# FEEDBACK BY THE MALTA CHAMBER

# Malta's Energy Shift:
# A Sustainable Power Transition

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THE MALTA CHAMBER

# 1. Strategic Position

The Malta Chamber notes the Government's stated objective to transform Malta's electricity generation, importation, distribution, and consumption systems towards carbon neutrality by 2050. Electrification is central to this transition. Businesses are increasingly expected to electrify operations, invest in renewable energy, reduce emissions, and improve energy efficiency. This makes the reliability, capacity, and affordability of Malta's electricity system a central economic issue. The transition cannot be delivered if businesses are encouraged to invest in cleaner technologies while the supporting infrastructure, regulatory framework, and financing mechanisms remain underdeveloped.

The consultation document sets out an ambitious vision and identifies the right broad objectives, particularly affordability, security of supply, sustainability, and diversification. However, it does not yet provide a viable delivery plan. There is insufficient detail on how the measures proposed will be sequenced, financed, implemented, and monitored, or on which entities will be responsible for delivery. Malta cannot afford an energy strategy that reads as a catalogue of future projects while the immediate barriers facing businesses remain unresolved.

In practice, the private sector is already willing and ready to invest in renewable energy and energy efficiency, but too often encounters barriers that undermine the commercial viability of such investment. Grid limitations, opaque connection costs, unpredictable funding schemes, and unclear market rules are not minor administrative problems. They are structural barriers that directly affect whether businesses can participate in the transition at the scale required. If these issues are not addressed, the energy transition will remain constrained by the very systems that should be enabling it.

Malta must also be realistic about its circumstances as an island state. Its energy system must be planned around the need for security of supply, resilience against external shocks, and the avoidance of new forms of dependency. A stronger and more diversified energy mix is necessary, but diversification must strengthen national resilience and competitiveness. It should not simply replace one vulnerability with another. In this context, clean energy can support both sustainability and security, particularly where long-term costs are more predictable and exposure to volatile fossil fuel markets is reduced.

The first priority should therefore be to maximise the practical opportunities already available. Malta should make better use of industrial rooftops, reform renewable energy grants, improve grid connection procedures, upgrade the distribution network, and strengthen demand management. These are immediate and necessary measures. They should not be treated as secondary to larger projects that may take many years to materialise. Larger investments may have an important role to play, but they cannot substitute the need to remove the present bottlenecks that are already holding back investment.

The Malta Chamber therefore calls for the consultation document to be translated into a costed and time-bound implementation plan. Without this shift from aspiration to execution, Malta's energy transition risks remaining dependent on broad statements while the practical barriers facing businesses remain unresolved.

## 2. Affordability, Subsidies and Competitiveness

Stable energy prices have been important for households and businesses, particularly during periods of international price volatility. For a small island economy, energy affordability is a major competitiveness factor. It affects operating costs, investment decisions, and the ability of local businesses to compete. However, affordability cannot continue to rely primarily on untargeted public subsidy without a clear long-term strategy. Such subsidies carry fiscal and environmental risks, while also weakening the incentive to invest in energy efficiency and reduce unnecessary consumption.

There is also an important opportunity cost. Public funds used to suppress conventional energy prices could instead be directed towards infrastructure that reduces Malta's long-term exposure to energy risk. This includes renewable energy generation, grid reinforcement, storage, demand management, and industrial decarbonisation. Government must be clear that a trade-off exists between maintaining broad subsidies and investing in long-term energy resilience. This does not mean that support should be withdrawn abruptly, but it does mean that Malta needs a more credible pathway towards a system that is less dependent on such subsidies.

The Malta Chamber therefore considers that Malta must also have a plan for the eventual reduction/phasing out of subsidies that may be required, through a carefully managed transition that does not undermine business competitiveness. Subsidies on conventional energy should remain available as a strategic safeguard in exceptional circumstances, particularly where external shocks threaten affordability. They should not, however, remain the default tool through which energy stability is maintained. The long-term objective should be to shift from passive consumption support to strategic resource security, using public funds to build a cleaner and more resilient energy mix.

This shift should be supported by a dedicated industrial decarbonisation scheme. Malta should draw on successful European models, including those applied in Germany and Spain[1], to help businesses invest in cleaner technologies, renewable energy integration, low-carbon production processes, and energy-efficient equipment. Such support is necessary to ensure that local industry is not placed at a disadvantage while competitors in other European countries benefit from stronger decarbonisation measures and more effective state-aid mechanisms.

