

Electrification Action Plan



Context

The European Commission has developed the EU Electrification Action Plan (COM (2026) 595 final) to help guide Europe's transition towards clean electricity. Even though there has been an increase in the production of clean electricity in Europe, the amount produced only accounts for under 25% of total final energy consumption in the EU.

To help bridge this deficit, the plan outlines various paths that should help increase the percentage of clean electricity in the total final energy consumption from 23% to 32% by 2030 and to 46% by 2040. Through reducing dependency on oil and gas imports, the EU hopes to be able to cut down its carbon emissions by over 2,000 million tonnes, saving itself up to €260 billion each year, whilst also lowering electricity generation costs by around 20%.

Objectives

Action Plan Priorities

1. **Target Sector Decarbonisation:** To raise the share of clean electricity in final energy consumption from 23% to 32% by 2030 and 46% by 2040, the EAP targets areas where fossil fuel use remains highest:
 - **Heating & Cooling**
 - A target of **4 million annual heat pump installations by 2030** (up from 2.4 million in 2025). To address upfront costs, the Commission will introduce a **clean heat market mechanism proposal by 2027** with the aim to incentivise households and commercial properties to transition from legacy gas and oil boilers towards high-efficiency electric HVAC and heat pump systems.
 - **Transport & Storage**
 - Targeted deployment of **120 million battery electric vehicles (BEVs)** and expanding installed energy storage capacity to **200 GW by 2030**. Such energy storage is necessary to absorb volatile renewable energy supply (wind/solar) and buffer local grids against the demands of EV fast-charging.
2. **Infrastructure & Grid Modernisation:** Grid constraints and permitting delays are most significant barriers to electrification. The proposal tackles grid capacity, intelligence, and

transportation via:

- **Grid Flexibility & Digitalisation**

- The Commission will adopt a binding **legislative proposal on network charges** to reward flexibility and storage integration.
- Enforce **mandatory Vehicle-to-Grid (V2G) technical standards and interoperability requirements by end-of-2027**. V2G integration transforms EVs from purely passive loads into decentralised energy storage assets that feed power back into the grid during peak demand hours.

- **Heavy Transport & Port Decarbonisation**

- To incentivise the decarbonisation for heavy-duty vehicles, the **2026 review of the Alternative Fuels Infrastructure Regulation (AFIR)** will introduce specific targets for heavy-duty electric vehicles (e-HDVs). It will also support mandatory **Onshore Power Supply (OPS)** in ports.

3. **Economic & Market Reforms:** Technology availability alone cannot drive adoption if electricity remains artificially more expensive than fossil fuels due to legacy taxation structures. The plan addresses this by proposing:

- **Tax Differentials & Energy Pricing**

- To make clean power cheaper to run than fossil fuels, the EU will introduce legislation provisions to lower taxes and levies on electricity relative to gas/LPG. The target is to lower the electricity-to-gas price ratio from today's average of **3.0** down to **2.5 for households** and **2.0 for industry** by 2030, making the switch to electricity cheaper. Furthermore, member states are encouraged to refer to the VAT Directive to support electrification by applying lower VAT rates to electrification technologies.

- **Phasing out Fossil Fuel Subsidies**

- In addition to this, the Commission will present a dedicated proposal in Q4 2026 (as part of the post-2030 Energy Union package) to **phase out fossil fuel**

subsidies across all Member States. Lowering operating energy costs for electric equipment creates a permanent market incentive for switching to clean power.

4. **Targeted Financing & Risk Mitigation:** Electrification requires high upfront capital expenditure for grid reinforcement, industrial retrofits, and consumer equipment. The plan takes recognises this requirement of this through the mention of:

- **Dedicated EU Financial Instruments & Grid Investments**

- The strategy deploys dedicated financial instruments, including the **Social Climate Fund** (targeting energy-poor households and small businesses) and the **€100 billion Industrial Decarbonisation Bank**.
- Under the *Clean Energy Investment Strategy*, the **European Investment Bank (EIB)** intends to deploy over **€75 billion in financing over three years**, prioritising distribution grid expansion, cross-border interconnectors, and utility-scale battery storage to lower the cost of capital for public and private developers.

