

# Government takes €25m Enemalta bill

Some workers to become redundant

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At least €25 million of Enemalta's non-core expenditure is to be absorbed by the government, in an attempt to ease the beleaguered energy company's financial difficulties, Finance Minister Tonio Fenech announced yesterday.

The statement came less than 24 hours after rating agency Standard & Poor's downgraded Enemalta's credit rating from BB to B+. The agency cited volatile oil prices and Enemalta's investment needs, poor profitability and lack of a finalised refinancing plan as key reasons for the downgrade.

Enemalta is saddled with a debt of almost €600 million, with the interconnector between Malta and Sicily projected to cost a further €200 million. The rating downgrade could now make it costlier for the corporation to raise the necessary capital, the minister admitted.

Mr Fenech conceded that the downgrade might not have happened had the refinancing plan, delayed by "technical difficulties" and now nearing completion, been completed by the end of 2011.

Although details have yet to emerge, the minister revealed that the plan would make a number of Enemalta employees redundant.

Some will be redeployed to other company departments, with a voluntary redundancy scheme also expected.

He assured people that the government had no intention of further raising electricity tariffs, something which the S&P report had hinted might be needed.

“An increase is not on the cards. We need to find different solutions and strike a balance between the need to bolster Enemalta while taking socio-economic realities into account,” Mr Fenech said.

In the meantime, the government is analysing which of Enemalta’s non-core costs it can absorb.

Mr Fenech cited two Enemalta schemes that could be diverted to government coffers: an eco-reduction scheme for consumers who did not use much electricity and Enemalta’s feed-in tariff system, through which consumers with photovoltaic panels could sell any excess electricity generated to Enemalta.

Both schemes, the minister noted, cost Enemalta some €25 million a year, with the figure set to rise as more people switched to photovoltaic panels. As forms of consumer aid, these costs – and possibly others – could be shifted to the government without violating strict EU rules on state aid.

National deficit reduction targets would not be affected by the shift in expenditure, Mr Fenech said, “although, ultimately, it is still the taxpayer who will be paying”.

He reminded journalists of the government’s decision to slice public expenditure by €40 million last January, saying that the decision “was taken to give the government the breathing room to be able to act in situations such as this”.

Enemalta executive chairman Louis Giordimaina cited rising oil prices as one of the corporation’s main challenges.

Oil, currently selling at \$125 a barrel, is projected to continue rising in price due to geopolitical difficulties in North Africa and the Middle East . In a show of government support for Enemalta, Mr Fenech said the corporation played a “fundamental role” in Malta’s economy and that the S&P report confirmed the need for Enemalta to continue to be sustained.

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