



Tsunami warning



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About a fortnight ago, I read with great interest but also with a poignant feeling the UNESCO report that sounded the warning to the Maltese authorities

The report states that the chances of a tsunami in Malta is 100% material, it will undoubtedly happen over the next three decades and that one of Malta's coastal towns must have defence structures in place, at least by the end of 2023. Certainly, this is the result of climate change.

As part of my current job, I had to review the River Basin Directive, as well as the UN's IPCC reports, because of a materiality assessment that I was carrying out to apply different climate scenarios. During the research, it transpired that some areas in Malta are designated to be flood risk prone areas. This means that when torrential rain occurs, and it seems that the frequency will be on the increase, some of these areas will certainly suffer from flash floods relative to other areas.

The recent UNESCO report reminded me of the much-needed revisions required within the realm of defence structures. However, what I am speaking of is not the arms aggression and military defence structures but water defence structures. When I was posted in Brussels, especially when I

assumed the role of president of the EU Budget in Council and liaised frequently with the European Court of Auditors due to the performance-based budget, I came across infrastructural projects both in the EU and elsewhere that evoked great interest. Some member states managed to build water defence structures for low lying coastal towns and cities, to primarily reinforce and protect highly urbanised areas, as well as cultural heritage.

The idea of building such water defence structures is twofold. Firstly, to mitigate floodings and reduce the chances of loss of lives in densely populated areas. Secondly, it lowers the risk of flooding within the radii of the area, which limits the perimeter and helps avoid the erosion of prices of immovable properties. In turn, this aids in conserving cultural heritage and lowers risk insurance premia gaps between different regions, and allows for the possibility of affordable housing within the region.

Installing water defence structures would lower the probability of the risk of flash floods. Therefore, it is important to start thinking on how to integrate such water defence

structures in urbanised areas and provide water catchment infrastructure, so that we aid in the process of providing climate security to our citizens. Surely, this helps in mitigating any future financial losses materialising from climate change on immovable property. In such a small territory, the preservation of urbanised areas must be protected and conserved. Malta cannot afford to build more of its unused land, because the opportunity cost of land depletion for future generations is costlier than building water defence structures to preserve densely populated areas.

The financial industry, in part, is doing its efforts to regulate some very high-risk sectors that are contributing to climate change and biodiversity losses. However, it is also opportune to perhaps develop a climate risk taxonomy, if we do not have one yet in place, to analyse what is material and non-material for the Maltese economy. The assessment must capture the concentration of the sectors that the Maltese economy is highly exposed to. It is scientifically proven that because of climate change the Southern Mediterranean region will suffer due

to excessive heat. Malta is no exception and heat stress will certainly impact some of these crucial sectors.

For instance, an economic sector that comes to mind, without even deep diving into the numbers, is the construction industry and real estate. This would need to be assessed against any water stress problems that Malta might experience due to the heat stress. One might ask what I am talking about? The identification of these risks is warranted to start mitigating problems and assess any climate and environmental risks that the Maltese economy is exposed to. Also, we need to start quantifying the impact of these highly exposed sectors on the Maltese economy to primarily avoid any future financial losses and economic contractions.

Let us take a hypothetical scenario. Say more construction workers are needed. The increase in heat stress resulting from climate change is certainly going to lower labour productivity of the workers exposed to such industry. If we are carrying out research at university, we would mathematically integrate these factors into either a

Cobb-Douglas or a Constant Elasticity of Substitution production function. Presenting such a scenario in an assignment to Professor Lino Briguglio, in my time at the University of Malta, would have earned us brownie points for our creative and innovative micro-economics thinking. To add more creativity, we would need to think about water stress and its security resulting from the same heat stress. This can bring a situation where even the tourism industry is affected, thereby exposing the industry to a bigger risk. If water security is going to be a problem for the Maltese islands, then increasing the visitor's population, both seasonally and annually, would prove quite difficult. Furthermore, Malta is experiencing lack of workers in some economic sectors, and for this reason, increasing the population of foreign workers would only exacerbate the problem.

Malta must assess how to optimise its usage of limited land and designate areas, even abandoned areas to accommodate additional foreign direct investment, especially for green investments that dovetail with the circular economy industries. Malta needs to manage its own natural capital resources in the most efficient and effective way possible. Meanwhile, an indication of a climate risk taxonomy would signal to the economic operators the level of risks by industry, and in turn prepare them to start transiting to a more sustainable model. Otherwise, we are going to fail and face a bigger problem to accommodate additional future foreign direct investment within our limited territory.

To conclude, in the short run, and this is quite pressing, we need to take the current stock of labour and retrain workers to elevate them to a higher income bracket. Certainly, such a government policy would break the poverty cycle coupled with the recent increase in prices, especially utilities prices. And this must be carried out in tandem with sectorial minimum wage increases to attract labour within the same sectors and avoid importing labour from third countries, which in turn is exerting additional pressure on the infrastructure of our limited territory.

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