REPUBLIC OF ALBANIA

Ministry of Economy, Trade and Energy,

Albanian Energy Regulator Entity

"Challenges of the Natural Gas sector in Albania"

(discussion of risks related to gas infrastructure)

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Enlargement and Integration Workshop

5 – 7 October, 2011, Dubrovnik, Croatia

Challenges/risks for the development of a functioning gas market in Albania?

1. political and/or economic,
2. supply and/or demand-side,
3. institutional
4. practical

1. Political and/or Economic

Energy Sector Developments

Albania; Contracting Party of the Energy Community

Adoption of the "Acqui Communautaire" in the energy sector.

Important Reform of the Energy sector;

Privatization of the Electricity distribution sector completed in 2009 (CEZ)

Clear time schedule and incentives for losses reduction (technical and non technical)

Consolidation of a Competitive energy market

Diversification of the energy sources.

1. Political and/or Economic

Albania:

- Is member of **NATO** and is actually involved in the **EU membership** process.
- Is a **factor of peace** in the region.
- Has a **steadily growing** economy
- Has capacities for potential **underground storage !**
- Has an excellent geographical position that offers the **shortest** and the **most cost efficient link** for N-G pipes bringing Caspian and Middle East natural gas to EU markets via South Italy.

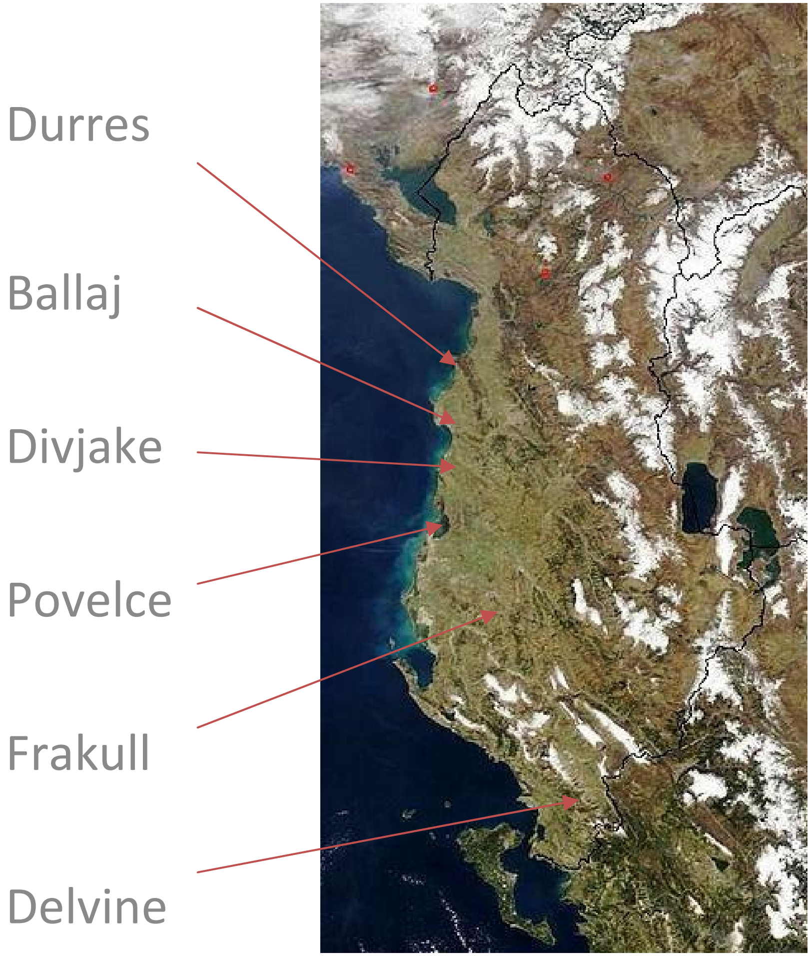
2. Supply and/or Demand-side,

Brief HISTORY & Future TRENDS

- First **Oil** discovery dates since year 1929;
- First **Natural Gas** discovery dates 1968 and production reached its peak in 1982 with 0.937 Bcm/year.
- The **cumulative production** of N-G estimated at 3.15 Bcm, while the associated gas is at 8.7 Bcm.

