

Assessment of country performance and opportunities from the Energy Union

Malta shows good performance in two dimensions of the Energy Union: Concerning the *Internal Energy Market*, the completion of the electricity interconnector with Italy has put an end to the isolation of Malta's electricity grid from the rest of Europe. The interconnector, combined with two other projects which will be operational by the end of 2016 (a new gas-fired power plant and an existing one, converted to work with gas), would effectively terminate Malta's exclusive dependence on oil. In terms of *Decarbonisation*, Malta is on track to meet its 2020 targets for greenhouse gas emission reductions.

However, **Malta faces several challenges**. Regarding *Energy Security*, the country's still high dependence on oil imports puts pressure on the external trade balance (the country has the highest energy trade deficit in the EU). It also results in high electricity prices for consumers. On *Energy Efficiency*, although primary and final energy consumption decreased in 2005-2012, Malta is not on track to meet its 2020 target for final energy consumption. Energy efficiency investments in the transport sector can contribute to avoid costly traffic congestion, reduce energy consumption in this sector and bring climate benefits. Concerning *Decarbonisation*, Malta is still at risk of not meeting its 2020 renewable energy target. Developing renewable energy capacities would be instrumental in lowering the import dependency of the energy system. In the absence of more focused efforts on boosting domestic production of renewable energy and raising energy efficiency, Malta's energy import dependency will continue. In the area of *Research and Innovation*, Malta allocates a low share of its public support to R&D to the field of sustainable energy, low-carbon and environment. Furthermore, in terms of intensity of low-carbon technologies patents, Malta lags well behind the EU average and main international partners.

Against this background, the **Energy Union Strategy can provide potential benefits** for Malta:

- *Energy Security*: Diversification of the energy mix, in particular renewable energy, would reduce oil imports, contribute to job creation and further strengthen Malta's energy security situation.
- *Internal energy market*: Electricity interconnections such as the one with Italy will contribute to the much needed diversification of the energy mix, help control electricity prices and increase Malta's security of electricity supply.
- *Decarbonisation*: Use of the cooperation mechanisms with other Member States could be considered to facilitate the achievement of the 2020 target for renewable energy.
- *Energy Efficiency*: Malta should benefit from the targeted use of financial instruments for increased investments particularly in the transport and buildings sector, e.g. through European Structural and Investments Funds.