		
Covered under the Fund	45,410,023	38,130,023
National contribution	15,189,480	12,748,262
Transfers from shared management programmes	0	0
Contribution to the Technical Support Instrument (Article 11(4))	0	0
Contribution to the Member State's compartment in InvestEU (Article 11(3))	0	0

2.5.3. Minimum and maximum funding criteria to be respected

Share of the	Baseline	In case of application of

		Article 30k Directive 2003/87/EC
National Contribution (min 25% of the estimated total cost)	25.07%	25.06%
Component for direct income support (max 37.5% of the estimated total cost)		
Technical Assistance activities (max 2.5% of the estimated total cost)	1.96%	2.34%
Resources allocated under shared management transferred to the Fund	0.00%	0.00%
Resources to be implemented under the Technical Support Instrument or Invest EU (max 4% of the maximum financial allocation)	0.00%	
Resources allocated for the Social Climate Plan transferred to shared management programmes (max 15% of the maximum financial allocation	0.00%	

3. ANALYSIS AND OVERALL IMPACT

3.1. Projected impact of the planned measures and investments

An estimate of the projected impacts of the measures and investments planned in section 2 on greenhouse gas emissions, energy poverty and transport poverty, with comparison to the baseline described above.

A description of the methodology used in the estimates.

3.1.1. Description of the methodology used in the estimates

Qualitative Social Impact Assessment

From a social perspective, the proposed investments under the SCF are expected to deliver improvements in the lives of vulnerable households by addressing core issues of inequality, exclusion, and well-being. The installation of heat pump water heaters and PV systems, including battery storage and inverters, in Social Housing Estates will relieve residents from the financial burdens of inefficient energy systems and reducing exposure to energy poverty. This is particularly relevant for elderly individuals and low-income families, who are more likely to live in older, less energy-efficient housing and often lack the resources to invest in upgrades. Financial constraints could negatively affect the health, hygiene and overall well-being of these vulnerable households. As energy prices rise under the ETS2, these groups face an increased risk of energy insecurity, highlighting the importance of targeted interventions to ensure long-term affordability and well-being.

The retrofitting of social housing units to near zero-energy standards will also enhance the quality of life for these beneficiaries. These upgrades transform outdated and poor-quality homes into safe and resilient living spaces that promote social inclusion and stability. Improved housing conditions reduce the risk of social marginalisation and support community cohesion, contributing to a more equitable society.

Expanding community transport services for persons with limited mobility, particularly the elderly and persons with disabilities, addresses a key gap in access to essential services and social participation. This investment empowers individuals to live more independently and foster a stronger sense of belonging and visibility in community life.

Support for the uptake of electric commercial vehicles among micro-enterprises helps protect small SMEs, which constitute the vast majority of businesses in Malta. By easing their transition to cleaner transport, this investment supports self-employment and ensures that these enterprises can continue to operate and remain competitive in the long-run.

These initiatives are supported by a dedicated Technical Assistance that ensures targeted groups are well-informed, actively engaged, and adequately supported throughout the implementation process. This approach strengthens trust in public institutions and helps to ensure that the transition remains inclusive, participatory and responsive to the needs of the society. Taken together, the investments as included in the SCF reinforce social equity, reduce vulnerability and lay the foundation for a more cohesive and resilient society.

Macro-economic Impact Assessment

The impact of an increase in investment spending involving elements of both spending in the buildings sector, investment in energy and investment in equipment in the transport sector was assessed using the SAMM model. SAMM, a Structural Annualised Econometric Model for Malta, is built around the Keynesian tradition of macroeconomic models, where output and employment are driven by the expenditure components of aggregate demand. The model incorporates an input-output framework, utilising symmetric input-output tables, which show the economy's inter-industry transactions through disaggregation into 51 product and 51 industries.

The results presented in this section are modelled through an increase in investment that is equivalent to the planned budget for the buildings and road transport components. More specifically, the model shock is represented in the following table.

Scenario of Increased Investment Spending with SAMM						(€ millions)	
	2027	2028	2029	2030	2031	2032	TOTAL
Investment by:							
Buildings Sector	0	4	4	4.1	4.2	0	16.3
Road Transport Sector	1.7	4.2	4.2	3.8	3.8	1.7	19.4
Energy Infrastructure	0	3	3.1	3.1	3.2	3.3	15.7
TOTAL	1.7	11.2	11.3	11	11.2	5	51.4

The shock is relatively small in magnitude and hence the impact on GDP is marginal. Nevertheless, the table below highlights the major short-term impact of investment spending. The results are presented in cumulative terms, i.e. as the difference between the baseline scenario without the proposed investment spending and the scenario with the additional investment. The shock to investment is partly absorbed by higher imports of goods. However, the increased economic activities, particularly in construction and wholesale and retail sectors and some elements of manufacturing leads to some additional economic activity and employment generation which stimulates household consumption. Prices are not particularly influenced and no impact on inflation is evident.

Cumulative Impact (difference from base level)						
	2026	2027	2028	2029	2030	2031
real GDP (%)	0.01	0.05	0.05	0.05	0.05	0.02
nominal GDP (%)	0.00	0.04	0.05	0.05	0.05	0.02
Investment Spending (%)	0.06	0.40	0.42	0.42	0.43	0.21
Household Consumption (%)	0.00	0.01	0.02	0.02	0.02	0.02
Imports	0.01	0.04	0.04	0.04	0.04	0.02

(%)						
Impact on real GDP (€ millions)	1	9	10	10	10	5
Impact on Investment (€ millions)	2	16	17	17	18	9
Impact on Consumption (€ millions)	0	1	2	2	2	1
Impact on Imports (€ millions)	1	8	9	9	10	5
Employment (headcount)	3	22	30	38	45	37
Disposable Income (€ millions)	0	2	4	5	5	3
Inflation	0	0	0	0	0	0

The results presented with the SAMM model should be construed as short-term effects. Higher investment spending can also stimulate higher productivity and strengthen the potential output of the economy. In this context the longer-term impact of higher investment as well as the benefits of such projects on the environment and the general well-being of the population are not captured in SAMM.

Using an illustrative ETS2 carbon price of €45–€95/tCO□ and standard emission factors, the implied direct carbon-cost pass-through corresponds to an increase in pump prices of roughly 1.21–2.55 cents per

litre for diesel and 1.04–2.19 cents per litre for petrol, around an average of 8.9–18.7% relative to current prices. LPG increases by approximately 1.35–2.85 cents per kilogram, around 10.8–22.8% relative to current prices. The Household Budget Survey Expenditure shares were utilised to estimate the distributional impact of a stylised fuel price increase linked to the ETS2, in order to provide an indicative estimate of the impact on disposable income across households. Given Malta's household energy profile, the direct ETS2 impact is expected to arise primarily through transport fuels. The direct impact on buildings is likely to be more limited, since household electricity consumption is not directly in scope of ETS2. Thus, using household budget shares for transport fuels, the first-round impact on household purchasing power is estimated at around 0.5–1% on average. These estimates exclude second-round effects and wider general equilibrium impacts. The Structural Annualised Econometric Model for Malta (SAMM) was also used to estimate the impact on GDP of the two shocks to prices and disposable income. This will not be the full impact of ETS2, but an indicative first round result.

The below represents the main impacts of an increase in fuel and gas prices by 10% lowest case scenario and 20% in the highest case scenario, using SAMM:

Main aggregate indicators (% change from baseline level)		YR1	YR2	YR3	YR4	YR5
GDP	Lowest	-0.1	-0.2	-0.3	-0.3	-0.2
	Maximum	-0.2	-0.4	-0.6	-0.5	-0.4
Consumption	Lowest	-0.1	-0.2	-0.3	-0.3	-0.3
	Maximum	-0.1	-0.3	-0.6	-0.7	-0.6
Investment	Lowest	0.0	-0.1	-0.2	-0.3	-0.3
	Maximum	0.1	-0.2	-0.4	-0.5	-0.6
Profits (Nominal)	Lowest	-0.6	-0.4	-0.2	-0.1	0.0
	Maximum	-1.3	-0.7	-0.4	-0.2	0.0
Consumer Prices (%)	Lowest	0.5	0.5	0.5	0.6	0.6
	Maximum	1.0	1.0	1.1	1.1	1.1
Employment	Lowest	0.0	-0.1	-0.1	-0.1	-0.1
	Maximum	0.0	-0.1	-0.2	-0.2	-0.2
Average Wages	Lowest	0.01	0.03	0.03	0.03	0.04
	Maximum	0.02	0.05	0.06	0.07	0.08
Unemployment	Lowest	59	198	275	282	271
	Maximum	117	396	552	569	547
Real Household Disposable Income	Lowest	-0.35	-0.53	-0.78	-0.85	-0.79
	Maximum	-0.68	-1.04	-1.53	-1.67	-1.56

At the more granular level, the measures identified under Component 1 of the Building Sector aim to mitigate the potential impacts of ETS2 on vulnerable households, defined as individuals at risk of poverty. The methodology employed in estimating the ARPT and the associated impacts on vulnerable households in Malta is grounded in the framework established by the EU-SILC survey for 2023. The ARPT is defined at €11,364, which corresponds to 60% of the NEI. This threshold serves as a critical benchmark for identifying individuals at ARP. In the analysis, it was determined that 88,462 individuals, or 16.6% of the target population, fell below this threshold, translating to a total of 43,301 households. Measures proposed under the Building Sector Component are therefore specifically targeted at this group of 43,301 households.

One of the measures under Component 2 is aimed towards vulnerable transport users, particularly the elderly, persons with limited mobility, persons with disabilities (physcial and/or mental) and ARP households in transport poverty which are classified as vulnerable. Based on the analysis and assumptions made at programming stage, this amounts to around 147,215 individuals. The service shall be offered to persons over 60 years of age, those with limited mobility or health problems and persons with disabilities (physical and/or mental) with a view to accessing basic services including but not limited to medical needs. The potential outreach of users is explained in Section 2.1.2.1.1 and the target number of vulnerable transport users and households in transport poverty is provided under Section 1.5 of the Plan.

Additionally, Component 2 includes a scheme that supports vulnerable micro-enterprises in acquiring electric commercial vehicles and installing the necessary charging points. The target number of micro-enterprises has been determined in Section 1.5 and the potential number of micro-enterprise beneficiaries has been estimated in Section 2.

The methodology for estimating CO2 emission reduction in the buildings sector is based on the energy consumption savings achieved from each of the measures under Component 1. The energy consumption savings achieved through the installation of heat pump water heater and PV units is quantified at 3,649,425 kWh. Additionally, the total energy consumption savings resulting from the renovation of all public social housing units identified in Section 2 is recorded at 1,563,195 kWh. This culminates in a total energy savings of 5,212,620 kWh. Regarding the retrofitting investment under Component 1, the total energy savings resulting from the renovation are expected to achieve Net Zero Energy Building (NZEB) standards or better. According to estimates provided by the Housing Authority, the average final energy savings from the renovation are projected to exceed the average reference final energy consumption prior to renovation. This implies that the investment is foreseen to not only offset energy use but also generate surplus energy that can be fed back into the grid.