After 1990's;

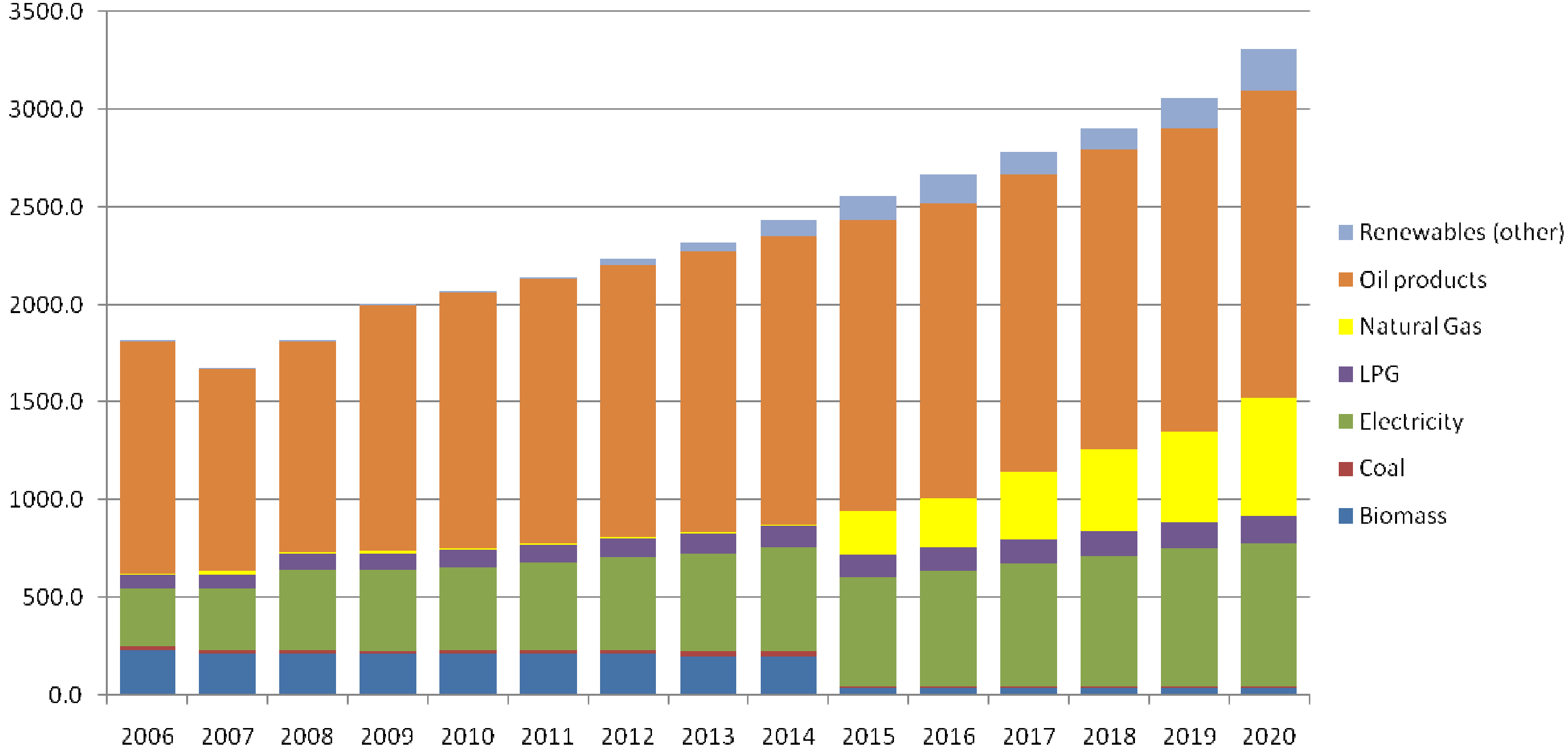
- **Domestic production** of N-G dropped to insignificant levels
- **Steady Economic growth** associated with high increase in Energy Demand



