

Albania prepared by NANR (National Agency for Natural Resources) in one of its main scenarios foresees an important role for the natural gas in the Albanian energy balance in the long run as shown in the figure below.

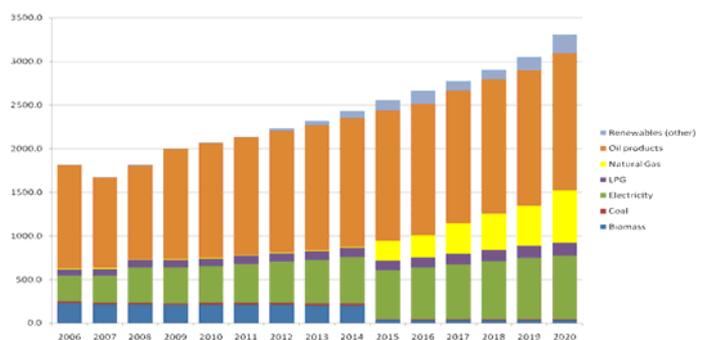


Fig. 2. Energy demand and share of Natural Gas (source NANR)

The use of NG is expected to be mainly used for power generation associated with a gradual use in industry and residential sectors. Several studies have been undertaken to assess the demand for NG in Albania and the whole western Balkans area. The estimations for the demand of NG in Albania vary from 0.8 to 1.2 Bcm by year 2015 on the assumption that infrastructure will be in place by year 2015, which has low chances to be true. Due to last global economic crisis and other factors the 2015 year objective has high chances to be postponed.

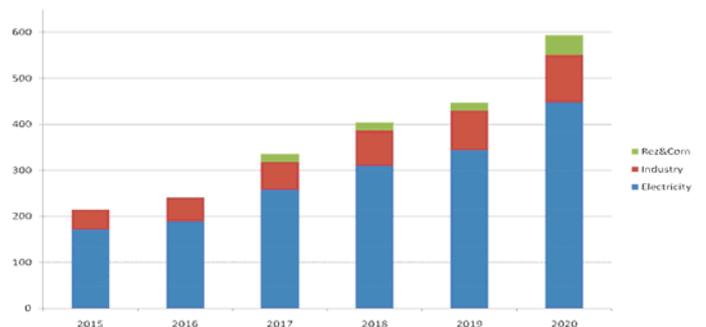


Fig. 3. Expected use of Natural Gas in Albania (source NANR)

3. Important Developments Related to the Future of Natural Gas Market

Following a series of years of severe energy shortages mainly in the electrical sector Albania has undertaken a serious reform in this sector. After liberalisation of hydrocarbon by-products (diesel gasoline etc.) market in early 1990 the next most important reform was the restructuring of the electricity sector. This reform has been led by the principles of the relevant Directives of the European Union. As a result, the sector has been unbound from a single company (KESH) into three separate companies being KESH Generation, OTS (Operator of the Transmission System) and ODS (Operator of the Distribution System). A Market Model for the electricity sector has been developed aiming to promote competition and investments in the sector.

In year 2009 ODS was privatized by CEZ company and is expected to bring improvements in the quality of the distribution system as well as to reduce the high non-technical losses in the system. Such interventions basic have established solid basis for the development of a competitive energy market which is leading in a natural way to a more efficient use of energy and development of renewable energies. Need for use of Natural Gas in the Albanian economy becomes so more evident due to economic and environmental considerations.

Other important developments that have already pre-established a natural gas market in Albania include:

- In year 2009 KESH.Sh.p.k, the Albanian Power state company completed the construction of a new combined cycle power plant in Vlora town with a capacity of 97 MW. The plant has been designed to be fuelled by diesel oil interchangeable to natural gas while its capacity can be expanded up to three times. The annual consumption of natural gas, if working full time in base load, can reach 130 million Ncm that can go up to nearly 400 millions if capacity of the plant is tripled.
- Besides power generation, the Albanian economy has been steadily growing despite the global crisis which is expected to be associated with increases in energy demand.
- Other potential consumers of NG in Albania consist of 3 large cement factories located in the central western part of the country.

4. Scenarios of Natural Gas supply of Albania

The scenarios of supply of Albania with NG can be grouped as follows: a) Eventual new HC (Hydrocarbon) discoveries. HC exploration under way including potential of sale gas development; b) Connection to the international pipeline NG networks; c) Construction of an LNG plant on the Albanian coast.

Except for any eventual new discovery of natural gas all other alternatives are presented in a concentrated manner in the following figure. From all the alternative projects under discussion TAP (Trans Adriatic Pipeline) project that is proposed by EGL, Statoil and recently by EON which are three major European companies is the best possible option for Albania.

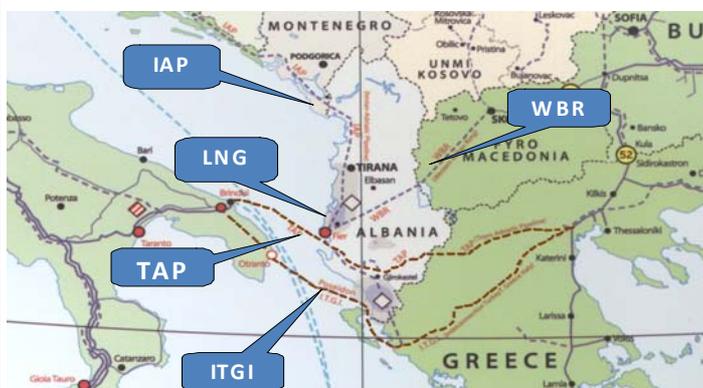


Fig. 4. Alternatives of Natural Gas supply for Albania (map source: www.gie.eu)