The electricity mix scenarios referenced in the Heating and Cooling Assessment of October 2024 serve as the foundation for calculating the electricity mix scenarios and the consequent CO2 emission factors that apply to energy savings. Scenario 1 posits a transition in the energy mix from 2025 to 2030, resulting in a reduction of the emission factor from 0.3709 kg/kWh in 2025 to 0.1249 kg/kWh in 2030, with the emission factor remaining constant thereafter until 2050. Scenario 2 also anticipates a shift in the energy mix from 2025 to 2030, leading to a reduction in the emission factor from 0.3709 kg/kWh in 2025 to 0.1249 kg/kWh in 2030, followed by a linear decrease, ultimately achieving a 50% reduction in emissions by 2050. Scenario 3 similarly assumes a transition in the energy mix from 2025 to 2030, resulting in a reduction of the emission factor from 0.3709 kg/kWh in 2025 to 0.1249 kg/kWh in 2030, with a subsequent linear decrease culminating in a 100% reduction (i.e., reaching 0 kg/kWh) by 2050. When evaluated for the time period of the SCF, the emission factors calculated for each scenario are as follows: Scenario 1 yields an emission factor of 0.1249 kg CO2/kWh, Scenario 2 results in a 0.1188 kg CO2/kWh, and Scenario 3 achieves an emission factor of 0.1124 kg CO2/kWh. Scenario 1 would better reflect the energy mix transition throughout this period and was therefore applied to calculate the CO2 emission reduction achieved by both measures under Component 1 – the Building Sector.

The methodology for estimating CO2 emission reductions in the transport sector involves calculating the average emissions per vehicle type. For M1 vehicles (passenger cars), the average emissions are 1.58 tonnes per vehicle per year for petrol vehicles and 5.04 tonnes per vehicle per year for diesel vehicles, resulting in a weighted average of 2.88 tonnes per vehicle per year. For N1 vehicles (light goods-carrying vehicles with a gross vehicle weight not exceeding 3,500 kg), the average annual emissions per vehicle are 3.43 tonnes for petrol vehicles and 3.10 tonnes for diesel vehicles, yielding a weighted annual average of 3.11 tonnes per vehicle. Should the scheme also support higher emitting commercial vehicles, the impact would be greater.

3.1.2. Description of the expected impacts of the components

3.1.2.1. Energy efficiency

3.1.2.1.1. Overall plan

In terms of energy efficiency, the overall SCF focuses primarily on the buildings sector, specifically the energy efficiency measures, which looks into installing heat pump water heaters and PVs in social housing estates and the retrofitting investments. The methodology calculates that a total energy savings of 5,213 MWh will be achieved following the investment under both measures. Overall, this will result in a reduction of 236 households in energy poverty and a target of 1,431 vulnerable households. It is being assumed that 50% of heat pump water heaters and PVs will be installed jointly, while the remaining units targeted under this investment will be installed as separate systems in different public social housing units. This arrangement is primarily influenced by logistical factors, such as roof space and other spatial constraints in certain housing units, which may require the installation of only one system. Nevertheless, this approach allows for better targeting of more vulnerable households.

3.1.2.1.2. Building sector

The heat pump water heaters and PVs measure projects the installation of 954 heat pump water heater units and another 954 PV units in public social housing units with an average size of 108 square meters. It is being assumed that 50% of HPWHs and PVs will be installed jointly, while the remaining units targeted under this investment will be installed as separate systems in different social housing units. The energy savings for a single heat pump water heater have been calculated to result in a total final energy consumption improvement of 1.00 MWh per unit of heat pump water heater installed. The installation of a single PV unit leads to an enhancement in total final energy consumption of 2.64 MWh. Additionally, when a heat pump water heater and a PV unit are installed together, the combined energy savings result in a total final energy consumption improvement of 4.01 MWh. To this end, the aggregate final energy consumption improvement resulting from the installation of all 1,908 heat pump water heaters and PV units is projected to be 3,649 MWh.

The retrofitting of social housing units aims to potentially achieve zero-energy status for 236 public social housing units. It has been estimated that the energy savings for a single social housing unit, resulting from deep renovation, will amount to a total final energy savings of 6.62 MWh. Therefore, the total projected final energy savings for all public social housing units is expected to reach 1,563 MWh. This initiative will enable 236 households currently classified as energy poor to achieve zero-energy status in their housing units, effectively eliminating energy bills.

3.1.2.1.3. Road transport sector

Not applicable.

3.1.2.2. Building renovation

3.1.2.2.1. Overall plan

The SCF assumes that 1,431 vulnerable households will be supported through measures related to heat pump water heaters and PV units. An additional 236 households will see their housing units undergo deep renovation investments to achieve zero energy status.

3.1.2.2.2. Building sector

As a result of these measures 1,431 vulnerable households are expected to achieve energy savings which will ultimately translate into energy cost savings, whereas 236 energy poor households will achieve zero-energy status, effectively eliminating energy bills. These targeted measures in the building sector allow for focused interventions aimed at alleviating energy poverty among the most affected households.

3.1.2.2.3. Road transport sector

Not applicable.

3.1.2.3. Zero- and low-emission mobility and transport

3.1.2.3.1. Overall plan

Overall, the implementation of community transport services for vulnerable transport users, coupled with efforts to enhance the uptake of EVs among vulnerable micro-enterprises, is expected to yield significant positive outcomes, addressing both vulnerability and environmental concerns.

It is estimated that the implementation of community transport services could reach around 30,497 vulnerable transport users by the end of the implementation period of the SCF, alongside another 7,609 households identified as transport poor. These are potentially conservative estimates assuming one user per trip. This service will be provided by all Local Councils using new EVs. As a result, this measure will not only target a reduction in vulnerable transport users and transport poor but will also go to support efforts towards zero and low emission mobility and transport.

The measure to promote the uptake of EVs among micro-enterprises, which would also include the installation of charging points, will help mitigate transport vulnerability for these businesses. Simultaneously, it will continue to promote the shift towards zero emission mobility - an endeavour that would be challenging for micro-enterprises to achieve without financial assistance, given their specific vulnerabilities as already explained by this anlaysis.

These measures collectively contribute to improving mobility, reducing transport-related challenges, and fostering economic resilience within the community.

3.1.2.3.2. Building sector

Not applicable.

3.1.2.3.3. Road transport sector

The first initiative under Component 2 plans for an investment in 109 EVs and 80 charging stations, distributed across localities in Malta and Gozo, as necessary.

The second transport-related measure involves a scheme for micro-enterprises, which is expected to provide grants for commercial vehicles. This is foreseen to result in around 865 vehicles.

3.1.2.4. Greenhouse gas emission reductions

3.1.2.4.1. Overall plan

The overall plan for CO2 emission reductions focuses on enhancing energy efficiency in buildings and promoting sustainable transportation. Overall, the total annual CO2 emission reduction is estimated to be 3.54 ktCO2 by the year 2032, split between the buildings sector and the transport sector.

3.1.2.4.2. Building sector

As explained in Section 3.1.1, the energy consumption savings achieved through the installation of heat pump water heater and PV units and from the deep renovation of all identified public social housing units amounts to 5,220,644 kWh. Applying an emission factor of 0.1249 kg CO2/kWh results in an annual emission reduction of 0.65 ktCO2 by the year 2032.

3.1.2.4.3. Road transport sector

The total number of EVs allocated to Local Councils is quantified at 109. Additionally, the micro-enterprise scheme is expected to provide grants for a total of 865 EVs. The annual CO2 emission reduction from the implementation of Community Transport Services to Vulnerable Transport users is calculated at 0.31 ktCO2e by the year 2032, while the measure aimed at enhancing the uptake of EVs amongst vulnerable micro-enterprises is estimated to result in an annual emission reduction of 2.57 ktCO2e by the year 2032. The cumulative annual emission reduction for the transport sector is thus projected to be 2.89 ktCO2e by the year 2032.

3.1.2.5. Reduction in the number of vulnerable households and vulnerable transport users

3.1.2.5.1. Overall plan

The SCF foresees support for 1,431 vulnerable households through energy efficient and renewable energy measures involving the installation of heat pump water heaters, PV units and storage systems. It is projected that the implementation of community transport services will assist at least 30,497 vulnerable transport users by the conclusion of the SCF.

3.1.2.5.2. Building sector

Component 1 aims to reduce the effects of ETS2 on vulnerable households at risk of poverty. Based on the 2023 EU-SILC survey, the ARPT is set at €11,364, which represents 60% of the National Equivalised Income (NEI). The analysis indicates that 88,462 individuals, or 16.6% of the target population, fall below this threshold, corresponding to 43,301 households. Many individuals in this group live in social housing, which is essential for providing low-income individuals and families, defined as earning €10,000 or less for singles, or €12,000 plus €700 per child for couples/single parents, with assets under €28,000, access to safe and affordable housing. As a result of these measures focused on social housing units, it is expected that around 1,431 vulnerable households will achieve energy savings, leading to lower energy costs. These targeted actions within the building sector facilitate concentrated efforts to combat energy poverty among the most affected households.

3.1.2.5.3. Road transport sector

A key measure under Component 2 targets vulnerable transport users, especially the elderly and individuals with disabilities, totalling to 147,215 people. The enhanced community transport service is projected to reach at least 30,497 users by the end of the SCF, representing approximately 11% of this cohort.

3.1.3. Quantitative table on the impact of the Plan

Component	Quantification of the impact (if available). Number of households, users or ktCO2 difference from policy neutral baseline											
	Short-term (3 years ahead)						Medium-term (end of the plan)					
	Greenhouse gas emissions (ktCO2)	Vulnerable households	Households in energy poverty	Vulnerable transport users	Households in transport poverty	Vulnerable microenterprises	Greenhouse gas emissions (ktCO2)	Vulnerable households	Households in energy poverty	Vulnerable transport users	Households in transport poverty	Vulnerable microenterprises
Total	1.81	717	94	10,166	2,536	424	3.54	1,431	236	30,497	7,609	865
Buildings sector	0.31	717	94	0	0	0	0.65	1,431	236	0	0	0
Road transport sector	1.50	0	0	10,166	2,536	424	2.89	0	0	30,497	7,609	865

3.1.4. Qualitative and quantitative table on the expected impact of the temporary direct income support measures on the reduction of the number of vulnerable households and vulnerable transport users as well as households in energy poverty and in transport poverty

Component: Direct income support

Reduction in the number of vulnerable households

Reduction in the number of vulnerable transport users

Description of the expected impacts.

Reduction in the number of households in energy poverty

Reduction in the number of households in transport poverty

Description of the expected impacts.

4. COMPLEMENTARITY AND IMPLEMENTATION OF THE PLAN

This part concerns the whole Plan. The various criteria set out below need to be justified for the Plan as a whole.

4.1. Monitoring and implementation of the Plan

Explanation on how the Member State intends to implement the proposed measures and investments, focusing on the arrangements and timetable for monitoring, data collection and implementation including, where relevant, measures necessary for compliance with Article 21.

The interventions included in the SCF will be implemented in line with the established national and European rules, as elaborated further below, also taking into consideration the specific framework that is applicable to the SCF.

Administrative Arrangements

The Ministry responsible for EU Funds is in charge of the overall coordination and management of EU funding in Malta, including the Social Climate Fund (SCF) Plan. The Ministry develops strategies for the efficient absorption of these funds and holds overall responsibility for their programming, implementation, monitoring, control, audit follow-up, evaluation, and communication regarding EU funds in Malta.

Within this governance framework, the Funds and Programmes Division (FPD), which falls under the Ministry, is the designated authority for implementing the SCF. FPD is also responsible for signing the management declaration accompanying each payment request.

FPD is part of the administrative structure responsible for the implementation of EU funds allocated to Malta. It is the Managing Authority for sector-specific EU-funded Programmes and Plans including the Common Agricultural Policy Strategic Plan (CAP SP), the European Maritime, Fisheries and Aquaculture Fund (EMFAF), the Home Affairs Programmes (the Asylum, Migration and Integration Fund (AMIF), the Internal Security Fund (ISF) and the Border Management and Visa Instrument (BMVI)), and the European Territorial Cooperation (ETC). Its designation for the SCF Plan builds on existing administrative structures, to ensure continuity, efficiency, and effective implementation.

To operationalise these arrangements, the SCF Unit established within FPD is responsible for overseeing the implementation of the SCF Plan. In doing so, it ensures that the identified implementing bodies, which are public entities supervised by their respective line ministries, carry out the SCF measures and achieve the related milestones and targets in full accordance with the SCF Plan's objectives, requirements, and implementation arrangements. The SCF Unit monitors their performance, coordinates corrective actions when necessary, and ensures that all activities comply with EU rules and regulations.

