



Malta's hydrogen-ready pipeline

The Facts

In line with the European Green Deal, Malta is committed to decarbonise its economy by 2050.

A hydrogen-ready pipeline, owned and operated by Interconnect Malta Ltd, gives the Island the opportunity to tap into clean energy sources, ending its physical isolation, contributing to the diversification of the energy mix and strengthening its security of supply.

1. The derogation gives Malta the realistic opportunity to tap into a clean fuel. Without it, Malta would have to keep the existing LNG fuel infrastructure and be locked into fossil fuels.
2. Malta has moved away from Heavy Fuel Oil using the existing LNG system as an interim source of cleaner fuel. The next step to continue on the decarbonisation path is a permanent connection to the European grid to access clean energy.
3. The EU's Hydrogen Strategy for a climate-neutral Europe will result in a significant increase in the proportion of hydrogen in the grid. For an island, hydrogen is the alternative clean fuel to natural gas. Without this interconnection, Malta will be locked out of this emerging sector, putting the country and its citizens at a disadvantage.
4. As availability of hydrogen and low carbon gases will increase, prices are expected to decrease. On the other hand, the cost of carbon emissions will increase, penalising natural gas and placing a higher energy price on consumers.
5. With a hydrogen-ready pipeline, Malta would be able to purchase energy from an open market through its direct connection to the European grid. By doing away with the current system, the pipeline would deliver competition rather than favour a particular operator, as LNG is presently supplied by one operator being Electrogas.
6. The hydrogen-ready pipeline complements the current interconnector and a second interconnector (under development) by strengthening the local electricity grid to accommodate large-scale intermittent renewables. It will also provide access to cleaner fuels by replacing natural gas. This is the path towards decarbonisation by

2050 as Malta continues to diversify its energy mix consisting of renewables, imports and local generation.

7. The sole beneficiary of the EU funding would be Interconnect Malta Ltd, a company wholly owned by the Maltese government and completely independent of any private parties, including Electrogas.
8. To tap into a future hydrogen network, the original design of the pipeline is being upgraded. Studies are underway to assess hydrogen production close to the pipeline's connection point and its cost. To procure fuel from an open market, the hydrogen-ready pipeline would connect Malta to Sicily. In practice, sources closer to the connection point would be in a better position to compete on commodity and transmission costs.
9. The hydrogen-ready pipeline would replace the existing gas setup currently owned and operated by Electrogas. It would initially supply two distinct powerplants and eventually any future replacements.
10. The project has a design lifetime of at least 35 years. With the projected commissioning date of 2028, the pipeline would serve the Maltese Islands at least till 2063. The current powerplants are expected to be out of service by 2035. The pipeline would thus outlive these plants by almost three decades, during which they would be replaced by equipment that can run on 100% hydrogen. In the meantime, the existing plants can operate on a blend of natural gas and hydrogen.
11. There will be no cash pay-out to Electrogas. If Enemalta opts to purchase the gas facilities when the pipeline is available, it would pay the value of the asset at the time of exit and this would be fully at the cost of Enemalta. Moreover, the value diminishes year on year. Therefore, claims of €100 million "cash pay-outs" are not correct. The value of the gas facilities will continue to drop by the time the pipeline comes into service in 2028. Enemalta acquiring the gas facilities will provide the country with a backup to the pipeline should an emergency arise.
12. It should be stressed that any EU funds that the project would attract, will only be used to build the infrastructure of the pipeline.
13. The derogation allows for the possibility for Malta to have a hydrogen -ready pipeline project that will give Malta access to move away from a carbon lock. . If the derogation is rejected, the Maltese citizens would be effectively locked out from accessing renewable gases. Malta would remain isolated from mainland Europe.