2. Supply and/or Demand-side,

Albania Energy Consumption by Commodities 2006-2020 (Ktoe)

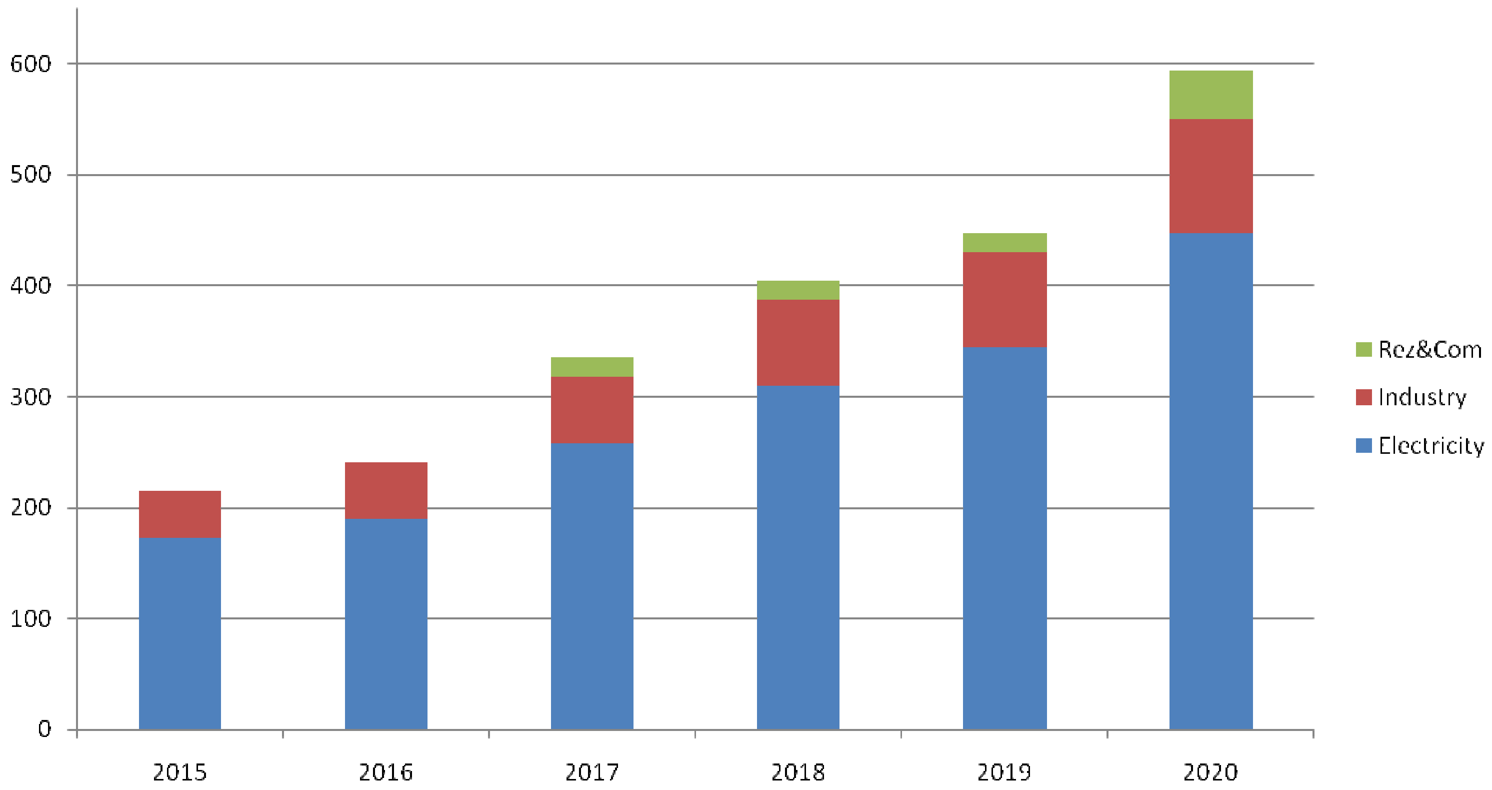
SOURCE: ALBANIAN AGENCY FOR NATURAL RESOURCES DEVELOPMENT)