In carrying out its role, the SCF Unit is supported by the Strategy and Implementation Division (SID), also under the Ministry responsible for EU Funds. SID is responsible for the programming and policy coordination of all EU-funded Plans and Programmes, including those under Cohesion Policy, Next Generation EU, the Common Agricultural Policy, and other Union instruments. Although SID is not a designated authority, it plays a central role in ensuring the strategic coherence and preparation of these programmes.

In addition, SID is responsible for the accounting function under Cohesion Policy Programmes, conducts evaluations across EU funding programmes, and coordinates EU-funds-related policies, among other horizontal tasks.

SID also leads the Inter-Ministerial Consultative Committee (IMCC), which ensures coordination across Union funds, conducts consultations when potential overlaps are identified, and provides a platform for exchanging information on new funding opportunities. Where overlaps occur, the IMCC mandates implementing bodies to take appropriate action to resolve demarcation issues.

The Internal Audit and Investigations Department (IAID), under the Office of the Prime Minister (OPM), serves as the national Audit Authority. IAID is responsible for auditing the management and control

systems and operations related to EU funds in Malta, including the SCF Plan. It ensures that internal control systems function effectively, that financial transactions are legal and regular, and that any irregularities are detected, reported, and corrected in line with EU rules and requirements.

The SCF Unit will coordinate closely with IAID to ensure that the implementation of the SCF Plan complies with all audit requirements, internal control standards, and Article 21 obligations, including the verification of milestones and targets, prevention of fraud, and recovery of any irregular amounts.

4.1.1 Designation of authority entrusted with the implementation of the SCF, including responsibilities and functions

In line with Article 11(3) of the SCF Regulation, no formal designation is required for FPD, as it already operates a well-established management and control system for EU funds falling under the Common Provisions Regulation. Its role builds on the governance framework described in Section 4.1 – Administrative Arrangements, with responsibilities aligned with Article 21 and Annex III of Regulation (EU) 2023/955. This existing structure provides a robust framework to manage SCF measures and investments, ensure the achievement of milestones and targets, and safeguard EU funds through effective internal controls, anti-fraud measures, and compliance with national and EU rules.

The SCF Unit manages the implementation of SCF measures and investments, ensuring that milestones and targets are achieved based on verifiable evidence. It safeguards EU funds through robust internal controls, anti-fraud measures, and compliance with applicable EU and national law, including public procurement rules where there is a direct link between the activities contributing to milestones and targets and procurement procedures. In line with Commission guidance, risk-based procedures are applied to determine the extent of verification needed for procurement activities, and proportionate corrective measures are taken where irregularities are detected. Management verifications focus on preventing double funding, fraud, corruption, or misuse, and the SCF Unit ensures that all irregularities are addressed to protect the EU's financial interests. The SCF Unit also oversees reporting, data collection, communication, and management declarations, providing assurance to the Commission that funds are used correctly and objectives are met.

The SCF Unit will also act as the Coordination Authority for the overall enactment of the SCF Plan, coordinating with other authorities in the country as necessary, monitoring progress on Milestones and Targets, as well as reporting. The SCF Unit shall also coordinate with SID on strategic modifications to the SCF Plan before submitting any amendments to the Plan, and will also coordinate with SID to ensure an effective coordination between initiatives under the SCF Plan and initiatives under other Union Programmes and instruments.

Through these functions, the SCF Unit ensures that the SCF Plan in Malta is implemented effectively, efficiently, transparently, and in full compliance with EU internal control, audit, and anti-fraud requirements as outlined in Annex III of the SCF Regulation.

To carry out its functions, the SCF Unit will establish a dedicated SCF Plan team headed by a Chief Coordinator. The team will initially consist of four officers working directly on the SCF Plan, with the staff complement adjustable according to the Plan's evolving needs. This team will liaise closely with Project Leaders appointed by the Implementing Authorities to oversee the implementation of individual measures and investments.

The SCF team will include officers with extensive experience in managing EU funds under Cohesion Policy and/or the Recovery and Resilience Plan (RRP), providing expertise in results-based programme implementation, monitoring, and control. As the RRP enters its closure phase, experienced staff may be reassigned to the SCF unit to ensure continuity and leverage their expertise. The SCF team will be supported by other officials working within the Ministry responsible for EU Funds, including staff from the evaluation, communication, and training units. In addition, the Financial Control Unit, which reports to the Office of the Permanent Secretary within the Ministry responsible for EU Funds, functions as a horizontal oversight body. It operates independently from the authorities implementing the Plan and undertakes internal control functions, on a sample basis, to verify the achievement of milestones and targets before the submission of payment claims to the Commission. The Financial Control Unit is

completely independent with a cross-checking function. This arrangement ensures that the SCF Plan is implemented with the required expertise, independence, and safeguards, in line with principles of sound financial management.

The Training Unit within the Ministry responsible for EU Funds will also be responsible for the training plan which will include the training to be provided to all stakeholders including ad hoc training related to the elements specific to the implementation of the SCF Plan.

Additionally, the internal audit unit within the Ministry responsible for EU Funds performs a risk analysis to determine which internal audits need to be carried out. The SCF Plan will also be subject to internal audits and hence it will be included together with the other Funds in the assessment process of which internal audits are to be carried out.

Regarding the implementation of the individual investments of the SCF Plan, the Implementing Authority (IA) is the body responsible for carrying out the relevant interventions under the Plan's components. At this stage of the SCF Plan submission, the designated IAs are: the Housing Authority, the Department for Local Government (DLG), and Transport Malta (TM), which have been already involved in the implementation of Cohesion Fund and/or the Recovery and Resilience Plan (RRP) providing them with relevant experience in managing EU-funded interventions. These authorities operate under the remit of their respective line Ministries, in line with the interventions being implemented.

Different implementing authorities fall under the remit of the respective line Ministries, in line with the interventions being implemented. Each IA enters into a formal agreement with FPD, specifying the objectives, actions, interventions, and financial allocation, and binding the IA to implement the interventions in accordance with the agreed terms and conditions.

The IA is responsible for executing the actions in line with the conditions and arrangements set out in the Plan, ensuring compliance with national and EU rules, including public procurement and State aid regulations. Many of the implementing authorities are already involved in the management of Cohesion Programmes (2021-2027) and the Recovery and Resilience Plan (RRP).

Each IA is also responsible for achieving all milestones and targets, guided by the principle of sound financial management and ensuring that systems are in place to prevent, detect, report and correct fraud, corruption, conflicts of interest and double funding. To support implementation, each IA appoints a Project Leader, responsible for overseeing operations on the ground, monitoring progress, and reporting to the SCF Unit.

Existing structures within each Ministry provide additional support, including Directorates responsible for financial matters, the Directorate for Policy Development and Programme Implementation for policy reporting, and other operational units. These units jointly support the implementation of actions, milestones, and targets under the supervision and coordination of the Project Leader.

The Line Ministry oversees the IA's implementation of interventions within its portfolio, ensuring effective inter-agency coordination for all SCF actions implemented by departments or public organisations under its remit. This oversight begins at the programming stage, continues through Plan submission, supports implementing authorities during execution (including liaison with the SCF Unit and other horizontal stakeholders), ensures achievement of milestones and targets, monitors implementation, manages the payment process (including MIS input), and follows up on issues arising from management checks or audits. This coordination function is performed by the Director responsible for Policy Development and Programme Implementation in each line Ministry.

4.1.2 Separation between managing and audit functions

Procedures for assurances about the achievement of the Milestones and Targets set in the SCF, the management of funds in line with appliable rules, in particular rules on avoidance of conflicts of interest, fraud prevention, corruption and double funding, will be elaborated below.

The Audit Authority (AA) - The Internal Audit & Investigations Directorate (IAID) shall serve as the AA for the purposes of the SCF. The IAID is an independent department within the Office of the Prime Minister established by Legal Act Chapter 461 'Internal Audit and Financial Investigations Act' of the

Laws of Malta, which reports to the Internal Audit and Investigations Board (IAIB) within the Cabinet Office. Operating independently, the AA conducts system and operational audits in line with internationally accepted audit standards, as outlined in the audit strategy, guided by a comprehensive risk assessment.

System Audit and Audit on Operations

The AA will conduct system audits on the functioning of the management and control system, to ensure that these systems function effectively and comply with EU requirements, and audits of operations, to give reasonable assurance to the Commission that the milestones and targets included in payment requests have been achieved.

System audit

The main objective of the system audits carried out by the AA is to ensure that an appropriate management and control system is in place. The system audits should provide reasonable assurance that the monitoring and implementation arrangement of the SCF produces complete, accurate and reliable data, whilst assessing whether effective controls are in place.

System audit work will be documented through audit report(s) detailing the checks performed and the results of such audits conducted during the relevant reference period, spanning from 2026 to 2032, in line with the audit strategy. These reports will highlight any weaknesses identified in the management and control system and will form the basis for the AA's audit opinion on its effective functioning. This opinion will provide reasonable assurance that payment requests to the Commission are accurate and that the underlying transactions are legal and regular, in accordance with Article 21 and Annex V of Regulation (EU) 2023/955.

Since IAID also fulfils the role of the Anti-Fraud Co-ordinating Service (AFCOS) Malta, it is tasked with reporting any irregularities as well as cases on suspicion of fraud above €10,000 EU share to the European Anti-Fraud Office (OLAF) via the Irregularity Management System (IMS) on a quarterly basis, based on established procedures and standing regulations. Cases of 'Suspicion of Fraud' above €10,000 EU share are noted accordingly in IMS and are investigated by the Financial Investigations Directorate (FID) within IAID. Cases of suspicion of fraud below €10,000 EU share, although not noted in IMS, are also investigated by FID accordingly. The standard template is presented in Annex XII to the CPR.

Similar to the practice under Cohesion Policy and the RRP, the AA may engage external service providers to support the execution of audit work related to the SCF. This support may include performing checks on interventions, assistance in conducting audit missions, and verifying the achievement of outputs and results, with the objective of facilitating the assessment of the validity of payment applications and the legality and regularity of the underlying transactions included in the statements of expenditure.

Notwithstanding the outsourcing of specific tasks, the AA shall retain full responsibility for the audit function and will continue to act as the body responsible for the supervisory role in line with internationally accepted audit standards and the applicable Union regulatory framework. Any outsourcing shall be carried out through a competitive and transparent procurement procedure, and the AA shall maintain oversight to ensure that the contracted parties adhere to the required audit standards and ethical requirements, including the absence of conflict of interest.

Minimum requirements for external auditors will be clearly defined in the procurement documentation to ensure competence, objectivity, and compliance with professional standards.

Audits on Operations

The audit on operations aims mainly at verifying that the milestones and targets included in the payment request submitted to the European Commission have been fully achieved in line with the Plan's objectives and are supported by verifiable evidence.

Audits will be conducted through examination of documents recorded in the MIS and, where applicable, through on-site verifications at the implementing authority's level. The AA will verify that:

1. The operation is consistent with the scope and objectives of the SCF, and contributes to the targeted interventions outlined in the SCF;

2. The operation was implemented in accordance with the formal approval (e.g. grant agreement or equivalent legal act) and complies with national and Union rules;
3. The payment request submitted to the Commission is according to the level of expenditure indicated under the SCF and supported by verifiable and accurate accounting records, in line with applicable financial and regulatory requirements; and
4. The operation has been physically carried out or is ongoing, with progress and deliverables verifiable through supporting documentation or site inspection.

The AA will ensure that its sampling strategy is risk-based or statistical, as defined in the audit strategy, and that the results of audits are reflected in the summary of audits and contribute to the assurance provided in the audit opinion. Where deficiencies or irregularities are identified, appropriate recommendations and corrective measures will be proposed.

