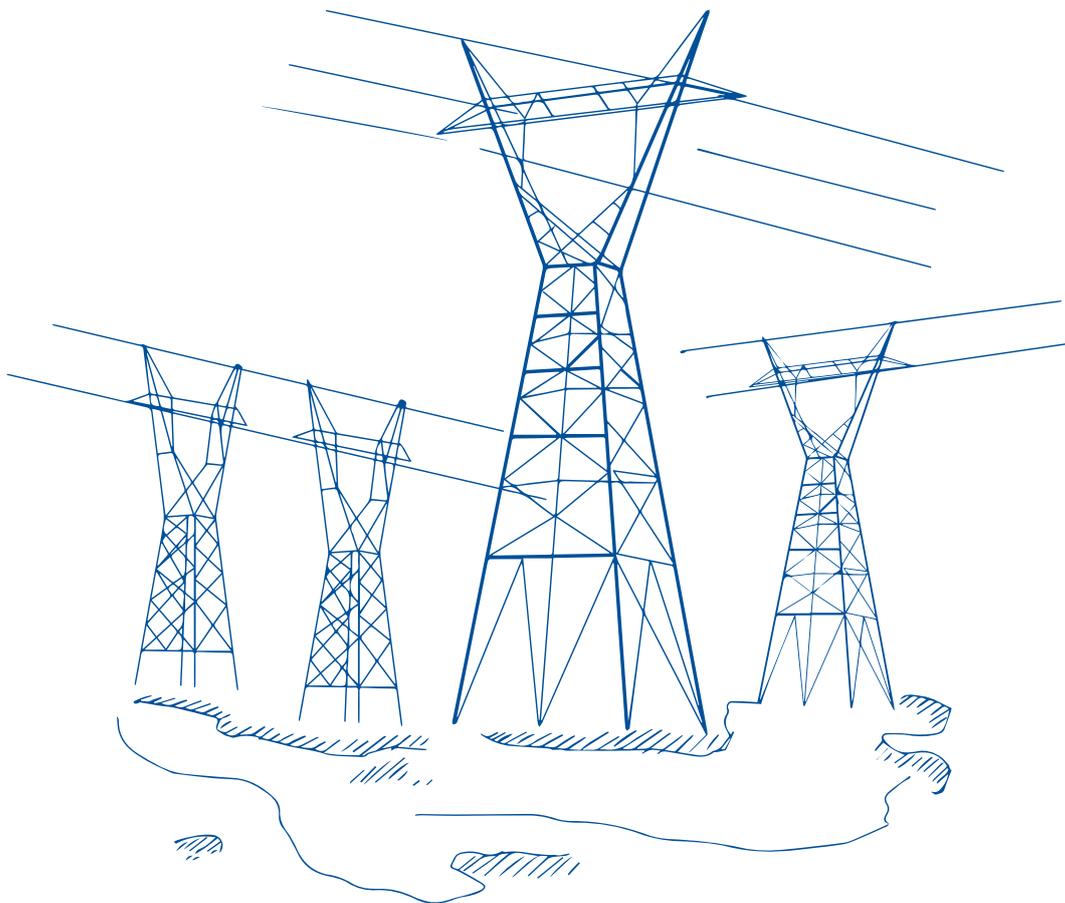


# Albania

## Annual Implementation Report

1 November 2023





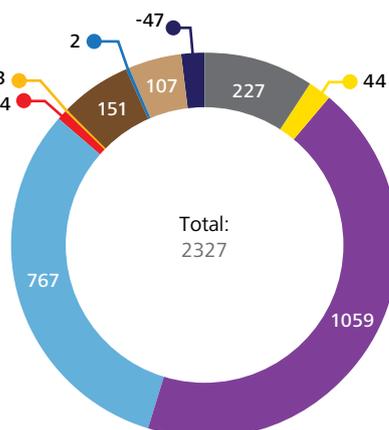
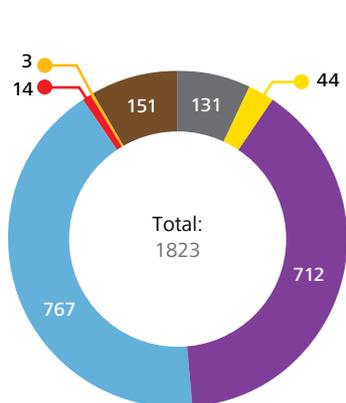
# Albania

## IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 <b>Markets and integration</b>	 <b>58%</b>	A day-ahead electricity market was launched by the power exchange ALPEX in April 2023. Albania should proceed with the opening of the intraday electricity market along with the transposition and implementation of the Electricity Integration Package as a precondition for market coupling. Albania should implement the certification conditions for Albgaz to make it an operational gas transmission system operator.
 <b>Decarbonising the energy sector</b>	 <b>56%</b>	Albania revised the Renewables Law and established an operational registry for guarantees of origin for electricity. Albania should adopt the long-term building renovation strategy and complete the implementation of the Energy Efficiency Law.
 <b>Ensuring energy security</b>	 <b>50%</b>	Emergency state continues to be in force with the latest prolongation until 31 December 2023. Albania should transpose Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector and start its implementation with the designation of a competent authority.
 <b>Improving the environment</b>	 <b>53%</b>	Albania progressed further in the field of nature protection, with the designation of the Vjosa national park, a development that should be expanded to other areas.
 <b>Performance of authorities</b>	 <b>66%</b>	By approving the electricity market rules and appointing the NEMO, ERE created one of the prerequisites for further market integration in line with the Electricity Integration Package. Following up on REMIT transposition, ERE should closely monitor the electricity market and take enforcement actions, if needed.

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)



- Solid fossil fuels
- Natural gas
- Oil and petroleum products
- Hydro
- Solar thermal
- Solar photovoltaic
- Charcoal
- Primary solid biofuels
- Pure biodiesels
- Electricity

Source: EUROSTAT database



# Albania

## Markets and integration

### ELECTRICITY

73%



#### UNBUNDLING

100%

The transmission system operator is unbundled and certified.

The distribution system operator is legally unbundled and functional unbundling was finalised in the reporting period. In March 2023, the compliance officer was approved. The compliance report for 2022 was submitted to the regulator and was published in October 2023. The open infringement case was closed.

of the emergency situation, which was extended until the end of 2023. As emergency measure, the electricity supplier FTL has an obligation to buy from KESH and sell electricity at the same price for covering distribution losses to the distribution system operator OSHH outside the market. This is not in compliance with Energy Community law and limits the potential for competition significantly.

The balancing market is operational and organised in a competitive manner with four balancing service providers.

#### ACCESS TO THE SYSTEM

76%

Access to and use of the system is in compliance with the Third Energy Package. Tariffs for the use of the transmission network are reviewed every three years. The distribution network tariffs are reviewed every year but were not changed for 2023.

The Connection Codes are transposed but their implementation is still to be completed. The transmission grid code was updated in 2022, but the distribution grid code from 2008 is still valid and needs to be updated.

The Transparency Regulation is transposed but implementation continues to lag behind with a limited set of data being published, in particular on balancing, actual generation and unavailability of consumption units.

The REMIT Regulation is transposed and implemented.

#### RETAIL MARKET

50%

All consumers in Albania are free to choose their supplier. The universal service supplier FSHU supplies all household and small consumers under regulated prices. As of 1 January 2022, consumers connected to 20 kV, 10 kV and 6 kV entered the liberalized market but were transferred to supply from the supplier of last resort for an initial 2-year period. The price of supply of last resort is based on incurred costs approved monthly by the regulator. The universal supplier FSHU acts as supplier of last resort until a tendering procedure takes place. Consumers connected to 35 kV and high voltage are supplied on the free market.

Vulnerable customers are defined by primary legislation and Government decisions provide financial support through compensations for electricity consumption.

#### WHOLESALE MARKET

69%

In December 2022, new electricity market rules governing trading procedures for short-term markets were approved. The day-ahead market in Albania was launched by the power exchange ALPEX on 12 April 2023. The go-live of the intraday market is still pending.

Electricity purchase and sale for the regulated activities of supply of last resort is executed on the day-ahead market but under contracts for difference and with price taking buy and sell orders. This approach limits free price formation and the development of competition. The state-owned production company KESH has an obligation to sell electricity to the supplier of last resort at a price below market price, determined by the Ministry as a shareholder. Additionally, KESH has a public service obligation to provide electricity for universal service and, as of July 2022, losses in the transmission network for the duration

