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CAA POSITION PAPER ON THE EU CLEAN INDUSTRY DEAL & AFFORDABLE ENERGY PLAN

MARCH 2025

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Summary of the Communications

Clean Industry Deal
brings together climate action and competitiveness

A framework to become a decarbonised economy by 2050, with intermediate target of 90% by 2040 by focusing on

Energy-intensive industries

Clean Tech Sectors

Main Areas of Clean Industry Deal	Indicated EU initiatives related to climate action
1. **Affordable Energy** (and the accompanying Affordable Energy Plan)	a. EU electrification plan (including transport & build-ings) b. EU heating & cooling plan c. SET plan steering group d. Revision of the governance regulation to evolve NECPs into strategic investment plans
2. **Decarbonised products** tackling demand and supply	a. ETS review and consideration of carbon capture b. Decarbonisation Accelerator Act – to tackle permitting, Adoption of resilience and sustainability criteria for energy-intensive sectorsIndustrial voluntary label on carbon intensity of industrial products and Life cycle assessments c. Delegated Act on low-carbon hydrogen
3. **Financing** investment costs	a. Innovation fund to finance Industrial Decarbonisation Bank b. Leveraging private investment through EIB

Main Areas of Clean Industry Deal	Indicated EU initiatives related to climate action
4. **State Aid Framework**	a. Review of General Block Exemption Regulation b. Recommendations for corporate tax systems to favour clean energy c. Paired with further action to scale down and phase out fossil fuel subsidies (e.g. within EU semester)
5. **Circular Economy**	
6. **Global Markets**	a. Comprehensive review of Carbon Border Adjustment Mechanism report
7. **Ensuring level-playing field starting with the 5 identified priority sector:** automative industry, steel and metals industry, chemicals industry, transport sector and bioeconomy	a. Industrial action plan for the automative industry b. Sustainable Transport Investment Plan

General Position

Competitiveness and Climate Action

A strong economy is key to sustainable development and climate action. However, economic competitiveness should not come at the cost of climate commitments. The Clean Industrial Deal, building on the EU Green Deal, aims to achieve climate neutrality while strengthening the EU's economy. Without a strong economy, the EU's climate goals cannot be met.

Key Benefits of the Clean Industrial Deal:

- Lower energy costs and a faster transition to clean energy.
- €100 billion investment in cleaner industries through new financing tools.
- Reduced bureaucracy with simpler rules and emission controls on imports.
- Support for EU-made products through public procurement and carbon labelling.
- A stronger circular economy.
- Increased investment in a skilled workforce.

While the deal aims to boost European competitiveness, each Member State faces unique challenges. For Malta, maintaining competitiveness is crucial, given its reliance on global markets. The Clean Industrial Deal must recognize the specific needs of small island states to ensure a fair transition.

Malta's Climate and Energy Strategy

The Clean Industrial Deal primarily targets energy-intensive industries. However, since Malta has limited heavy industry, decarbonizing transport and buildings is a top priority. This is reflected in Malta's updated National Energy and Climate Plan (NECP 2025).
Malta is already supporting decarbonization through various initiatives, including:

- Grants for renewable energy and PV systems.
- Feed-in tariffs and sustainability schemes.
- Green mobility programs.
- Incentives for businesses to invest in renewables.

These efforts align with EU energy policies, but Malta advocates for flexibility in policy and financing to ensure no Member State is left behind.

Post-2030 Climate Action and Competitiveness

The **Fit for 55** package supports the EU's goal of reducing emissions by 55% by 2030, paving the way for climate neutrality by 2050. Malta has consistently emphasized the need for fairness, cost-effectiveness, and flexibility in achieving these targets.
As a small island nation, Malta depends heavily on external industries, making it essential for the Clean Industrial Deal to reflect its specific challenges. The government will continue to push for balanced policies that ensure both environmental ambition and economic fairness. Regulations should drive real change rather than add unnecessary burdens on businesses.

Strategic Approach

Malta will actively engage in discussions, advocate for its competitiveness, and ensure that the Clean Industrial Deal is **ambitious, just, and cost effective** supporting both Malta's economy and its transition to a cleaner future.