Management Declaration and Summary of Audits

As required under Article 21 (2)(c) of the SCF Regulation, each payment request will be accompanied by

- a management declaration, signed by FPD, and
- a summary of audits, prepared by the Audit Authority (AA), including any weaknesses identified and corrective actions taken.

Management Declaration

For each payment request, FPD sign the management declaration in line with Article 21(2)(c) of the SCF Regulation. The declaration will confirm that the payment request is accurate and complete, funds were used as intended, internal controls ensure legality, regularity, and compliance with EU and national rules and safeguards are in place to prevent, detect, and correct fraud, corruption, conflicts of interest, or double funding. It also confirms that previously achieved milestones and targets remain valid and that any identified irregularities have been addressed and recovered.

To support the declaration, the SCF Unit will carry out administrative and on-the-spot verifications, which will be recorded in the Management Information System (MIS). These verifications include desk-based reviews of submitted documentation, physical checks on interventions, and cross-checks against relevant records. The outcomes, including identified weaknesses and corrective actions, will be fully documented in the MIS, providing a robust audit trail.

The SCF Unit will also perform a risk assessment and maintain a risk register within one year of the SCF Plan's approval, in line with the OPM Circular n. 1/2016 (and any subsequent revisions). This tool will strengthen the internal control system by putting in place the mitigation measures appropriate in dealing with prevention and detection, whilst correcting cases of conflict of interest, corruption, fraud and double-funding. Furthermore, such risk assessment provides an assessment on governance of the organisation, by capturing, maintaining and monitoring information on all of the identified risks to a specific organisational activity and the associated controlling actions that have been identified. This risk assessment/ register is a management tool and is different from the one that will be undertaken by the AA, as further elaborated below.

Where applicable, when performing its checks in preparation for the payment claim, the SCF Unit will also make use of the ARACHNE tool to identify potential risks linked to implementing authorities, interventions, or contractors, with results compared against verification checks. This check will be documented by issuing an ARACHNE report. The report will identify those elements at high risk, and which require further actions to be undertaken. When these cases occur, the SCF Unit will document the actions taken and the conclusions.

Summary of Audits (AA)

The Audit Authority (AA) will prepare a summary of audits for each payment request, covering:

- System audits and audits of operations carried out
- The nature and extent of errors and weaknesses identified

- Corrective actions taken, including financial correction, or planned and a description of the control strategy adopted for the payment claim.

To support the collation of data, the SCF Unit will record all the verifications carried out and the controls undertaken including information on weaknesses identified and corrective actions taken. The SCF Unit will draw appropriate conclusions from these controls and indicate the corrective measures that it has adopted regarding any improvement in the functioning of the intervention, as described in more details below:

1. Summary of administrative controls carried out: The summary of the administrative controls carried out for the respective payment claim will provide a description of the checks carried out by the SCF Unit in line with the control strategy adopted.
2. Summary of on-the-spot controls carried out: The summary of on-the-spot controls will include the number of controls carried out for the respective payment claim in line with the control strategy adopted by the SCF Unit.
3. Nature and extent of errors and weaknesses identified in systems: the SCF Unit will include a brief description of the main results arising from the administrative controls and the on-the-spot controls, including a list of the main types of errors detected. This section will also indicate whether the errors detected during the administrative or on-the-spot controls are of a systemic nature.
4. Corrective actions taken or planned: the SCF Unit will draw appropriate conclusions from these controls and indicate the corrective measures that it has adopted regarding any improvement in the functioning of the system or individual investments.

Financial corrections will be imposed for serious irregularities, such as fraud, corruption, conflict of interest, double-funding and public procurement irregularities, when a direct link can be established between the irregular activity and the implementation of the activities contributing to the SCF milestones and targets. For other irregularities, the SCF Unit will rely on Malta's national budget management systems. Should the SCF Unit conclude that the errors detected are of a systemic nature, the corrective measures to improve the functioning of the management and control systems must ensure that these prevent the repetition of the identified systemic weaknesses.

The Control System in the Context of the SCF

In line with Article 21(1) of the SCF Regulation, the Member State shall ensure an effective and efficient internal control system, including mechanisms for the recovery of amounts linked to unachieved milestones or incorrectly reported targets.

The SCF Unit is responsible for verifying that all measures and interventions under the SCF Plan have been properly implemented and that the reported milestones and targets are supported by verifiable evidence. This verification ensures compliance with applicable rules and safeguards the principles of sound financial management, including the prevention, detection, and correction of fraud, corruption, conflicts of interest, and other irregularities. Where relevant, this also includes checks on public procurement procedures directly linked to the activities necessary to achieve the milestones and targets.

As explained above, part of internal control mechanisms, the management verifications carried out by the SCF Unit shall include administrative and documentary verifications, as well as on-the-spot verifications, to confirm the achievement of Milestones and Targets, to confirm compliance with applicable Union and national law, and to protect the financial interests of the Union.

The methodology used by the SCF Unit for carrying out verifications will be set out in the Manual of Procedures, which will refer to the different checklists to be used.

In cases of administrative and documentary verifications being carried out on a sample basis, the SCF Unit will keep records describing and justifying the sampling method, as well as a record of operations selected for verification.

All interventions will be subject to at least one on-the-spot verification during their lifetime. In cases where an intervention would involve a large number of beneficiaries/final recipients, a sampling

methodology will be applied. The SCF Unit will keep record describing and justifying the sampling method and a record of elements funded within an operation that are selected for verification.

The Grant Agreements will formalise the obligations of the Implementing Authority and will include reference to the Manual of Procedures, Guidance documents issued by the SCF Unit as well as the applicable EU and National rules that should govern the implementation of the operation as well as other obligations related to the funding being made available to the Implementing Authority.

Moreover, training and guidance will be provided to beneficiaries and relevant stakeholders involved in the implementation.

Capacity Building

In order to enhance the SCF's management and implementation system, the SCF Unit will ensure that adequate capacity building initiatives are implemented throughout the implementation period involving the relevant SCF stakeholders.

Training presents a prime opportunity to expand the knowledge-base and skills-set of all employees. As technology advances and workplace methods and strategies continue to evolve, there is a growing need for alignment with the relevant changes in knowledge, skills, values as well as abilities. Training inevitably enhances the skills of all concerned with a view to become more efficient and more effective in the workplace. Furthermore, the provision of training makes the employees feel that they are valued in the workplace which, in turn, increases both their morale as well as their capabilities and skills. Training also adds value given that it creates synergies by way of sharing of experiences and lessons learnt over time.

Once specific training needs are identified, the SCF Unit will ensure that appropriate trainers are identified, either internally or external sources. The necessary appropriate training will be ongoing throughout the implementation of the SCF.

Monitoring of implementation through indicators

In line with Article 24, reporting on a bi-annual basis on the implementation of the SCF will be carried out.

Process of data collection and verification of indicators

The personnel involved in the recording of indicators is made up of three categories:

1. The Implementing Authority provides regular updates to the SCF Unit on the progress towards the achievement of indicators, together with backing documentation and evidence;
2. Officers within the unit tasked with the direct monitoring of the SCF who review the reporting received from the Beneficiaries and record the said indicators;
3. Officers within the Evaluation Unit carrying out second level verifications on the achievement of indicators.

4.2. Consistency with other initiatives

Explanation on how the Plan is consistent with the information included and the commitments made by the Member State under other relevant plans and funds, and the interplay among the different plans going forward, as set out in Article 6(3) and Article 16(3), point (b)(iii).

The implementation of the SCF will contribute to the overarching goal of striving towards a socially fair transition towards climate neutrality, by addressing the social impacts of the inclusion of GHG emissions from buildings and road transport, and, more specifically on the local level, the achievement of Malta's sustainable and energy goals.

The interventions as included within the SCF relate to vulnerable households, vulnerable micro-enterprises and vulnerable transport users through investments that promote the long-term solution of

reducing fossil fuels reliance, to mitigate adverse effects on income in the shorter term.

The European Pillar of Social Rights Action Plan

In line with Article 6(3) of the SCF Regulation, the SCF will be consistent with the information included in and the commitments made under the EPSR Action Plan, particularly Principles 19 and 20, by promoting access to quality housing, energy and transport services for vulnerable groups. Moreover, investments in RES shall contribute to poverty reduction in line with the Action Plan.

The Building Renovation Plan (BRP)

Malta's BRP is foreseen to include a roadmap with nationally established targets and measurable progress indicators, including the reduction of the number of people affected by energy poverty, with a view to achieving the 2050 climate neutrality goal, as well as an overview of market failures and market barriers. Furthermore, the BRP is envisaged to provide an overview of the capacities in the construction, energy efficiency and renewable energy sectors, and of the share of vulnerable households based, as appropriate, on statistical sampling. Such initiatives will aim to be in line with a relevant of EU and national legislative documents, including Malta's Long Term Renovation Strategy 2050[1], Directive (EU) 2024/1275 on the Energy Performance of Buildings (recast)[2], as well as Mata's NECP[3], amongst others.

The European Green Deal

The SCF will be consistent with the ambitions laid out in the European Green Deal for climate action towards achieving climate-neutrality by 2050 and addressing the climate ambition of having a 55% reduction in GHG by 2030 and shall serve to enable Malta to continue in its ambitions for decarbonisation.

The Technical Support Instrument

In relation to the Technical Support Instrument (TSI), whilst Malta did not participate in the flagship initiative, complementarity with the interventions foreseen under the SCF is ensured throughout the drafting process. It is also noted that the body which will be responsible for implementing the SCF is also the National Coordinating Authority (NCA) for the TSI.

The Sustainable Development Goals

The SCF also supports the achievement of key Sustainable Development Goals (SDGs) under the 2030 Agenda. The SCF's emphasis on reducing energy and transport poverty, improving the energy performance of social housing, enhancing clean mobility access, and supporting vulnerable enterprises and households contributes meaningfully to SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities), by mitigating the social impacts of the climate transition. Investments in energy-efficient infrastructure and clean transport directly advance SDG 7 (Affordable and Clean Energy) and SDG 11 (Sustainable Cities and Communities), while the SCF's overall objective of enabling a fair and inclusive shift towards climate neutrality aligns with SDG 13 (Climate Action). Together, these measures reinforce Malta's commitment to an integrated approach that combines environmental sustainability with social equity.

Consistency is also ensured with the Cohesion Policy Programmes, the RRP, the updated integrated NECP as well as the JTP. Additional information in this regard is included hereunder.

With reference to the interventions as identified under Component 1, consistency shall be ensured with the NECP, particularly with Section 3.4.4 which targets Malta's commitment to reduce poverty and social exclusion through several measures addressing vulnerable households and energy poverty[4]. Synergy with Malta's energy policy, previously represented in successive National Energy Efficiency Plans and National Renewable Energy Action Plan, shall be established through the strong consideration of putting energy efficiency first which continues to be a guiding principle when identifying and designing policies

aimed at achieving measures relating to cost-effective energy savings[5]. Moreover, coherence shall also be ensured with the LCDS which targets a variety of sectors, including transport, energy and buildings, amongst others, with the goal of reducing GHG emissions. Malta's LCDS highlights the importance of investments to improve energy efficiency and foster RES. The measures within the LCDS are in line with Malta's LTRS which supports the renovation of the national building stock into a highly energy efficient and decarbonised building stock by 2050[6]. As stipulated in Section 2.6.3 of the LCDS, policy initiatives relating to buildings considered under this Strategy include measures supported by schemes for deep renovation together with energy efficiency single measures and retrofitting to achieve a Nearly Zero Energy Building level. Such efforts are also in line with the recast Energy Performance of Buildings Directive[7], which requires all new residential and non-residential buildings to be zero-emission buildings as of 1 January 2028 for buildings owned by public bodies, and 1 January 2030 for all other new buildings. Furthermore, the reduction in noise exposure through the incorporation of double-glazed apertures and improvement in air quality, as included within the retrofitting investment under Component 1, are in line with Strategic Objectives 1.2 and 2.5 of the draft National Strategy for the Environment 2050[8], as well as Action 8 in the Noise Action Plan (2019-2024)[9].