2. Supply and/or Demand-side

Forecast of N-G Consumption by Sectors 2015-2020 (Ktoe)

(SOURCE: ALBANIAN AGENCY FOR NATURAL RESOURCES DEVELOPMENT)



2. Supply and/or Demand-side

Domestic Market Developments

•One combined cycle power generation plant of 97 MW convertible to NG and expandable up to 300 MW was completed near Vlora town in year 2009.

•Three Large capacity cement factories already functional in Albania.

•LPG annual consumption in household and services nearly 100 000 ton/y.

•Positive economic growth despite global crisis.

2. Supply and/or Demand-side

Alternative Sources of Supply of Albania with Natural Gas

- Eventual new HC discoveries. (HC exploration under way including potential of shale gas development)
- Connection to the international pipeline N-G networks.
- Construction of an LNG plant on the Albanian coast.

2. Supply Options for the Gasification of Albania & Western Balkans

map source: www.gie.eu

2. Supply and/or Demand-side

Albanian role in getting the Trans-Adriatic Pipeline (TAP Project) and Ionian-Adriatic Pipelines (IAP Project) onstream;

3. Institutional

Albania; **Contracting Party** of the Energy Community

Adoption of the “Acqui Communautaire” in the energy sector.

New **“Natural Gas Sector Law”,** fully in compliance with EU Gas Directive (ii) (Law no. 9946, date 30.06.2008, “On the natural Gas Sector”)

3. Institutional

Roles in the Natural Gas Sector

According to Gas Law;

Ministry for Energy (METE) is the highest institution responsible to:

- develop Policies and plans for a sustainable development.
- approve new N-G Infrastructure
- prevent and manage crisis situation's.
- approve technical and safety rules

ERE (Albanian Energy Regulatory Entity) is responsible for the REGULATION of the N-G activities, (except for the activity of natural gas exploration and production -> HC Law).

3. Institutional

Co-ordination with neighbour countries Regulator's on transiting infrastructure projects.

Completion of the whole regulatory framework;

- Model Licenses.
- Uniform standards of accounts,
- Tariff methodologies,
- Codes,
- Standard Contracts;