[1] https://ec.europa.eu/commission/presscorner/detail/en/mex_26_1042 and https://ec.europa.eu/commission/presscorner/detail/en/ip_26_997

## 3. Grid Capacity and Enemalta Procedures

The Malta Chamber has long called for sustained investment in electricity provision and in the distribution network. While the consultation document refers to infrastructure investment, the scale of the challenge requires a much more concrete Energy Investment Plan. This plan should be developed in consultation with the private sector, based on realistic growth projections, and supported by clear milestones, costings, and delivery responsibilities. It should also be reviewed annually, both technically and financially, so that it remains aligned with the country's actual needs.

The distribution network must be planned for Malta's requirements over the next three decades. It is not enough to address current demand. The grid must be capable of supporting economic growth, increased electrification, electric mobility, cooling demand, renewable energy integration, and bi-directional flows as more businesses and households generate their own electricity. Power cuts, grid instability, delayed connections, and insufficient capacity are not abstract infrastructure concerns. They directly affect business operations, reduce productivity, damage investor confidence, and weaken Malta's attractiveness as a place to invest.

A central concern is the current approach to grid connection and system upgrade costs. Businesses that are willing to invest in renewable energy often find that the return on investment is weakened, or made unviable, because they are required to pay for cable works, substation upgrades, or other connection-related infrastructure. In other cases, businesses are forced to downscale projects to match the capacity of the existing substation. This approach is inconsistent with the stated objective of increasing the share of renewables. If Malta genuinely wants more private investment in clean energy, the grid connection framework must enable that investment rather than obstruct it.

The current system also lacks transparency. Connection fees can increase substantially, sometimes even after a quotation has been issued, with limited explanation provided to the business concerned. Enemalta operates as the sole provider in this space, which means that companies cannot seek an alternative provider or mitigate the cost through competition. Quotations are also often presented as lump sums, without sufficient detail on the underlying cost components. This is not acceptable for companies making long-term investment decisions, since a business cannot properly assess an investment when a major cost item is opaque, variable, and largely outside its control.

The Malta Chamber therefore calls for transparent and itemised connection quotations, supported by a clear and consistent methodology for cost allocation. Timelines for connection works should be defined, and there should be a review mechanism where costs appear disproportionate or insufficiently explained. Government must also clarify how grid upgrade costs will be shared between individual investors and the national system, particularly where an upgrade does not only benefit one business, but supports wider renewable energy integration.

## 4. Renewable Energy Grants and Investment Certainty

Renewable energy deployment is being held back by the design of current grant schemes. The recent PV grant allocation was taken up within a very short period. This demonstrates that business interest exists, but it also shows that the funding model is inadequate. A first-come, first-served system creates uncertainty, particularly when schemes open and close rapidly. Eligible applicants may be excluded not because their projects lack merit, but because the scheme is exhausted before they are able to complete the process.

The current model also weakens the renewable energy sector more broadly. During periods when funding is unavailable, demand slows and businesses delay investment decisions. This is not compatible with a serious national effort to increase renewable energy uptake. If Government wants businesses to invest consistently, support schemes must also be consistent. The Malta Chamber therefore calls for an open rolling-call system for renewable energy grants, allowing applications to be submitted throughout the year, with periodic evaluations. This would provide fairer access and allow businesses to plan more effectively.

The budget for renewable energy support should also be dynamic and should scale according to demand and national targets. Strong take-up should be treated as evidence that businesses are ready to invest, not as a reason for schemes to close within days. A transparent digital dashboard should also be introduced, allowing applicants to view the status of their application, their position in the queue, the funds available, and the expected processing timeline. This would greatly improve trust in the system.

Malta also needs a renewable energy roadmap covering at least the next three to five years. This should set out expected funding envelopes, support schemes, feed-in tariff structures, implementation timelines, and grid capacity considerations. Funding support is of limited value if viable projects cannot connect to the network, or if businesses are unable to assess the likely return on investment. Businesses need visibility to make informed investment decisions.

## 5. Industrial Rooftops and INDIS

Industrial rooftops remain one of Malta's most obvious underutilised opportunities. It is unacceptable for suitable roof space in industrial estates to remain unused while Malta continues to struggle with renewable energy uptake and limited land availability. Government should prioritise the productive use of existing industrial space as a practical way of increasing renewable generation without taking up new land. This should be treated as a core part of Malta's renewable energy strategy, not as an optional or peripheral measure.

INDIS policies should therefore be revised to actively enable investment in photovoltaic systems on industrial rooftops. Any rental charges for PV installations on INDIS roof space should be removed, as the current approach weakens the investment case for businesses that are willing to generate renewable energy from their premises. The policy framework should

instead reward the productive use of suitable industrial rooftops, while introducing appropriate disincentives where such space is left idle despite its potential contribution to national renewable energy objectives.

Businesses operating from INDIS-administered sites should also be treated consistently. They should be able to adjust or expand PV installations over time as their energy needs change, particularly where this supports efficiency improvements or greater renewable energy generation. Administrative procedures and cost rules must therefore be clarified to ensure consistency when applications are reviewed. Businesses should not face uncertainty over the terms that apply to renewable energy investment.