5. **Innovation & Clean Tech:** The EAP notes that continuous R&D and cost-effective solutions for decarbonisation technology are key towards:

- **Accelerating Innovation**

- To commercialize advanced electrification solutions and decarbonize hard-to-abate sectors, the EAP will deliver an **updated EU Hydrogen Strategy** alongside targeted R&D frameworks for energy and thermal storage.

6. **Skills & Manufacturing:** The EAP notes that building resilient domestic industrial supply chains and upskilling the European workforce are necessary to support rapid clean tech deployment.

- **Industrial Value Chains & Workforce Skilling**

- As part of scaling domestic manufacturing within the Net-Zero Industry Act, procurement policies will **focus on resilient EU-made clean technologies** including wind, solar, heat pumps, and batteries. Moreover, to solve the

problem of technical workforce shortage by 2030, a plan will be established called the **Electrification Action Plan Alliance and make use of European Vocational Education and Training strategy**.

7. **Global Clean Electrification:** The EAP recognises the need for driving international partnerships and alignment with global targets in order to accelerate the transition beyond EU borders.

- **International Coalitions & Global Targets**

- The “**Electrify Now**” initiative of the EU will be extended globally, through the **formation of a coalition under the strategy of global electrification**. This approach will help in meeting the goals that have been made in international commitments for tripling the world’s renewable energy capacity.

Key Implications for Malta

Context & Opportunities

- **Grid Resilience & Energy Storage:** Malta’s ongoing efforts on the second Sicily interconnector, alongside planned battery storage expansion and demand-side flexibility, align with the EAP’s focus on grid capacity, cross-border interconnectivity, and storage integration.
- **Maritime Infrastructure & Ports:** As a Mediterranean maritime hub, Malta stands to benefit from expanding Onshore Power Supply. The EU Industrial Maritime Value Chains Alliance also opens avenues to electrify inter-island ferries and harbour craft.
- **Building Cooling & Social Leasing:** Given Malta's warm Mediterranean climate, reversible heat pumps offer vital summer cooling. Malta can continue to leverage the Social Climate Fund to assist micro-businesses and lower-income households with reversible heat pumps, and solar PVs.

Way Forward

The EU Electrification Action Plan offers a roadmap toward long-term green energy goals and climate resilience. However, its successful execution in Malta requires tailored national implementation that addresses island-specific vulnerabilities.

Local stakeholders such as businesses, grid operators, and national policymakers must be aligned to:

1. **Safeguard Economic Competitiveness:** Commit to the EU's long-term sustainability objectives while advocating for tailored transition timelines such as phased approaches to port electrification and energy taxation, to ensure that local businesses, tourism, and supply chains remain resilient throughout the shift.
2. **Strengthen Grid Capacity:** Policymakers ought to continue to invest in existing grid infrastructure alongside the deployment of the second Malta-Sicily interconnector and battery storage and flexible tariffs, leveraging EU funding mechanisms (such as ERDF) to ensure subsea grid expansion keeps pace with rising peak demand.
3. **Incentivise Renewable Uptake;** While Malta has made encouraging progress in expanding its renewable energy share, reaching 17.2% in 2024, working together with all key stakeholders will be essential to accelerate this transition, particularly within the business community.
4. **Optimise EU Funding:** Continue to utilise European funding schemes and targeted state-aid frameworks to work towards the goals mentioned.

By proactively aligning local strategy with EU frameworks while defending national operational realities, Malta can achieve a resilient, cost-effective transition to clean energy.

The full publication of the Electrification Action Plan can be found [here](#).

Disclaimer: This is a policy brief to create awareness about the Electrification Action Plan for information purposes. It is not an official position of the Malta Business Bureau.

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The Malta Business Bureau is the EU business advisory organisation of:



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