

MDB Electric Car Sharing Facility

THE AD HOC FACILITY

The Malta Development Bank (MDB) jointly with a local commercial bank, has provided a co-financing loan facility on a pari passu basis to Car Sharing Services Malta Ltd. The co-financing facility is complemented by an MDB guarantee partially covering the commercial bank's share of the loan facilities.

The purpose of this ad hoc facility is to assist an SME which is entering into a new business venture, in obtaining the required finance.

THE AID MEASURE

The ad hoc aid measure is in the form of a partial guarantee which will be implemented in accordance with the parameters and criteria of Article 17 - "Investment aid to SMEs" and other applicable provisions of Commission Regulation (EU) no. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market application of Articles 107 and 108 of the Treaty (The General Block Exemption Regulation).

RATIONALE

Electric Car Sharing Concept. The Electric Car Sharing project is a pilot project which contributes to Malta's efforts to decouple energy demand and economic growth so as to safeguard Malta's ecosystem and to meet international obligations, including the Paris Agreement of 2015 and the European Commission's strategic long-term vision for a prosperous, modern, competitive and climate-neutral economy by 2050. Within this context, Malta's binding national target for 2030, which also covers transport, has been set at a reduction in greenhouse gas emissions (GHG) of 19%, compared to 2005.

Malta has the third highest motorisation rate in the EU reflecting the importance placed by residents on car ownership and intensive use of and dependency on vehicles. This translates into traffic congestion and generates significant external costs and GHG emissions. Malta's aged and increasing car fleet presents a challenge for the achievement of a reduction in emissions which is particularly pressing in road transport.

An electric car sharing system has the potential to contribute to the reduction of congestion and climate challenges mentioned above which become even more acute in the summer months due to higher tourist arrivals. Moreover, an electric car sharing system is expected to have the following benefits:

- is in line with the objectives of the Malta Transport Master Plan 2025 to encourage a modal shift from the use of private cars to other alternatives, including the promotion of the sharing-mobility concept;
- the deployment of the proposed fleet of electric cars will contribute somewhat to kickstart the process towards the achievement of the 5,000 electric cars target by 2020 as envisaged in Malta's national electromobility action plan;
- it will have a positive demonstration effect by favourably affecting the general public's perceptions and behaviour towards switching to cleaner means of transport. Such positive externality is difficult to quantify but can be significant especially in the context of Malta's strong bias towards private car ownership. International experience shows that the availability of a car-sharing programme has the potential of encouraging users to consider buying an electric vehicle for their next car.
- as in other EU Member States, support for the electrification of the mobility system in Malta will help reduce the impact on climate change and air and noise pollution. Furthermore, it will alleviate the pressure on Malta's limited road space and thereby the need for more infrastructural spending.

In view of the above considerations, the electric car sharing project is deemed to be an important element of the policy actions being taken by Malta in favour of climate action and should contribute to the achievement of an objective of common interest.

MDB's role vis-à-vis the Green Economy. The green economy is one of the priority areas set by the MDB in its mandate to complement commercial banks to bridge financial gaps in bankable investments and to enhance investors' access to bank financing. In supporting investment in clean energy and sustainable transport, MDB performs a promotional role in line with public policy. An electric fleet for a national car sharing programme should contribute towards a lower carbonisation of the mobility system. Moreover, the investment includes the installation of 225 electric pillars across Malta and Gozo. These will provide the foundations and support for a growing Electric Vehicle market on the Islands. Public funds alone cannot finance all the necessary energy efficiency measures. Hence, MDB's support to the electric car sharing project is one example of how it can act as a catalyst, helping to boost private financing to close the sustainable energy investment gap.

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