Coordination between public entities must also improve. The Planning Authority, Enemalta, Regulator for Energy & Water Services, Energy and Water Agency, and Malta Enterprise should share information more effectively so that businesses are not left navigating fragmented procedures. Grid capacity and technical feasibility should be considered early in the process, rather than after a business has already invested time and resources into a project. A more coordinated approach would reduce delays, improve certainty, and make it easier for businesses, especially SMEs, to identify the most suitable support measures and investment pathways.

## 6. Market Reform, Green Tariffs and Demand Management

The Malta Chamber notes the Government's intention to retain Malta's single-supplier framework under the applicable derogation. However, if the derogation is extended, this cannot be used as a reason to delay market planning. Malta should begin preparatory work for the post-2035 framework without any further delay, supported by early-stage mapping, structured stakeholder engagement, and regulatory transition planning. The country should not reach the end of the derogation period without a clear and orderly plan for what comes next.

The Malta Chamber also calls for a review of industrial night-time electricity tariffs. The current structure should be adjusted so that more businesses can benefit from off-peak operation where this is technically and commercially possible. Lower eligibility thresholds would encourage uptake and help reduce pressure on the grid during peak periods. This should be treated as a practical demand management measure that can improve the use of existing infrastructure while supporting business competitiveness.

Malta should also introduce a green electricity tariff. Consumers and businesses should be able to purchase certified renewable electricity from the national system, supported by a clear tracking and accounting mechanism. This is particularly important for businesses subject to CSRD requirements, as well as for companies that are voluntarily pursuing Net Zero objectives. These businesses need a credible way to account for renewable electricity use where direct on-site generation is not possible or sufficient.

Demand management must also become a more serious part of energy policy. The grid should be upgraded to support bi-directional energy transfer, including vehicle-to-grid systems and bi-directional charging stations. Electric vehicles and other distributed assets should be able to supply excess energy back to homes, businesses, and the grid. This proposal has long been advocated by The Malta Chamber, and should now be treated as part of Malta's storage and demand management strategy, not as a distant concept.

Interconnectors can strengthen security of supply, but they should not be presented as an emissions solution on their own. Imported electricity may reduce Malta's territorial emissions, but it may also shift emissions elsewhere. This does not undermine the role of interconnection, but it does reinforce the need for transparent carbon accounting and stronger local renewable generation. Similarly, hydrogen-related infrastructure should only support green hydrogen. Malta should not lock itself into future dependencies that undermine its decarbonisation objectives.

Battery storage must also be treated as a central part of the future energy mix. As renewable generation increases, storage will be essential to address intermittency, improve grid stability, and make better use of locally generated clean electricity. Malta therefore needs a clear storage strategy covering utility-scale batteries, commercial storage, distributed batteries, and vehicle-to-grid systems. Storage should not be treated as an add-on. It is a core requirement for a higher-renewable electricity system.

## 7. Conclusion

The Malta Chamber reiterates that Malta's energy transition is necessary, but it must now move from broad ambition to disciplined execution. The consultation document identifies important objectives, but it does not yet provide the delivery framework needed to give businesses confidence.

The priority must be to remove the practical barriers that are already holding back private investment. These include grid limitations, opaque connection costs, unpredictable grant schemes, underutilised industrial rooftops and insufficient market planning.

Government must treat the energy transition as a competitiveness and resilience agenda. It must provide clear timelines, transparent procedures, targeted support and stronger coordination between public entities. It must also invest in the infrastructure needed for businesses and households to participate effectively.

Without these changes, Malta risks asking the private sector to decarbonise while failing to provide the conditions and framework that make decarbonisation commercially and operationally viable.

# Appendix A - Key Issues Raised on the Draft INDIS PV Panel Policy

The Malta Chamber considers that the overarching objective of the INDIS PV Panel Policy should be to maximise renewable energy generation from currently unutilised industrial roof space, while ensuring that the policy design does not inadvertently discourage energy efficiency improvements or lead to suboptimal system sizing.

INDIS-administered industrial premises are intended to support productive economic activity. Where manufacturers operating from leased factory premises install rooftop photovoltaic systems and derive value from the electricity generated, this strengthens both their sustainability performance and their cost competitiveness. This is particularly important for export-oriented manufacturing, which operates within a highly competitive international environment. Any revenue share or additional charge retained by INDIS has a cumulative impact and directly influences the cost structures and margins of tenant operators.

The policy framework should therefore reflect the commercial realities faced by manufacturers in leased premises. It should facilitate investment and maximise rooftop utilisation, rather than introduce financial disincentives that may constrain deployment.

