NOTIFICATION FROM THE MALTESE AUTHORITIES TO THE EUROPEAN COMMISSION – DG COMPETITION

Draft 17 June 2016

NOTIFICATION OF THE TRANSACTION AGREEMENTS IN RELATION TO THE MALTA DELIMARA GAS AND POWER ENERGY PROJECT

SA.41355 (2015/PN) – Malta Energy Project

consultation or other appropriate instruments to take the interests of users and providers into account".[62]

250. As previously explained at length at paragraphs 79 to 103 above, the economic and financial justification for the Measures has been the subject of a gated process in which the business case has been progressively updated and reviewed as the Project moved from the initial conception stage to the final commercialization phase.

251. As a reminder, it is only following public consultations, third parties reports as well as extensive studies and analyses that Enemalta concluded that a new 215MW gas-fired CCGT plant, sourced by a local gas terminal was the best available option in order to ensure diversity of sources and security of supply, whilst allowing Malta to meet EU environment requirements at the lowest generation cost.

252. The origins of the Project date back to the EGP which examined several power generation options and concluded that the CCGT was the only generating plant able to comply with the present expected emissions limits in 2020.

253. The EGP also explored a variety of alternative fuel configurations that could potentially be used for power generation in Malta but considered that NG provided the right balance addressing both economic and environmental concerns.

254. Enemalta had thus the necessary elements at hand to consider an optimal solution involving the operation of a CCGT fuelled through NG. This was explored further through a study commissioned by Nexia BT, which concluded that the new energy mix would lead to an annual cost savings of around €143 million per year.[63]

255. Having established the economic, commercial, technical and environmental viability of the Project, Enemalta came to the conclusion that the most appropriate manner in which the Project could effectively be implemented was through the issue of a PPA and a GSA.

256. Indeed, with significant investments made in the construction and development of both the interconnector and Delimara 3, the implementation of the Project through in-house development would have significantly increased the indebtedness and hence the gearing ratio of Enemalta.

257. Whilst not being considered as an entity in difficulty, Enemalta had accumulated debt in the region of €800 million and during the year 2012 incurred operating losses in the region of €70 million. Also, Enemalta did not have the required knowledge and

[62] Para. 14 of the SGEI Framework.

[63] see footnote 26