Additionally, the interventions under Component 1 shall also align with Malta's Sustainable Development Vision for 2050 which includes Malta's vision for infrastructure and urban development industries for 2050 based on the 9 pillars presented by the World Economic Forum. Some of the actions listed include providing innovative financing tools that enable sustainable investments, undergoing regular building audits to measure performance, identifying improvement opportunities and establishing implementation priorities, amongst other initiatives[10]. On a national level, Malta strives to reduce poverty as elaborated in the Section titled 'Poverty and Social Exclusion' in the Policy document 'A Social Vision for Malta 2035 – Shaping the Future of Society'[11] through a number of measures including appropriate policy instruments, strengthening Government collaboration with relevant stakeholders and supporting ARP individuals through various channels such as academia and training. More specifically, in relation to efforts towards reducing energy poverty, Section 5.4 of the National Strategy for Poverty Reduction and Social Inclusion 2025-2035 emphasises the importance of protection against energy poverty and lists measures directed to meet social accommodation demand[12], linked also with the funding attributed to the entity responsible for the management of Social Housing Estates in order to further sustain such efforts as elaborated in Chapter 8 'Housing' of the Social Protection 2024 statistical document[13]. Thus, the investments foreseen under Component 1 will contribute towards reducing the energy consumption of vulnerable households, consequently contributing towards the reduction in CO2 emissions, as also elaborated in the Comprehensive Assessment on the Potential for Efficiency in Heating and Cooling in Malta, which includes measures aimed at fulfilling heating and cooling demands through more sustainable approaches[14].

The proposed investments under Component 2 relating to transport seek to contribute to the measures specified in Section 3.1.3 of Malta's NECP, which outlines initiatives related to the transition towards the electrification of vehicles with the aim of enabling the transition towards zero-emission vehicles[15]. Furthermore, consistency with Malta's National Transport Strategy for 2050 shall be ensured as it puts forward the strategic goal of utilising transport to promote environmental and urban sustainability. To assist in the achievement of this goal, Guiding Principle 4 listed within Section 4 of the aforementioned Strategy encourages the use of greener fuels and vehicles[16]. The Transport Master Plan 2025 complements the National Transport Strategy for 2050 as it presents the measures and actions to be implemented to achieve the transport objectives through a number of strategic goals such as the introduction of further fiscal measures and incentives to favour the purchase and use of clean fuel vehicles as presented in Section 2.2.4[17]. The National Policy Framework: Alternative Fuel Infrastructure for Transport in Malta 2018-2030 aligns with the Transport Master Plan 2025 and the National Transport Strategy 2050 as it presents the framework of actions for the development of alternative fuels in the transport sector in Malta in Section 3.8.1[18].

Additionally, interventions under Component 2 are consistent with the measures listed under Section 5 of Malta's National Air Pollution Control Programme[19] which mentions the transport sector, listing progress made by current policies and measures in reducing emissions and improving air quality, as well as Measure 13.4 of the Air Quality Plan for Malta 2025[20]. Furthermore, the intervention aiming to

provide community transport services to vulnerable transport users also contributes to the ambitions as identified under Objective 1 Theme 1.9 (Transport) in Malta's National Strategic Policy for Active Ageing 2023-2030 which seeks to support sustainable, smart and age-friendly transport through initiatives such as evaluating the public service system (especially bus stops and routes in an effort to improve service to older persons), as well as assessing the Silver-T service currently on offer and identify ways for improvement, amongst other initiatives[21]. Such actions are in line with Malta's 2021-2030 National Strategy on the Rights of Disabled Persons.

[1] Ministry for the Environment, Climate Change and Planning (2021), Long Term Renovation Strategy 2050, https://sustainabledevelopment.gov.mt/wp-content/uploads/2021/10/longTermRenovationStrategy2050.pdf.

[2] European Union (2014), Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401275.

[3] European Commission (2025), Malta – Final updated NECP 2021-2030 (submitted in 2025), https://commission.europa.eu/publications/malta-final-updated-necp-2021-2030-submitted-2025_en.

[4] Ibid.

[5] Ibid.

[6] Ministry for the Environment, Climate Change and Planning (2021), Malta Low Carbon Development Strategy, http://unfccc.int/sites/default/files/resource/MLT_LTS_Nov2021.pdf.

[7] European Union (2014), Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings (recast), https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202401275.

[8] Environment and Resources Authority, Ministry for the Environment, Energy and Enterprise (2022), National Strategy for the Environment 2050: A Draft for Public Consultation, https://era.org.mt/wp-content/uploads/2022/09/National-Strategy-for-the-Environment-2050-%E2%80%93-Public-Consultation-Draft.pdf.

[9] Environment and Resources Authority (2023), Noise Action Plan Malta Agglomeration (2019-2024), https://era.org.mt/wp-content/uploads/2023/12/Noise-Action-Plan-Agglomeration-Interactive.pdf.

[10] Ministry for the Environment, Sustainable Development and Climate Change (2018), Malta's Sustainable Development Vision for 2050, https://sustainabledevelopment.gov.mt/wp-content/uploads/2021/10/Maltas-Sustainable-Development-Vision-for-2050.pdf.

[11] Ministry for Social Policy and Children's Rights (2022), A Social Vision for Malta 2035 – Shaping the Future of Society, https://familja.gov.mt/wp-content/uploads/2023/04/Social-Vision-for-Malta-2035-Policy-Document-EN.pdf.

[12] Ibid.

[13] National Statistics Office (2024), Social Protection 2024, http://nso.gov.mt/wp-content/uploads/Social-Protection-2024.pdf.

[14] The Energy and Water Agency (2024), Comprehensive Assessment on the Potential for Efficiency in Heating and Cooling in Malta, https://energywateragency.gov.mt/wp-content/uploads/2025/01/20241011-Heating-and-cooling-Assessment_Final-Report.pdf.

[15] European Commission (2025), Malta – Final updated NECP 2021-2030 (submitted in 2025), https://commission.europa.eu/publications/malta-final-updated-necp-2021-2030-submitted-2025_en.

[16] Transport Malta (2016), National Transport Strategy 2050 – Malta, https://www.transport.gov.mt/strategies/strategies-policies-actions/national-transport-strategy-and-transport-master-plan-1343.

[17] Transport Malta (2016), National Transport Master Plan 2025 –

Malta, https://www.transport.gov.mt/strategies/strategies-policies-actions/national-transport-strategy-and-transport-master-plan-1343. As at the time of drafting, the 2025 Transport Master Plan was being updated to reflect measures to be implemented by 2030.

[18] Ministry for Transport, Infrastructure and Capital Projects (2018), National Policy Framework: Alternative Fuels Infrastructure for Transport in Malta 2018-2030, https://infrastructure.gov.mt/wp-content/uploads/2023/09/NPF-Malta.pdf.

[19] Environment and Resources Authority (2019), Malta's National Air Pollution Control Programme, https://era.org.mt/wp-content/uploads/2020/06/NAPCP_ISBN_PDF_web.pdf.

[20] Environment and Resources Authority (2025), Air Quality Plan for Malta 2025, https://era.org.mt/wp-content/uploads/2025/02/DIGITAL-Air-Quality-Plan.pdf.

[21] Ministry for Active Ageing (2022), National Strategic Policy for Active Ageing 2023-2030, https://activeageing.gov.mt/wp-content/uploads/2023/04/NSPActiveAgeing2023-30.pdf.

4.3. Complementarity of funding

Information on existing or planned financing of measures and investments from other Union, international, public or, where relevant, private sources which contribute to the measures and investments set out in the Plan, including on temporary direct income support, pursuant to Article 6(1), point (c).

In drafting the SCF, due consideration was given to Malta's EU-funded Plans and Programmes, including those for the 2021-2027 programming period as well as the RRP, amongst others. This ensures a clear delineation between funding operations whilst contributing towards complementarity and focused impact of the investments made. In view of the cross-cutting objectives across different funding instruments, Malta aims to ensure that a coherent approach is adopted in the implementation of interventions financed through EU-funded Plans and Programmes.

Structures at the National Level to Ensure Complementarity and Coordination

In order to ensure that there is consistency between the funding programmes, and that overlaps between the interventions financed under different EU-funded instruments are avoided, the programming and implementation of EU-funded Plans and Programmes are coordinated within the Ministry responsible for EU Funds.

The Ministry includes in its portfolio the PPCD, which acts as the MA for the European Structural and Investment Fund (ESIF) Programmes, which are the ERDF, the ESF, the ESF+ and the CF. Checks on the location of investments and invoices are carried out as part of the MA's function and in line with established set-ups. The Ministry also includes the Funds and Programmes Division which undertakes the MA function for other sector-specific EU-funded Programmes including the Common Agricultural Policy Strategic Plan (CAP SP), the European Maritime, Fisheries and Aquaculture Fund (EMFAF), the Asylum, Migration and Integration Fund, the Internal Security Fund, the Border Management and Visa Instrument, and the European Territorial Cooperation (ETC). These 2 entities are also responsible for administering any modifications carried out to existing Programmes and Plans to ensure consistency in synergies throughout the implementation period, together with the Strategy and Implementation Division falling under the remit of the same aforementioned Ministry.

The Ministry responsible for EU Funds also acts as the National Coordinating Authority for the TSI. This centralised approach provides the necessary synergies and expertise in Malta in dealing with EU funds. It also ensures a coherent and coordinated approach towards the programming and implementation of different EU funding instruments which is thus ensured from the programming stage throughout the implementation period.

The SCF Unit has been designated to provide the necessary leadership, monitoring and oversight

concerning the implementation of all the interventions envisaged in the SCF. This builds on the structures established in previous years for the purposes of EU funding. It will ensure focused coordination and monitoring throughout the period of the SCF in a consistent and coherent manner. Moreover, the well-established governance framework used for ESIF Programmes will be extended to the SCF, which will also benefit from the knowledge and expertise of existing staff.

Demarcation between Funding Instruments

As far as possible, demarcation is delineated at programming stage whereby efforts to distinguish the scope and objectives of the different funds is made. Such demarcation also aims to ensure that support does not cover the same cost, in line with Article 13 of the SCF Regulation. At implementation stage, the Inter-Ministerial Consultative Committee (IMCC) ensures coordination between the funds covered by the Partnership Agreement and other funding instruments. As outlined in the IMCC resolution, when possible overlaps are identified by the IMCC, additional efforts are undertaken by the implementing bodies to create further demarcation. These efforts are carried out for every Investment as included in Malta's SCF Plan.

Complementary Funding Through Other EU and National Funds

To ensure delineation between funds, complementarity of funding under the SCF and other EU funds is not envisaged for the same investment that is implemented by public bodies. In this regard, whilst interventions under the different funds will aim to build on each other to create the necessary impact, no such complementarity is envisaged for the same investment. This will ensure delineation and avoid issues of double-funding as outlined earlier. Moreover, funding from the SCF will not replace current national expenditure.

With regard to support for the private sector, in the case of the SCF scheme for micro-enterprises, it is not excluded that complementarities with financial instruments may exist. Recital 35 of the SCF explicitly allows for complementary funding from different EU sources, provided that the same items are not covered twice. Although the output may trigger payments under multiple Programmes/Plans, this does not constitute double funding if each Programme/funding instrument covers a different share of the investment.