A key concern relates to the treatment of different tenant categories and installation models. The policy distinguishes between four pathways: own consumption only for tenants holding an emphyteutical deed, full export under a feed-in tariff for tenants holding an emphyteutical deed, partial export under a feed-in tariff for tenants holding an emphyteutical deed, and lease agreements where feed-in tariff eligibility is not allowed and only a proxy mechanism is available. The implications of these different pathways should be clearly explained, since they materially affect the investment case for businesses.

The absence of feed-in tariff eligibility for lease agreements raises particular concern. Tenants operating under lease agreements should not be placed at a disadvantage when compared to tenants holding emphyteutical deeds, particularly where both categories may be willing to invest in rooftop PV systems. If leaseholders are unable to access any form of feed-in tariff arrangement, this may deter investment altogether or encourage businesses to undersize installations in order to avoid generating uncompensated surplus electricity. This would leave rooftop potential underutilised and would run counter to the objective of maximising renewable energy deployment.

The policy should also avoid creating a disincentive for businesses to invest in energy efficiency. Companies may initially install PV systems designed around existing electricity demand, but may later reduce consumption through efficiency improvements or operational changes. Without access to a feed-in tariff or an equivalent mechanism for surplus generation, the electricity saved through efficiency improvements would not generate an additional return. This weakens the business case for continued investment in energy efficiency and could encourage businesses to depend on PV systems until end-of-life, rather than pursue a planned and gradual investment pathway in wider sustainable solutions.

Another important issue is the absence of clear system upgrade pathways. Companies may wish to expand installations, replace panels due to technological improvements, or adapt system design following changes in energy demand. The policy should clarify what constitutes routine maintenance, which should not require further approval, and what would be considered a system modification requiring reprocessing and approval by INDIS. Without such clarity, businesses face uncertainty in long-term planning, which may discourage further investment once an initial system is installed.

The policy should also clarify whether tenants holding emphyteutical deeds may move between the different installation pathways over time. For example, a company that initially installs a system for own consumption may later be able to export electricity following energy efficiency improvements or operational changes. The absence of guidance on whether such transitions are allowed, and under what conditions, introduces unnecessary uncertainty.

The full export model also requires further clarification. Under this model, electricity generated from rooftop PV is not used by the tenant occupying the premises, but is exported under a feed-in tariff arrangement. This effectively treats rooftop PV as a standalone commercial activity rather than an extension of on-site energy use. This raises questions as to whether the policy objective remains focused on self-consumption and decarbonisation, or whether rooftops are being treated as revenue-generating assets. This is particularly relevant given previous concerns relating to state aid implications for such full export models.

For partial export models, the policy should specify whether companies are required to first meet their full on-site electricity demand before exporting electricity to the grid. This has implications for system sizing, fairness between applicants, and alignment with energy efficiency objectives.

There are also inconsistencies in the way exported electricity charges appear to be applied. In the full export model, the charge appears to be fixed in advance, while in the partial export model, the charge appears to be based on a percentage of income earned through the feed-in tariff. In practice, partial export installations may export more electricity than full export installations, depending on roof size, panel efficiency, and the tenant's operational energy intensity. The rationale for the different charging structures should therefore be clarified. In addition, the supporting presentation refers both to a fixed annual charge for full export and to a charge linked to internal rate of return, which creates uncertainty as to whether the charge is fixed or performance-linked.

The proposed roof rate applicable to lease agreements also requires clarification. The policy should specify whether the rate applies only to the roof area physically occupied by PV panels or to the entire roof area of the premises. It should also clarify how the rate would be applied where PV coverage increases over time, including whether additional roof space would be charged at the original rate or at a revised rate applicable at the time of expansion.

Further clarity is also required on roof leasing arrangements in more complex occupancy structures. In certain cases, companies may not currently be charged a roof rental fee because

they constructed the facility themselves and only rent the underlying land. It is unclear whether roof space may be leased to third parties, or only to the tenant occupying the premises. In cases where an emphyteutical deed exists for the top floor and roof only, the policy should clarify what options are available to companies occupying lower floors, including whether roof space may be sub-leased and to whom lease payments would be due.

Finally, the policy should clarify how associated infrastructure costs, including substations and related grid upgrades, will be treated. These costs may represent a significant capital expenditure for businesses. It should therefore be clear whether such costs are to be borne by INDIS, the applicant, Enemalta, or another entity, and whether the investor would retain any ownership or usage rights over infrastructure funded through the investment.

Overall, The Malta Chamber considers that INDIS policies should enable, rather than constrain, investment in photovoltaic systems on industrial rooftops. The policy should provide clear and consistent rules for all tenant categories, remove unnecessary financial disincentives, support full utilisation of available rooftop space, and ensure that businesses can continue to invest in renewable energy and energy efficiency over time.

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