4. Practical

<u>Challenges and risks;</u>

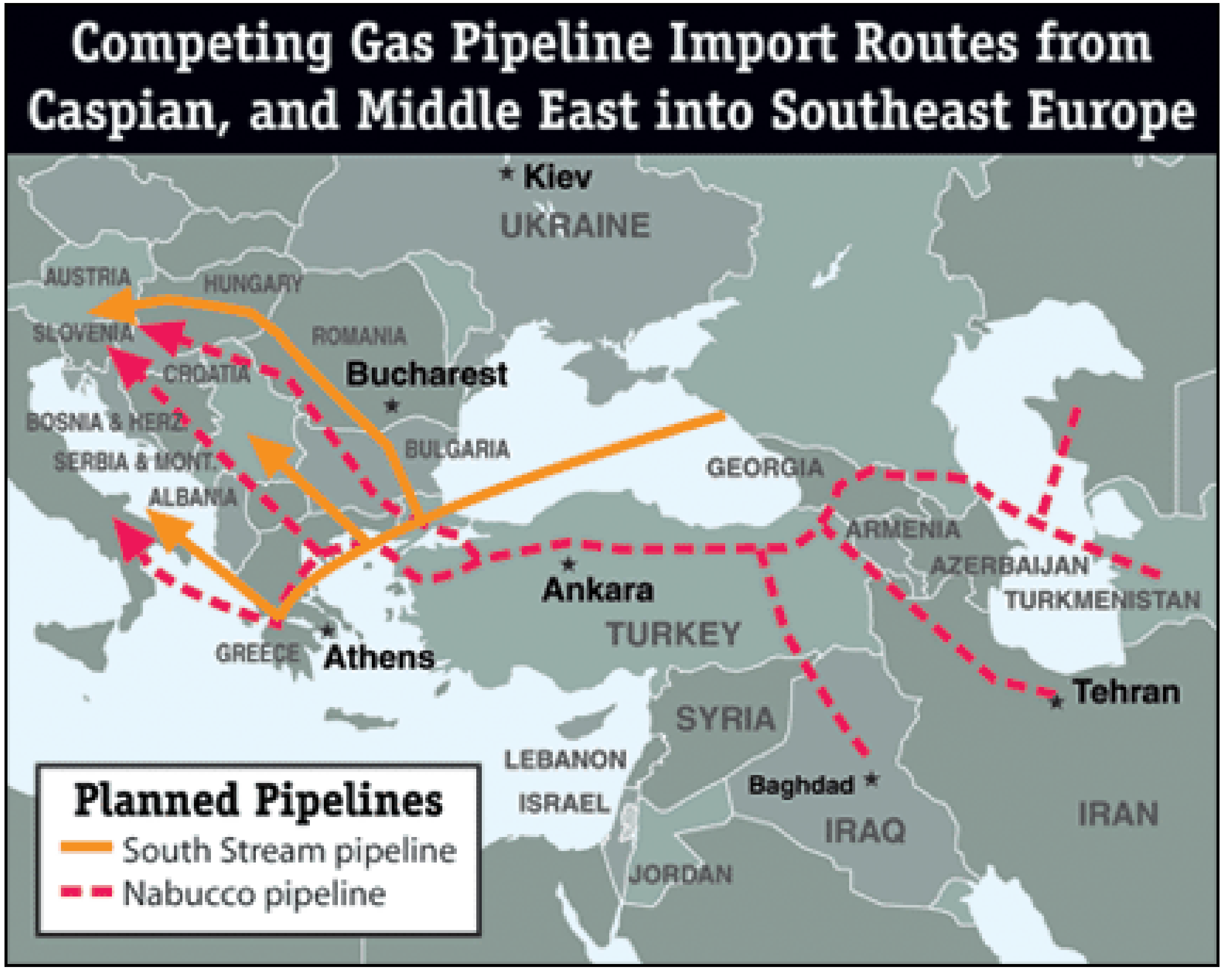
1. **Timely completion of the legislative and regulatory framework;**
    - Model Licenses.
    - Uniform standards of accounts,
    - Tariff methodologies,
    - Codes,
    - Standard Contracts;

2. **Land ownership issues**

3. **Issues regarding domestic financing sources for large infrastructure projects.**

4. Practical

Nabucco, ITGI & South Stream bypass Albania !!!



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ALBANIA SHOULDN'T BE LEFT OUT OF THE SOUTHERN N-G CORRIDOR !

TAP a priority project for Albania, the Western Balkan countries , Italy and EU:

- TAP crosses the Energy Community Contracting Parties and connect with IAP.
- TAP secures the highest level of **Security of Supply because;**
- Has enough capacities and flexibility to supply gas for the Western Balkans (Gas Ring), Italy and wider.
- TAP can take advantage from the potential **underground storage** in Albania
- Provides the **shortest** and the **most cost efficient link** for N-G pipes bringing Caspian and Middle East natural gas to EU markets via South Italy.

There shouldn't be any reason that more expensive routes bypassing Albania are supported, to deliver more expensive natural gas to EU taxpayers.

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Thank you !

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