



THE MALTA CHAMBER

FEEDBACK BY THE MALTA CHAMBER

A 10-point Call for an EU Islands Pact

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Europe's islands and coastal communities occupy a **distinctive** position within the European Union.

The Malta Chamber of Commerce, Enterprise and Industry notes that island states like Malta, Cyprus and Ireland face persistent logistical connectivity disadvantages, relying heavily on maritime and air transport with limited alternatives. High transport costs and fragmented trade make exporters and manufacturers **uncompetitive within their own Single Market**. Overreliance on services and diseconomies of scale hinder island states diversification, leaving their economies narrow, fragile and exposed.

Small market scale compounds these pressures. Islands typically face **limited natural resource** endowments, elevated import dependency and insufficient domestic demand. **Spatial constraints** inevitably influence cost structures, investment feasibility and productivity outcomes.

Energy and environmental transitions intensify these asymmetries. Island energy systems frequently operate with limited diversification options, constrained renewable deployment potential and elevated generation costs. Simultaneously, climate and environmental legislation, including FuelEU Maritime, ReFuelEU Aviation and the EU Emissions Trading System; introduce compliance costs that **disproportionately affect territories wholly reliant on aviation and maritime connectivity**.

These realities align directly with the spirit and intent of Articles 174 and 175 of the Treaty on the Functioning of the European Union. Article 174 explicitly recognises regions facing permanent natural or demographic handicaps, including islands. [Declaration 33](#) under the same Article further clarifies that the term 'island regions' may include 'island states', in their entirety. **Legislative recognition must therefore extend beyond cohesion instruments alone because structural market failures within the Single Market requires targeted systematic regulatory responses.**

Equality and equity are not interchangeable. **Uniform rules applied to structurally unequal contexts are producing inequitable outcomes.** Treating different situations alike may appear neutral in legal design yet generate disproportionate economic burdens. Effective policy therefore requires proportionality, context sensitivity and flexibility.

In this context, The Malta Chamber of Commerce, Enterprise and Industry, respectfully calls upon the European Commission to advance a comprehensive **EU Islands Pact** that systematically addresses connectivity, competitiveness, energy, climate, mobility, and sustainability challenges. In line with the [Commission Work Programme 'Communication on islands and coastal communities \(non-legislative, Q2 2026\)'](#), we put forward our **10-point-plan**:

1. A dynamic assessment of Article 174 TFEU as 'a living policy principle', supporting the development of a dedicated **European Islands Policy Agenda** with clearly defined priorities.
2. A rigorous **cumulative impact assessment of climate and transport legislation on island territories, particularly island states**, evaluating combined economic, social and competitiveness effects.
3. A thorough **review and adaptation of EU State Aid rules**, leading to:
 - The creation of an islands-specific sub-category within regional State Aid frameworks¹,

¹ A specific category of State Aid for island states that allows for the subsidisation of freight costs for exported manufactured goods from Island States. This should not be viewed as a distortion of competition, but as a rebalancing of the internal market.



- Greater flexibility for aviation² and maritime transport undertakings serving routes to and from islands, and
 - Reconsideration of De Minimis Aid ceilings for island economies.
4. **Reassessment of competition and Public Service Obligation frameworks** to ensure connectivity safeguards reflect structural dependency rather than purely market metrics.
 5. Aviation and maritime fuels should remain permanently exempt from taxation under the **EU Energy Tax Directive**, as islands would still face indirect cost impacts given that not all goods arrive through direct routes.
 6. Adopt a **temporary freeze on EU ETS** and FuelEU for maritime transport until global decarbonisation frameworks, such as International Maritime Organization measures and International Civil Aviation Organization's CORSIA, are fully operational, while introducing an **'Islands Clause'** to reflect the structural connectivity constraints of island territories and ensuring the EU withdraws its regimes once a harmonised global system is in place³.
 7. Correction of unintended regulatory distortions, more specifically, the **revision of the Combined Transport Directive**, to mention an example, which penalises island operators for selecting longer, more sustainable sea routes⁴.
 8. Strengthen resilience instruments, including **adaptation of the EU Solidarity Fund** to reflect evolving climate risks and disaster exposure specific to island states, not just regions.
 9. Enhance **statistical data collection to support territorial proofing methodologies**, to ensure that legislative impact assessments rigorously capture island-specific effects in a timely manner within the EU legislative process.
 10. More focused support for **targeted investments in transport, digital connectivity, energy infrastructure**, and sustainable mobility systems essential to achieving climate neutrality without eroding competitiveness.

Island territories **require proportionate frameworks that recognise structural realities within the same objectives**. That is why the EU needs to move from uniform regulations to proportionate, geography-sensitive systematic policies, which are embedded into climate, energy and transport legislation.

That is why The Malta Chamber asserts that an **EU Islands Pact is the right tool which signals a binding commitment and accountability**, ensuring Member States and the Commission implement concrete measures, with safeguards, or exemptions, within an enforceable regulatory framework.

The Malta Chamber remains at the Commission's disposal to contribute constructively to this policy dialogue and to provide grounded insights from our island economies.

² We positively note that the Sustainable Aviation Fuel (SAF) mechanism under Directive (EU) 2023/958 represents a pragmatic example. For territories under 10,000 km², the Commission provided a tangible support measure which recognises connectivity as an economic lifeline for island states like Malta and Cyprus.

³ This targeted adjustment would preserve the environmental integrity of the ETS while preventing disproportionate economic burdens on peripheral island economies that lack viable transport alternatives. Absent such safeguards, carbon leakage will persist, whereby shipping lines re-route via nearby non-EU ports, particularly in North Africa, resulting in economic distortion without delivering any net environmental benefit. Aviation, like shipping, is a global industry requiring a global solution, which is already provided by ICAO's CORSIA. Yet intra-EU flights face higher costs than routes outside the EU, Switzerland, or the UK, directly undermining EU airline competitiveness. For EU islands, this creates a double disadvantage.

⁴ Cabotage limitations applied after extended maritime legs undermine efficiency gains from unaccompanied trailer models, something which is crucial for islands.