Nevertheless, synergies between different investments supported under the SCF and other EU funds are foreseen:

Component 1 - Interventions in relation to the retrofitting, energy efficiency and renewable energy actions in social housing units:

Investments in relation to energy efficiency, RES through the installation of PVs and battery storage, and decarbonisation will be complemented by interventions being supported through the ERDF/CF/JTF 2021-2027 Programme, whereby the commissioning of a second electricity interconnector and battery storage facilities are foreseen. Such investments will continue to enable the increase and re-use of locally generated energy, thus optimising the use of energy resources as part of the SCF.

Measures supporting decarbonisation and energy efficiency in the SCF will be complementary to the investments under Malta's JTP. Such investment will be addressed on a larger scale in Malta's ports through investments in the installation of onshore power supply that will provide an environmentally friendly alternative to reduce GHG emissions from ships. With reference to the RRP, coherence is also foreseen in relation to the retrofitting of private and public buildings and energy efficiency. Additionally, investments under Component 1 shall be in line with energy efficiency measures foreseen under EMFAF 2021-2027 such as through actions focusing on energy efficiency and reducing CO2 emissions through the replacement or modernisation of engines of fishing vessels. Such complementarity can also be seen with agricultural holdings under CAP.

Furthermore, with reference to soft measures, complementary actions are also foreseen with Malta's ESF+ Programme, in relation to support services and life skills for social housing beneficiaries, Child Guarantee

initiatives in improving housing facilities, as well as addressing material deprivation, amongst others. On a separate note, actions under Component 1 will also build on energy-related financing instruments under InvestEU.

Component 2 - Interventions in relation to the promotion of shared mobility measures within communities and aiding vulnerable micro-enterprises:

Investments relating to clean transport will build on actions under the RRP which promote the sustainability of the transport sector as well as enhancing the uptake of EVs in the private sector. Electric charging infrastructure is deemed key for the transition towards cleaner transport. These decarbonisation measures will also be considered in complementarity with initiatives foreseen under the CF including clean urban mobility infrastructure. Such measures will holistically aim to target the transition towards a zero-carbon economy.

Furthermore, complementarity is also foreseen with the ESF+ Programme in relation to promoting active ageing, in addition to community-led and urban initiatives as well as business schemes under the ERDF. Government will seek to maximise the potential synergies with other EU-funded initiatives, such as Connecting Europe Facility transport in terms of shifting towards more sustainable means of transport. Under the ETC Programmes, opportunities to support the shift towards a low carbon economy, address circular economy and improve energy efficiency will be sought, particularly through joint pilot actions. The possibility to combine the scheme for vulnerable micro-enterprises with financial instruments under the InvestEU, amongst others, may also be considered. In line with Article 13 of the SCF Regulation, investments supported under the Fund may receive support from other Union funds, Programmes and instruments provided that such support does not cover the same cost.

Table providing additional information on consistency/complementarity:

SCF Intervention	European Pillar of Social Rights Action Plan (EPSR)	Cohesion Policy Programmes (ERDF, ESF+, CF, JTF)	Recovery and Resilience Plan (RRP)	Building Renovation Plan (BRP)	Updated National Energy and Climate Plan (NECP)	Territorial Just Transition Plans (TJTP)	Country Specific Recommendations (CSRs)
Investment C1.I.1: Enhancing energy efficiency in Social Housing Estates	Supports Pillar Principle 20 on access to essential energy services, by reducing the energy cost burden for vulnerable households.	Builds on Cohesion Policy efforts to support household energy efficiency, with a targeted intervention not covered by existing funding streams.	Coherence with RRP building renovation actions by focusing on energy efficiency upgrades and investment in renewable energy.	Supports the implementation of building system upgrades in line with renovation goals, particularly for worst-performing buildings.	Contributes to NECP goals related to reducing household energy consumption and mitigating energy poverty.	Contributes nationally without duplicating any JTF-specific territorial actions.	Supports CSRs to improve energy efficiency, foster RES and reduce fossil fuel use in residential buildings.
Investment C1.I.2: Retrofitting public social housing units	Supports Pillar Principle 19 on access to quality housing and	Complements and extends Cohesion Policy investments	Reinforces RRP social inclusiveness by deepening the	Directly supports Malta's National BRP objectives,	Aligned with NECP targets for building sector decarbonisat	National measure operating alongside, but distinct from, any	Addresses CSRs encouraging energy savings and reduction in

	contributes to social resilience by addressing structural energy performance.	in building retrofitting, targeting vulnerable residents in underperforming housing.	renovation wave in the energy-poor housing sector.	focusing on the most energy-inefficient stock.	ion and energy poverty alleviation.	regional JTF interventions.	residential fossil fuel dependency.
Investment C2.I.1: Community Transport Services to Vulnerable Transport Users	Upholds Pillar Principle 20 on access to essential services, by improving access to clean transport for disadvantaged groups (elderly and persons with disabilities).	Addresses gaps in public transport accessibility, reinforcing Cohesion Policy goals of inclusive, sustainable urban transport without duplicating existing funded projects.	Aligns with RRP measures promoting shared and clean mobility by providing on-demand electric transport at the local level for those with limited mobility.	Not applicable. This is a transport service measure, outside the scope of the BRP.	Advances NECP goals for transport decarbonisation by encouraging a shift to electric mobility and addresses transport poverty.	No direct overlap with TJTPs, as the measure targets vulnerable individuals' mobility across Malta rather than specific transitioning territories.	Supports soft mobility and inclusion of persons with limited accessibility, consistent with CSRs focused on congestion and public transport and on fairness in the green transition.
Investment C2.I.2: Enhancing the Uptake of EVs amongst Vulnerable Micro-Enterprises	Contributes to the EPSR on secure employment and social protection by helping small businesses adapt to carbon pricing (ETS2) via EV grants, aimed at preventing poverty risks among self-employed and micro-enterprises.	Adds value to infrastructure provided by Cohesion Funds and addresses a niche (micro-enterprises) not fully covered by mainstream ERDF/ESF+ SME Programmes.	It builds on Malta's RRP measures by extending support to vehicle electrification in the micro-business sector.	Not applicable. This measure concerns transport electrification for enterprises, not building renovation.	Addresses NECP priorities to reduce road transport emissions and fossil fuel reliance by promoting EV adoption whilst ensuring that the transition burden on small businesses is mitigated.	The measure is national in scope and complements the just transition by supporting economic actors (small businesses) across all of Malta.	Supports decarbonisation of transport and SME resilience against ETS2 impacts, consistent with fair green transition CSRs.

4.4. Geographic specificities

Explanation of how geographic specificities, such as islands, outermost regions and territories, rural or remote areas, less accessible peripheries, mountainous areas or areas lagging behind, have been taken into account by the Plan.

Given Malta's geographical size, regional segregation is considered only due to the geographic split between Malta (the main island) and Gozo, with the latter having a dedicated Ministry to ensure that it receives the attention it deserves. The installation of energy efficient and renewable energy equipment under Component 1 will benefit social housing occupants both in Malta and Gozo. In terms of Component 2, the EV measures for local communities will target Local Councils, as applicable, in Malta and Gozo. Furthermore, with regard to the EV schemes for undertakings, particular attention will be given to Gozo, in line with the objective to accelerate Gozo's transition towards carbon neutrality.

4.5. Prevention of corruption, fraud and conflicts of interests

A system to prevent, detect and correct corruption, fraud and conflicts of interests, when using the funds provided under the Fund, and the arrangements that aim to avoid double funding from the Fund and other Union programmes in accordance with Article 21 and Annex III, including funds provided through public or private entities other than vulnerable households, vulnerable micro-enterprises and vulnerable transport users in accordance with Article 9.

The Anti-Fraud Cycle

An Anti-Fraud Strategy, which has been revised in May 2023, is also applicable to the bodies entrusted with the management, coordination and control of the SCF. The objectives of this strategy is to describe the responsibilities and actions that ascertain the putting in place of an appropriate anti-fraud framework that translates into the anti-fraud cycle which will guide the Maltese Authorities in the implementation of the SCF through the following steps:

1. Prevention;
2. Detection and reporting;
3. Investigation and prosecution;
4. Reparation.

Prevention

The Maltese Authorities recognise that fraud and corruption are costly, in terms of investigative costs, financial losses and reputational risk. The prevention of fraud is therefore an essential component of the Maltese Authorities' administration of the SCF. The beneficiaries will be encouraged to put in place an effective internal control system with the aim of deterring potential fraudsters and also of maximising the commitment of staff to combat fraud. For this purpose, all stakeholders and recipients should:

1. Raise awareness through formal training of staff complement involved in the management of EU funds about preventative and detective control measures, as well as the specific roles and responsibilities of all stakeholders and reporting mechanisms;
2. Improve further the understanding of fraud patterns, fraudsters' profiles and systemic vulnerabilities relating to fraud affecting the EU budget. This goal will be achieved through the provision of training and, when possible, the reinforcement of existing databases and risk scoring tools;
3. The Maltese Authorities will also put in place effective separation of duties, particularly with respect to the implementation and financial control. The Maltese Authorities will ensure that staff

involved in the management and implementation of EU funds is aware of possible conflict of interest or fraudulent behaviour at every stage of implementation. Due attention must be given to any red flags that are indicators of possible fraud or corruption. In this regard, the selection criteria and job description for each post within the FPD are clearly defined in the call for each post. This job description details the tasks and responsibilities of each staff member, which are also reflected in the contract signed between the employee and the Ministry. Sub-heading 'Integrity' of the First Schedule of the Public Administration Act (Chapter 595 of the Laws of Malta) titled 'Code of Ethics for Public Employees, including staff working on the SCF and Board Members' provides that: '10. Public employees and board members shall ensure that no conflict, real or apparent, arises between their official duties and any other occupations, activities or interests (financial or otherwise) that they or their close relations may have.'. In terms of this Act, the Principal Permanent Secretary had on 20th April 2021 issued Directive 15 – 'Governing Policy for Integrity Promotion, Awareness and Assessment for Public Employees' whereby the Government has launched this Integrity Awareness Programme as a means with which to further uphold and promote the highest standards of ethical behaviour by all public employees. It is pertinent to refer also to Directive 16 'Governing Framework for Preventing and Managing Conflicts of interest in the Public Administration' which has also been issued by the Principle Permanent Secretary in terms of the afore referred to Act on 27th November 2023. Complementing EU requirements in terms of disclosures of conflict of interest, the Directive mandates declarations of conflicts of interest by public employees and the establishment of internal procedures to manage them. In addition to the above, there is also the Public Service Management Code which addresses conflict of interest through a number of aspects, including the notion of when professional officers are allowed the private practice of their profession. In this regard, a condition on conflict of interest vis-à-vis private practice is to be made. Also, other Employment or Business Interests for Secretariat Staff and all Secretariat employees are required to conform to the Code of Ethics for Public Officers, or any other Code of Ethics as prescribed by law as the case may be. In line with this Code, all officers must first obtain the written recommendation of the Head of Secretariat of the Ministry, and then obtain the written approval of the Permanent Secretary of the Ministry concerned if they wish to take on any form of outside employment or business interest in addition to their Secretariat duties;

4. Beyond what is being stated above, it is to be noted that all members working within the SCF Unit sign a declaration of non-conflict of interest, and should a conflict of interest arise, staff are to report this either through their respective hierarchy or directly if necessary;
5. The Maltese Authorities will conduct regular verifications ensuring that staff in charge is aware of European Commission and national guidance on fraud indicators.

Should the authorities implementing the Plan identify cases of suspected fraud, this body will forward the reports with its findings to IAID, which will assess the case and take the necessary steps in line with established procedure which may involve the submission of a request to the Commissioner of Police, after consulting the Attorney General. Furthermore, in line with Article 21(2)(e) of the SCF Regulation, Malta authorises the Commission, OLAF and EPPO (if applicable) to exert their rights as necessary.

