“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.

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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.

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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

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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.

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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.

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

- WBR
- ITGI
- TAP
- LNG
- IAP

Map source: www.gie.eu

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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.

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;

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4. Practical

Challenges and risks;

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.

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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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