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Avoiding Credit downgrades

Malta Independent

Thursday, 24 June 2010, 00:00

Last update: about 15 years ago



Enemalta is in talks with a number of international banks to create a special financial instrument to avoid being credit downrated by the credit rating agencies and so have its loans at a higher interest rate.

Minister Tonio Fenech gave details of this and of Enemalta's financial situation when he yesterday began a two-sitting debate in the House of Representatives on Enemalta's financial estimates.

The financial instrument will be big, as much as e500 million. It will be as if Enemalta put its debts outside itself and this in turn is rented out to the corporation. The debt will be repaid in 25 years' time.

Meanwhile, Enemalta will be able to go for further loans but the cumulative impact of its debts will be split as otherwise the credit rating of the corporation will be shot down and interest payments will rocket sky-high.

The minister also announced that 60 per cent of next year's oil have already been booked and that the price it has been fixed at is slightly lower than this year's. However, to ward off undue optimism that prices may come down, the minister factored in the price of the dollar.

In particular, last year the oil purchased for Malta was around \$81 a barrel whereas next year's has been booked at around \$79. But the dollar versus the euro has gone up by some 20 per cent. While a weak euro is good for exports (but only to outside the EU, whereas Malta's exports is mainly to the EU), a weak euro is bad news for those like Malta who purchase oil in dollars.

open minister said that the policy about Enemalta and oil is just the same as that practiced by any

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Enemalta could not make a profit. People expected energy bills to be cheap. Mainly, people expected the energy costs to be the cost of the oil used and Enemalta's recurrent expenditure. But Enemalta had to pay its debts as well.

Three years ago, the government decided strategically to go for full cost recovery.

We cannot expect our children to pay for the investments we make today, the minister said. "I do not want to leave this as my inheritance to my two children," Mr Fenech said. Enemalta is today investing for the coming 30 years but it would be unfair to let this investment to be paid for in 30 years' time. Otherwise, Malta would be going the way of Greece.

This is also a legal obligation, because Enemalta by law is forbidden from making any losses. Any social responsibilities must not be carried by Enemalta but by society.

The government has also helped by giving out some e10 million to families to help them cope with energy bills. The cheques will arrive to homes in July. Other government help was in help to get photovoltaic systems and solar heaters.

Widening his speech to a macro-economic basis, Mr Fenech said that Malta has to choose: it either increases taxes to cope with additional expenditure for education, health, social security, and investment. But this government is against increasing taxes: on the contrary for three successive years it has cut taxes, specifically income tax and e152 million are back in people's pockets.

Or else we pay for what we consume. Why should we pay for those who do not pay? Nobody owes us a living.

The government in Malta took the right decisions in time and that is why Malta is not facing an additional burden.

Joseph Muscat last October warned that the economy of Malta would take a beating, that unemployment would go beyond 7.5 per cent. On the contrary, today we see that the economy is stable and sustainable. We do have government debt, but this is 69 per cent whereas Greece's is around 160 per cent. And unemployment is on the way down: the rise in unemployment had been the lowest in the eurozone and now it is on the decrease.

Nor is it true that the government hiked the rates because of the country's deficit: on the contrary the deficit would be far worse had the rates not carried the full cost.

Nor would it save matters if the government holds off from some of its investments, such as Renzo Piano's plan for Valletta. It would take five Renzo Piano plans to pay for the oil import for a year.

What industry looks for is stability in prices.

Consumers get 45 days to pay their dues and if they do not pay only then do they get to pay 6 per cent interest but Enemalta does not get any 45 day to pay its debts and each day it pays its interests on its dues.

People on energy benefits will not get their electricity cut, but each case is investigated: in one case four TV sets were found in a home that claimed it could not pay its dues.

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Each listed Enemalta's investment plans, e165 million will go for the new power station

boiler size.

If the country's finances can afford it and the country so desires, it will also be possible to switch from fuel oil to gas. Talks are ongoing with Italian bodies on ensuring a gas supply even though there are constant fears of shortages, such as happened because of the spat between Russia and Ukraine. Or else we set up gas tanks here, but visually these will be horrendous – they will swamp the Delimara power station. Or else a risky system of getting gas supplies by means of ships.

The tender for the Malta-Sicily interconnector is being processed. This will enable Malta to get 200 MW from the European grid. While Joe Mizzi has been saying the cable is unobtainable from Sicily, this can easily be checked from a specific website.

The connector will be 95km long and will long Bahar ic-Caghaq and Pembroke to Marina di Ragusa and will be laid at a depth of 160 metres. It will cost e200 million, of which only e25 million will be paid by the EU. The prices on the European grid will be somewhat cheaper than the prices of electricity today, some 10c a unit compared to our 16c but one must factor also some 2 or 3c more for the cable.

Other projects include distribution centres in Mosta, Valletta, Kirkop, and Marsascala, costing e10 million in all.

A further investment will be in an electronic switching system that enables the power station to respond to power cuts and to refire the boilers rather than manually. There will still be power cuts as Malta has only one power station and cannot switch from one to another.

Marlene Pullicino attacked the government on the power station extension and all that has happened at the various Mepa hearings. It was the Alfred Sant government which practiced the cost recovery principle and it was attacked by the PN opposition for losing its social conscience. The Opposition said it was not the time to push the rates so high up and it has been proved right, as can be seen from the newspaper reports that people cannot cope with the rates. There is also the problem with people's health, as evidenced by the black dust saga.

Gino Cauchi said Enemalta has become a byword for power cuts, a bad power station extension and also corruption. Minister Tonio Fenech is facing criticism which is more aimed at his predecessor, Austin Gatt, than at his doing. Mr Cauchi also focused on recent surveys which said that 13 per cent cannot cope with electricity bills: that means 52,000 persons. 61 per cent say they are struggling to make ends meet and 31.8 per cent say they are constantly struggling.

Mr Cauchi launched a full scale attack on ARMS Ltd. Parliamentary questions have elicited the information that 600 were agreeing on a repayment scheme a month and service to 2,300 households were cut because of non-payment. They also have to pay increased charges to get the service back.

Only last April, as a result of his parliamentary insistence, was a directive issued to ban cutting supplies to over-65s. And what about those who had to pay thousands and got away with it, such as the enterprise that left Malta and did not pay some e50,000 in unpaid bills.

Mr Cauchi cannot say what their electricity bills will be like because there is a seven-month backlog. Mr Cauchi claimed the computer system being used at ARMS has had many teething troubles and many

online gaming which are doing well, sectors in the real economy are facing huge problems because of the rates increases. The situation is bad in the retail section but it is also bad among the professions such as doctors and pharmacists.

People have not received the bills related to the first quarter of this year so far and the uncertainty is eating into people's aspirations and expenditure patterns. Censu Galea had only a few minutes before the House rose at midday and spoke about the importance of the country having a sustainable source of energy.



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