Detection and Reporting of Irregularities

When dealing with the detection and reporting of irregularities, the SCF Unit will ensure that a clear distinction is in place between 'minor irregularities' and 'severe irregularities', and a clear description of the procedure to be followed by the different actors. Whilst minor irregularities involve breaches of certain conditions of funding and are often the result of genuine errors, severe irregularities involve suspicion of fraud, fraud, corruption, conflict of interest and double-funding as deliberately committed, and such irregularity constitute a criminal offence.

Besides the regular checks and controls including verifications and on-the-spot checks, the SCF Unit will assess through an assessment of risks, as recorded in the risk register, the likelihood of specific fraud scenarios occurring.

The SCF Unit will provide specific instructions on the reporting of irregularities by the different

stakeholders. Anyone detecting an irregularity has the option to report via the usual hierarchy of the organisation or directly to the SCF Unit. The templates used for the reporting of irregularities ensure that they contain the necessary information with regard to follow-up and who is responsible for the different follow-up action/s.

With reference to administrative and legal proceedings related to severe irregularities, i.e. involving a case of suspicion or established fraud, conflict of interest, double-funding or corruption, the SCF Unit will follow the procedure as described below. The MIS will be keeping an account of the reports issued by the different actors involved in the implementation of the SCF. It should be noted that, when dealing with a serious irregularity, the approach taken by the SCF Unit will be the same irrespective of the type of serious shortcoming. When a suspicion arises, the SCF Unit or any other body detecting the shortcoming will need to assess the nature and the severity. If the issue is serious and is deemed to be of criminal nature, the SCF Unit will report the case to the IAID in its function of AFCOS (Malta). The latter will carry out the necessary inquiries and, if criminal action is suspected, the case is forwarded to the Attorney General.

Effectively implemented, robust control systems can considerably reduce the risk of fraud, corruption, conflict of interests and double-funding but cannot completely eliminate it from occurring or remaining undetected. The Maltese Authorities will use the data mining tool (ARACHNE) that is available by the European Commission to detect risky operations. The fraud risk assessment exercise that will be undertaken periodically by the SCF Unit will provide risk responses which are proportionate to the risks identified to its specific situations.

When any relevant authority, including the Implementing Authority, or their members of staff, suspects that fraud, corruption, conflict of interests and/or double-funding, has occurred, they must notify their immediate superior. If it is inappropriate to raise the matter with the immediate superior, the concern should be raised with the Head of the Implementing Authority/Ministry/responsible authority. The official with whom the report was filed must immediately relay the message to the Head of the responsible authority.

The body reporting the suspected fraud, corruption, conflict of interests and double-funding, must act with caution in dubious situations which might lead to fraudulent transactions. In case of detection of possible forged documents, the EU Payments Unit is advised to temporarily stop all payments addressed to the supplier/contractor in question.

The body identifying or reporting the irregularity, suspected fraud, corruption, conflict of interests, or double-funding, should inform, in writing, the Permanent Secretary and/or Head of the Implementing Authority, and the IAID in terms of Article 16 of the Internal Audit and Financial Investigations Act (Chapter 461 of the Laws of Malta), which provides that if an entity has reason to suspect any irregularity and/or a suspected case of fraud of public funds, it shall refer the matter forthwith to the Director of IAID and shall supply the Director with all information in their possession relating thereto.

It should also be pointed out that the Protection of the Whistleblower Act (Chapter 527 of the Laws of Malta) affords protection to an employee who makes a protected disclosure about an improper practice committed by their employer or within the organisation. In addition to that, the SCF Unit - through a formal communication published on the Ministry's website – encourages any citizen to report immediately any suspect of mismanagement or potential corruption. The communication indicates clearly the contact point within the Ministry responsible for the management and control of EU Funds or within any other agency responsible for the management of the funds to refer to, and it reassures that the shared concerns will be treated confidentially and within a specified timeframe. Moreover, it is of significance to note that any citizen is afforded the opportunity to submit anonymous reports of improper conduct and wrongdoings directly through the Ministry's official website.

Investigation and Prosecution

Article 18 of the Internal Audit and Financial Investigations Act stipulates that "whenever, and as soon as the Director firmly establishes the existence of suspected cases of irregularities and, or suspected cases of fraud concerning the responsibilities of the auditee under review, the Director shall, if he is of the opinion

that the irregularity, if proved, would constitute a criminal offence, immediately inform the Attorney General". In this respect, the case shall be immediately brought to the attention of the Office of the Attorney General, which would determine whether the case should be continued to be investigated by the Financial Investigations Directorate (FID) or whether it could be taken up for a criminal investigation by the Economic Crimes Unit with the Malta Police.

IAID has been nominated as the AFCOS for Malta with respect to EU Funds. In this regard, the FID is the executive arm of IAID which fulfils the role of AFCOS Malta. The latter fulfils the roles of collaboration both with national authorities, and between national authorities and international partners, with respect to EU Funds in order to ensure that the necessary information is provided from the law enforcement bodies to the relevant stakeholders.

Reparation

Where the investigation report drafted by the Commissioner of Police concludes that criminal proceedings are required (i.e. it is confirmed that the suspicion of fraud, corruption, conflict of interests and double-funding, is factual) the Coordination Authority will recover the amounts wrongly paid or incorrectly used. This is to be considered as a proportionate and dissuasive sanction to tackling fraud in an appropriate manner.

Management Information System

The MIS is a centralised system used by the main stakeholders, such as the Implementing Authority, the Line Ministry, the Payments Unit, and FPD. Being a web-enabled application, the system is accessible securely to all authorised users over the Internet. The MIS is already fully operational and will be adapted for the implementation and monitoring of the SCF.

The MIS system is collecting and storing data on final beneficiaries, contractors, sub-contractors and beneficial owners and will continue to do so. The system is catered to collect standardised data in accordance with Article 21(2)(f) of the SCF Regulation which will be recorded so to ensure that relevant stakeholders can access it.

The MIS has the facility to generate a number of reports, including reporting on indicators, financial reporting (reporting on contracts signed and expenditure), reporting on payment claims submitted to the Commission and funds received, record on management verifications undertaken by the FPD and audits undertaken by the AA. The six main processes relating to the database are: programming, project management, contracting, payments, verifications and management of the payment claim. This ensures that data on the implementation of actions, financial aspects and information on Milestones and Targets is always readily available.

The user rights management system is based on a matrix made from functionality roles, payment roles and data groups. The system ensures the separation of functions. Functionality roles group a number of system functions together and are assigned according to the user's need within the system, while the payment roles are assigned according to the role of the organisation's data group in the payment process. The data groups identifying the organisations relating to a project are assigned at the project level, and a user may belong to more than one data group. The IT system shall record data on interventions and beneficiaries, as per requirements emanating from applicable rules.

The MIS stores, collects and records data in a computerised form on each action, including data on the final recipient of the Fund (the names of final recipients but also contractors, sub-contractors and beneficial owners), as well as the list of any measures for the implementation of reforms and investment projects and data fields as required under Article 21 of the SCF Regulation.

Although beneficiaries can insert the data on financial and physical progress on a continuous basis, they will be required, for verification purposes, to ensure input in the MIS within the assigned timeframes (i.e. bi-annually) of the financial data and physical data on each project, including data on final recipients as per Article 21(2)(d) of the SCF Regulation, progress on interventions as necessary for monitoring, evaluation, financial management, verification and audit. The information will be verified by the SCF

Unit, on the basis of which payment applications will be drawn up.

An adequate audit trail of the implementation of the SCF will be kept through MIS. All inserted, updated and deleted (if applicable) transactions carried out by the user are logged and stored. The following is a list of mechanisms found in the system which provide traceability and trail of changes and process:

1. In MIS, changes are being captured in audit database with the use of triggers on the main database;
2. A payment claim has to be authorised by different Authorisation levels prior to payment being executed.

User management and rights

Each user, including beneficiaries, must have an account in MIS, with a unique username and password, and the password must be changed on first authentication. Each user is assigned functionality rights and data rights:

1. Functionality: In MIS, users are assigned rights on different functions according to the needs and rights required, e.g. no view, read-only, insert, amend, administrator, etc.;
2. Data: In MIS, users assigned to data groups and can only view operations linked with that data group. Finally, all documents are uploaded in the MIS and stored within the database.

The collation of the data is gathered from/entered by beneficiaries namely through the measure descriptions and officially requested to be updated through regular progress reports or closure reports and embedded in the system.

The below are a list of various levels found within the database:

1. Programme Level, including Indicators, Milestones, Targets and explanatory documents;
2. Intervention Level, including Indicators, Milestones and Targets;
3. Procurement and Contracts Level, including documents;
4. Payment Claim Level, including documents;
5. Payment Authorisation Level;
6. Payment Claim Level;
7. Data on Indicators, Milestones and Targets;
8. Data on Final recipient of Funds;
9. Management Verification and Audits;
10. Irregularities;
11. Closure of Accounts.

Prevention of double-funding, corruption, fraud and conflicts of interests

Arrangements to Avoid Double-Funding

The SCF is designed in a way that outlines investments upfront. In this regard, the early identification of interventions already restricts the instances when the same investment project supported under the SCF would be considered for support from other sources of EU financing. The 2021-2027 Programmes under Cohesion Policy and other funding instruments are broadly advanced in the commitment process at the time of writing of the SCF, whilst the programming of funds post-2027 will materialise following the approval of the SCF and therefore following the identification of actions under the SCF. The centralised programming and implementation procedures adopted by Malta also minimise the risk of double funding at inception stage.

The Management and Information System in place for other funds, which is used to assess the risk of double-funding of all EU-funded approved operations, will also be used for the implementation of the SCF.

Before project approval by the Projects Selection Committee for Cohesion Funds and other shared management funds, the implementing units within the Ministry for EU funds are consulted on the possible risk of double funding. This process, ensures an ex ante prevention of double funding. Such exercise will also be carried out for the investments under the SCF following approval.

Each project that is being managed by the different Managing Authorities, all of which are under the responsibility of the Ministry responsible for EU funds, is recorded in an electronic system. The relevant Authority also undertakes a project-by-project assessment through an appropriately developed checklist to assess the risk of double-funding. The risk linked to double-funding for each operation is categorised as Low or High Risk, depending on feedback provided through the Inter-Ministerial Consultative Committee structure which provides direction on the demarcation between different Funds and Programmes, the information provided by the Project Selection Committee for Cohesion Funds and other shared management funds, and ARACHNE registered risks. The level of risk will determine the frequency of follow-up by the authority responsible for the monitoring of the project in question.

Through the lifetime of the operation, the Maltese Authorities will continue to undertake checks on double-funding including a request for all beneficiaries of funded operations and mainstream projects to provide a confirmation that no other funds have been requested/ received to finance the same or part of the same operation(s).

As mentioned above, in performing the checks, the Maltese Authorities also make regular use of the ARACHNE risk scoring tool. The ARACHNE's overall risk score, combined with the other criteria, will guide to establish whether there is underlying double-funding, and calibrate the checks accordingly.

As explained in this document, the possibility of double-funding is excluded at the programming stage. Moreover, during the SCF implementation period, the secretariat of the respective Project Selection Committees carries out another check to further ascertain that the possibility of overlap with support under all shared management Funds and the TSI is excluded. The fact that all EU-funding instruments (including the SCF) are coordinated by the same Ministry in Malta makes such an assessment more streamlined.

Identification and avoidance of risk

Following the adoption of the SCF, a risk register will be drawn up.

Questions/identified risks:

1. Are the national and European procedures and provisions relating to public procurement taken into account by the Implementing Authority for actions financed under the SCF when such procedures are required?
2. Are there reliable checks before the contract is awarded?
3. Is the person in charge of project management informed of national and European rules on public procurement?
4. Are procedures in place to ensure compliance with procurement rules?