Key Elements

most relevant to climate action that the Maltese government should be looking out for:

1. EU Electrification Plan

Malta's economy is highly electrified, with most activities relying on a single Distribution System Operator. As an isolated island, strengthening its electricity network and expanding interconnections are vital for energy security and resilience. Electrification remains a key priority for decarbonization, with efforts focused on electric vehicles, shore-to-ship power, and a second interconnector. Malta supports this initiative and advocates for further assistance in grid enhancement

2. EU heating and cooling plan

Cooling is Malta's primary concern due to significant health risks. Centralized cooling systems are not feasible, so households and offices rely on individual units, making emissions reductions challenging. Some cooling technologies contribute to Malta's renewable targets. Government should ensure that both climate and energy needs are addressed in a holistic approach to decarbonization.

3. Review of the Governance Regulation

Malta supports the revision of the Governance Regulation to streamline reporting and administrative processes. A simplified framework that allows flexibility in achieving energy and climate targets is ideal while ensuring it aligns with the post-2030 policy framework.

4. ETS review and carbon capture

Whilst Malta recognizes the effectiveness of this climate action tool in reducing emissions at EU level, emissions levels from the power generation plants, which fall within the ETS, have reduced significantly following the switch from heavy fuel oil to LNG in 2016. The inclusion of international maritime transport in the ETS disproportionately affects Malta due to its reliance on imports. Concerns also remain over the ETS expansion to transport and buildings, with ongoing assessments of its economic impact. Waste-to-energy facilities are included in Malta's projections but are not major contributors. Carbon capture has limited feasibility due to Malta's lack of heavy industry. These concerns must be considered in the upcoming review process.

5. Innovation Fund and related funding elements

Despite dedicated EU funding for decarbonization, Malta has struggled to access these funds due to project scale, application capacity, and private sector awareness. Therefore, it is of benefit to Malta that it continues advocating for more geographical balance in the distribution of these funds and other similar funding earmarked through ETS revenues.

6. State Aid Framework

Greater flexibility in applying state aid for decarbonization projects is welcome, along with process simplifications that maintain transparency. Existing projects must not be compromised by regulatory changes.

7. Tax and Subsidies

Tax incentives for green products should allow flexibility for small island states. While fossil fuel subsidies should be phased out, country-specific contexts must be considered. Alternatives to fossil fuels must be accessible both financially and physically. As stated in Malta's NECP, Malta, as part of the EU, has committed within the international fora 'to accelerate efforts towards the phasedown of unabated coal power and phase-out of inefficient fossil fuel subsidies'. Malta remains committed to reducing greenhouse gas emissions but has no immediate plans to phase out energy subsidies.

8. Cross Border Adjustment Mechanism

As an island dependent on imports, Malta has concerns about CBAM's economic impact. While addressing carbon leakage is important, CBAM's administrative burden and cost implications must be carefully assessed. Future expansions and interactions with the ETS should consider Malta's limited domestic production.

9. Automative Industry Plan

Transport emissions in Malta are expected to remain a challenge, despite electrification efforts. Challenges include reliance on sea and air connectivity, lack of mass transport systems, and small market size driving up costs for clean technologies. Malta supports the EU's zero-emission vehicle regulations to improve accessibility. While Malta does not produce vehicles, local companies contribute to the supply chain, and their concerns should be considered. Whilst the country remains committed to promote electrification of vehicles including through regulatory policy frameworks, it also stresses the need for price convergence between electric and conventional vehicles for this to materialise in Malta.

10. Sustainable Transport Investment Plan

The commission clearly intends to provide short-and medium-term measures to prioritise support to specific renewable and low-carbon fuels for aviation and waterborne transport. As was emphasized during the Fit for 55 discussions, particularly on the introduction of ETS maritime. It is recommended to seek clarity on this plan and its scope. Malta depends on international maritime and aviation transport, which are not mainstream EU characteristics. Clarity on this plan's scope is needed to ensure it supports island nations with unique transport dependencies.

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