As presented by the consortia on May 20, 2010 in Brussels this project is the most cost efficient because it goes along the shortest way, in shallower sea waters and can also take advantage from the underground storage capacities that Albania has in the existing depleted gas fields and salt domes. Albania is now part of the European Energy Community Treaty that aims to assist the South Eastern European Countries (non EU members of the Western Balkans) for the preparation of the integration of their energy sector with the relevant acts of the Acqui Communautaire and one of the projects supported in this framework is the Energy Community Natural Gas Ring that aims to connect all Western Balkan Countries in a single ring. In the mean time and dependent from a number of geopolitical reasons, there are also two other projects that are so far intending to by pass Albania. They are ITGI (Interconnector; Turkey - Greece - Italy that is the southern branch of Nabucco) and South Stream, which is a project that aims to bring Rus-

sian gas into the EU markets via south Italy. It is in the best interest of Albania to take advantage from the transiting projects going across Albania that aim to bring Caspian, Middle East and even Russian Natural Gas into the main markets of the European Union via south Italy than being simply an end consumer of the before mentioned networks.

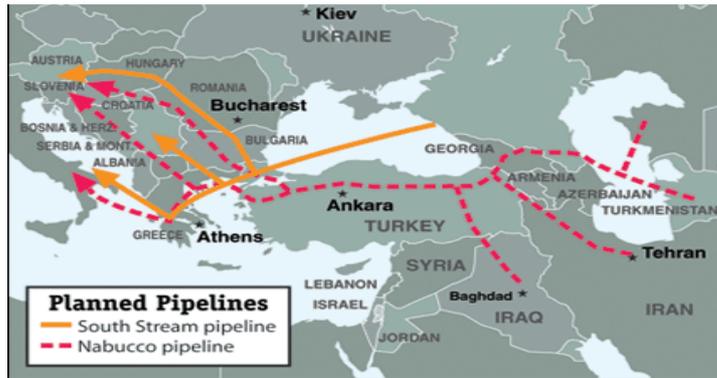


Fig. 5. Both ITGI and South Stream aim to bypass Albania
(Source: <http://www.energytribune.com>)

5. Legislative and Regulatory Framework

In line with the objectives of the National Strategy of Energy, the Albanian Parliament approved the Natural Gas Law Nr. 9946 on 30/06/2008. The Law defines two main roles:

1. METE (Ministry of Economy, Trade and Energy) is the highest institution responsible to: a) Develop Policies and plans for a sustainable development; b) Approve new NG Infrastructure; c) Prevent and manage crisis situation's; d) Approve technical and safety rules.

2. ERE (Albanian Energy Regulatory Authority) is responsible for the REGULATION of the NG activities, (except for the activity of natural gas exploration and production, with respect to HC Law).

Based on this Law the Albanian Electricity Regulatory Authority expanded its scope of regulation to include gas and was transformed in the Albanian Energy Regulatory Authority. Besides having an additional member of the Board of Commissioners with petroleum background, the ERE has started work for the preparation of the regulatory framework for the Natural Gas Sector. So far ERE has amended its Rules of Practice and Procedures. With the assistance of USAID and the support of the Secretariat of Vienna of the Energy Community it (ERE) has nearly completed the "Licensing Procedures" for the Natural Gas Sector and the "Regulation for 3^d Party Access" while it is making progress in the preparation of all other necessary regulations and methodologies that will ensure the functioning of the sector. One of main challenges in this process is the preparation of a market model for the Natural Gas Sector in Albania. METE on the other side is working with the procedures for the approval of New Infrastructures in the Natural Gas Sector and the preparation of Technical Regulations.



Shkelqim BOZGO
Commissioner
Albanian Energy Regulatory
Authority



ENER-SUPPLY PROJECT

1. What does ENER-SUPPLY Stand for?

The ENER-SUPPLY project is financed by the South-East Europe Transnational Cooperation Programme of the EU. It is a joint effort of 14 partners from 11 SEE countries, led by the Municipality of Potenza, Italy. The project started in April 2009 and will finish in March 2012. In South-East Europe (SEE), the transfer, experimentation and consolidation of know-how related to the use and production of energy, following a good planning and employing the appropriate management methods, are important for the improvement of the energy balances of the countries. The ENER-SUPPLY project will assist the local authorities in these activities, particularly in relation to the utilization of Renewable Energy Sources (RES) and the implementation of Energy Efficiency (EE) measures. The main project activities are:

1. Transfer of knowledge about RES utilization from the experienced countries to the partners and local authorities from the less experienced countries;
2. Experimentation of good practices of Energy Managements Systems (EMS), including introduction of EMS concept, testing and evaluation of the EMS implementation in selected local territories;
3. Encouraging RES & EE investments in the territories, through: developing maps of RES potential, feasibility studies for RES & EE, identification of financing opportunities and promotion of results to potential investors.

2. What are the Project Objectives?

The public administrations could lead the changes towards more sustainable energy production and use, by supporting EE and utilization of RES. ENER-SUPPLY project aims to enhance the activities of the local administration in SEE countries in the fields of RES & EE. The specific objectives of the project are:

1. To develop the capacity of the local administration in the field of EE, including energy audits in buildings and industry, feasibility studies for EE measures, financial sources and schemes, energy management systems, EU legislation, and development of EE action plans;
2. To develop the capacity of the local administration in the field of RES, including feasibility studies, financial sources and schemes, RES potential maps, EU legislation, and development of RES action plans;
3. To attract private and public investments in the field of RES & EE in the selected territories.