Controls in place to manage the risk:

1. The Implementing Authority will be informed by the SCF Unit, through the agreement to be signed, of the obligation to comply with the rules on public procurement. Under the terms of the agreement signed by the latter, the Implementing Authority undertakes to comply with national legislation and the Union on public procurement;
2. Training will be delivered to all bodies involved in the implementation of the SCF;
3. Records related to the public procurement undertaken by the Implementing Authority is available through a centralised system that is managed by the Department of Contracts (DoC). DoC is the government body responsible to regulate and monitor the implementation of public procurement in Malta;
4. The SCF Unit will verify procurement procedures and contracts signed related to the SCF on a

sample basis.

Protection of the Union's financial interests, prevention, detection and control against fraud, corruption, and conflicts of interest

Questions/identified risks:

1. Has the funding provided been properly used in accordance with all applicable rules and have investments under the SCF been properly implemented in accordance with all applicable rules, in particular with regard to the prevention, detection and remediation of fraud, corruption and conflicts of interest?
2. Does the control system provide for appropriate measures to prevent, detect and correct any fraud, corruption and conflict of interest within the meaning of Article 61 (2) and (3) of the Financial Regulation that harms the financial interests of the Union, and initiate legal proceedings to recover funds that have been misappropriated, including with respect to any enforcement action implementing investments under the SCF?

Controls in place to manage the risk

Under Article 61(1) of the Financial Regulation, there is a conflict of interest when the impartial exercise and objective of the functions of a financial actor or other person is compromised for family, emotional, political or national affinity, interest, economic or for any other direct or indirect personal interest.

1. In accordance with the provisions of the aforementioned Article, all officials involved in the implementation of the SCF will be asked to sign a declaration of non-conflict of interest or declare any potential conflict of interest as soon as they are engaged on the project. The declaration must be re-submitted on a yearly basis to ensure continued compliance. Furthermore, a revised declaration must be submitted whenever any circumstances arise that may impact any official's conflict of interest, in relation to the ongoing project. The relevant hierarchical superior by delegation shall confirm in writing whether a conflict of interests is found to exist. When the existence of a conflict of interest has been established, the Head of the national authority from where conflict originates would need to ensure that the person concerned ceases all activities related to the matter concerned. The Head of the national competent authority also ensures that any additional appropriate measures are taken in accordance with applicable law;
2. The documentation related to the implementation of measures and investments under the SCF will be maintained in the MIS in order to ensure that the SCF Unit can undertake the necessary review to ensure that there are no false, inaccurate, or false statements or incomplete documents, resulting in the misappropriation or undue withholding of funds or assets from the Union budget or from budgets managed by the Union or for its account as a result of such actions.
3. In all cases, in the event of suspected fraud or corruption or in general any offense liable to be characterised at the criminal level, the SCF Unit will draft a report and submit to IAID for necessary assessment and action. The SCF Unit also submits copies of all irregularity reports to AFCOS Malta, who would assess each case. AFCOS Malta will then assess if it agrees with the SCF Unit on the classification of the irregularity and take the appropriate independent action as it deems fit in the circumstances;
4. The ARACHNE system is part of the prevention and control strategy detection of Commission fraud in the area of Structural funds. ARACHNE complements an existing database of projects implemented within the framework of Structural funds, already used by the FPD through public information in order to identify the riskiest projects, based on of a set of risk indicators. The Maltese Authorities will continue to submit data on a quarterly basis to the European Commission.

Risk and controls carried out during the management and monitoring of projects

Questions/identified risks:

1. Are the planning, methodology and monitoring of the authorities' management verifications in line with rules of the EU and of the Member States, and do they adequately guarantee the quality systems and the status of actions, both in terms of achieving objectives and use of resources?
2. Does the authority carry out follow-up on the progress of actions?

Controls in place to manage the risk:

1. The SCF Unit representatives will carry out desk reviews and go to the site during the implementation to assess the veracity of the implementation. The verifications are uploaded on the MIS;
2. Updates on progress will be asked from all beneficiaries on a biennial basis. Such updates include both quantitative and qualitative data such as financial data, indicators and data on the progress in achieving the Milestones and Targets;
3. The use of a centralised MIS will ensure consistency, reliability, and audit trail in relation to the implementation of the SCF.

Controls carried out during requests for reimbursement/payments to beneficiaries

Questions/identified risks:

1. Do the systems ensure that only payments which are due are made, that amounts are accurate and that the Union's resources are duly protected?
2. Are the requests for payments accurate?

Controls in place to manage the risk:

1. All payments are processed by the Implementing Authority through the MIS which will ensure that a basic level of documentation is included to support the payment;
2. The payments go through a two-tier level of control; each level is independent from each other;
3. Each layer will need to declare the correctness of the payment requested confirming that the information provided is true, correct and complete and that there is reasonable assurance that the expenditure is free from error.

Measures taken to avoid double-funding

Questions/identified risks:

1. Are there provisions to ensure that the risk of double-funding has been taken into account?
2. What measures are used to control this risk?
3. Does the SCF Unit have an adequate financial and accounting system in which all relevant transactions are recorded?
4. Does the MIS make it possible to identify those responsible for managing the project and the reasons for payment?

Controls in place to manage the risk:

1. An assessment will be undertaken by the SCF Unit for each action being implemented under the SCF to mitigate the risk that an operation financed under the Fund can be financed through more than one funding source;
2. The Implementing Authority will be asked to declare if any item of expenditure supported under the SCF is being supported also under any other funding source;
3. The Implementing Authority processes all the payments through MIS that will make it possible for

the payments to be checked remotely by the SCF Unit;

4. The projects/actions forming part of the SCF will be included in exchange of information between funding bodies and bodies responsible for EU-funded Programmes to verify that the same expenditure is not supported through different funding instruments.

Information on the effective tackling of risk, fraud, corruption, conflicts of interest and double funding through system audits and audits of operations are further outlined in Section 4.1.

Internal Control Procedures of the Implementing Authorities

With reference to the procedures of Transport Malta, it is to be noted that all staff involved in the development and administration of incentive schemes within Transport Malta undergo a Conflict-of-Interest vetting process which is handled by the Ministry responsible for transport. Furthermore, the approval process in relation to the scheme for enterprises is audited internally by the Authority, the Line Ministry and the Ministry responsible for EU Funds. Since the aforementioned scheme is similar to a scheme already being administered by Transport Malta under the RRP, a remote visit from the Commission Auditors was held in 2025 whereby discussions were positive in that the internal control procedures adopted by Transport Malta and the Ministry responsible for transport ensure that the financial interests of the EU are safeguarded.

Furthermore, the framework adopted by the Housing Authority is designed to ensure legality, regulatory, transparency and sound financial management, whilst also incorporating preventive, detective and corrective controls. The internal control procedures at authority level include the following elements, amongst others: control environment and a clearly-defined governance structure; risk assessment and mitigation; procurement controls; financial management and verification controls; monitoring and audit trail; prevention of fraud and conflict of interest.

With reference to the Department for Local Government, internal controls are a key aspect of governance in Local Councils. To this effect, the Local Government Division's Directorate for Finance and Procurement Compliance is tasked with ensuring that Local Councils adhere to Public Procurement Regulations and that resilient internal controls are in place. These are also evaluated by the National Audit Office which carries out regular compliance audits on selected Local Councils and financial audits on all Local Councils each year.

Apart from the information provided above, it is to be noted that a number of procedures are in place to manage the risk of fraud, corruption and conflicts of interest, including adherence to the Anti-Fraud Strategy, Circular OPM/OPM-EES/1/2025 on Conflict of Interest and Action against Fraud and Corruption, as well as detailed checks undertaken by the Managing Authority as the second level of control in line with the Standard Operating Procedures on both procurement procedures and recruitment procedures, focusing on checks relating to the Ultimate Beneficial Owner, the project team, the personnel involved throughout the procurement process, the selection committee members and the engaged employees.

In addition, the Financial Control Unit, as the third level of control, exercises oversight due diligence over the workings of the Managing Authority and ascertains that the different Managing Authorities work in tandem and along the established internal procedure, that is as per the Ministry's internal Standard Operating Procedure.

[1] Fondi.eu (n.d.), Anti-Fraud Policy and Strategy, https://fondi.eu/important-documentation/reference-documents/anti-fraud-policy-and-strategy/.

[2] Fondi.eu (n.d.), Circular OPM/OPM-EES/1/2025 on Conflict of Interest and Action against Fraud and Corruption, https://fondi.eu/important_documentat/circular-ops-opm-ees-1-2025-conflict-of-interest-and-action-against-fraud-and-corruption/.

4.6. Information, communication and visibility

Compliance with the provisions set out in Article 23 referring to public access to data, indicating the website in which the data will be published, as well as the information, communication, and visibility measures.

Outline of the intended national communication strategy aimed at ensuring public awareness of the Union funding.

Communication efforts are based on the criteria set out in Article 22(3)(j) of the Common Provisions Regulation[1] and the National Communication Strategy for Malta which encompasses the legal framework, defined objectives, experience in communicating EU Funds in previous programming periods, the existing framework, target audiences, key communication channels and messages, information and publicity measures, relevant indicators for monitoring and evaluation, budgetary allocation and timeframes.

Objectives and Target Audience

Publicity actions will be differentiated according to the target audience/s, ranging from the general public to more targeted multipliers of the communicated message, beneficiaries, implementing stakeholders, as well as the users of the infrastructure and training of the actions being supported. The 'target audience' shall include the following main groups:

- The Professional Public and Potential Multipliers of Information, including the media, information agencies, research or academic institutions, Local Councils, social partners and non-governmental organisations, trade and professional groups, potential contractors and economic operators, lobby groups and other organisations;
- The General Public, including different age groups, but also specific sub-groups through which particular programmes or measures are designed to benefit from;
- The Beneficiaries and Implementing Bodies of the actions being supported.

The objectives and implementation results of the SCF will be promoted through various communication channels such as audio-visual, social and web media, as well as print media, dissemination of promotional material, signage, and participation in local events, amongst others. The Communication Strategy shall also include the necessary means to advise and assist the respective beneficiaries to inform their main participants and the general public about the Union contribution towards the projects.

Communication Activities/Channels

Communication and visibility initiatives will be clear and focused whilst retaining flexibility to allow for any necessary changes to ensure a strong impact and the widest outreach possible through the available media platforms. Malta's single website, Fondi.eu, social media platforms and/or other events organised, will provide visibility of the initiatives funded under the SCF. In this regard, the objectives of any communication activity shall include:

- Awareness raising about the SCF and its scope;
- Communication and promotion of the adoption of the SCF, and any amendments thereto, as relevant;
- Promotion of the implementation of the SCF;
- Assistance to project beneficiaries in understanding publicity requirements and the fulfilment thereof; and
- Promotion of the role of the SCF, and the EU's contribution in meeting national objectives.

The above-mentioned objectives have one common envisaged result, namely that of enabling a coordinated, recognisable and easily understood message that highlights the impact of the SCF on the socio-economic well-being of the Maltese citizens.

Data and/or documents required to be made publicly available, in line with the requirements of the SCF Regulation[2] and the relevant Commission Guidance, will be published on a single website, Fondi.eu.

The Communication Coordinator established for Cohesion Funds will also serve as the contact point for the Commission and other Member States, and coordinate information and communication actions in relation to the SCF.

[1] European Union (2021), Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32021R1060.

[2] European Union (2023), Regulation (EU) 2023/955 of the European Parliament and of the Council of 10 May 2023 establishing a Social Climate Fund and amending Regulation (EU) 2021/1060, https://eur-lex.europa.eu/eli/reg/2023/955/oj/eng.

DOCUMENTS

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DNSH Assessment	Supplementary Information	15 Jul 2026	MT_SCP_DNSH	Ares(2026)7047514	DNSH Assessment	15 Jul 2026	Pace, Maria Pia
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