#### REGIONAL INTEGRATION

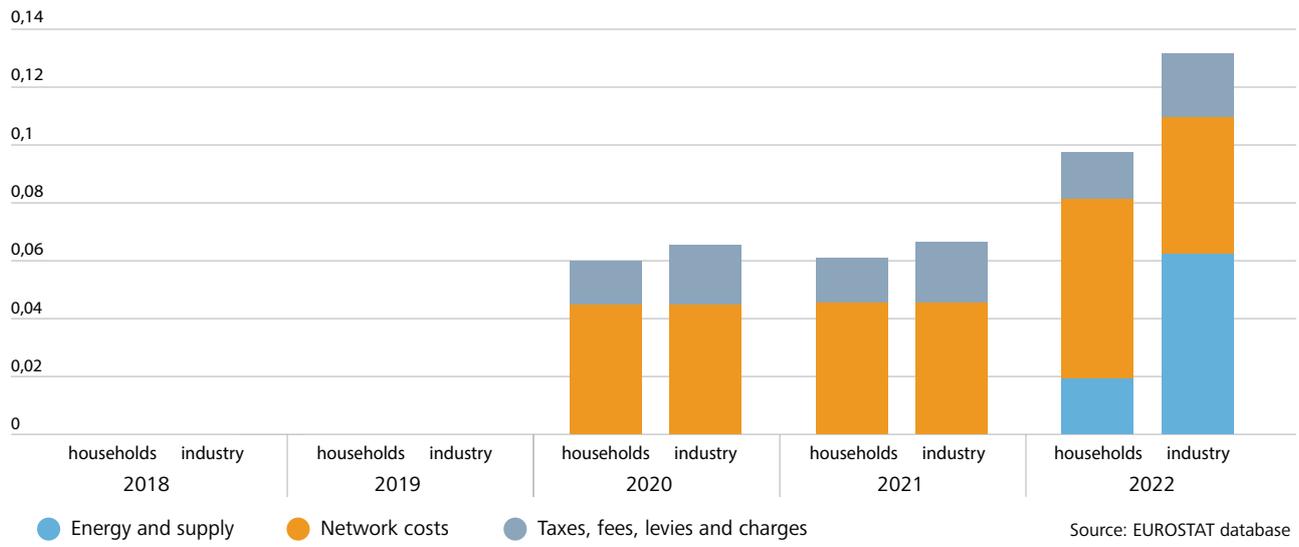
58%

The regional auction platform SEE CAO is used for the allocation of all cross-zonal capacities.

The Albania - Kosovo\* control block cooperates on cross-border balancing. Albania and Kosovo\* share secondary reserves based on yearly contracts.

The TEN-E Regulation (EU) 347/2013 is transposed, but no progress has been made in its implementation. The PECE project from 2018, the 400 kV OHL between Albania (Elbasan) and North Macedonia (Ohrid/Bitola), is still in the construction phase. Its completion faces organisational and financial obstacles.

### Average annual prices of electricity for end users per component [EUR/kWh]



## GAS

42%



### UNBUNDLING

71%

The Trans Adriatic Pipeline (TAP) is certified unbundled, in accordance with an exemption decision, under the independent transmission operator model. Albgaz, the national transmission system operator, is certified according to the ownership unbundling model. However, not all certification conditions, including the competence to take an investment decision, have been met.

### ACCESS TO THE SYSTEM

50%

Network Codes are separately transposed by TAP and Albgaz. In practice, Albgaz's sole activity is to oversee TAP maintenance through a separate contract. The tariffs established for Albgaz services are not in line with the Tariff Network Code. TAP alone implements third party access in line with the exemption conditions. The framework for potential future LNG and storage system operators is in place.

### WHOLESALE MARKET

23%

Albania lacks a national natural gas market. ERE has implemented the REMIT Regulation, including all required actions except for the market rules.

### RETAIL MARKET

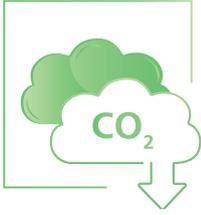
25%

Although there is no national gas market, secondary legislation regulating customer supply has been adopted.

### REGIONAL INTEGRATION

21%

The TEN-E Regulation (EU) 347/2013 is transposed, but no progress has been made in its implementation. The Albania – Kosovo\* Gas Pipeline (ALKOGAP) is a Project of Energy Community Interest (PECI). It has not been further developed recently. The Ionian Adriatic Pipeline (IAP) project, providing a backbone pipe in Albania, would serve as an enabler for ALKOGAP. However IAP, which is a Project of Mutual Interest (PMI) project at present, has also not matured recently.



# Albania

## Decarbonising the energy sector

### GOVERNANCE / CLIMATE IMPLEMENTATION

55%



#### NATIONAL ENERGY AND CLIMATE PLANS

61%

The National Energy and Climate Plan (NECP) of Albania was adopted in December 2021. The work on the review continued in 2023 but was not finalized by the deadline set in the Governance Regulation. Albania should have submitted the new draft NECP for the Secretariat's assessment.

#### GREENHOUSE GAS 2030 TARGET

80%

Albania has not defined the 2030 climate target in national legislation, but has defined it in the NECP. It should consider amending its Climate Change Law, to align it with the 2030 targets set by the Energy Community.

#### NATIONAL SYSTEMS FOR CLIMATE REPORTING

67%

There is a legal basis for a national inventory system. At the end of 2022 the Government adopted a regulation for monitoring, reporting of greenhouse gas emissions and other information related to climate change at the national level.

Albania has not submitted a report on a national system for policies and measures and projections, as required by the adapted Governance Regulation.

#### NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

61%

Reporting obligations have been transposed in the legislation. Albania has nominated lead reporters for the Governance Regulation reporting activities. The reporting obligation was initiated, but no report has yet been submitted on policies and measures (PaMs), nor on adaptation strategies in the context of Reportnet system. No reporting was conducted on carbon revenues.

#### LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

25%

The legal basis for a long-term strategy has been adopted. However, Albania has not yet adopted a long-term strategy with a 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.

## RENEWABLE ENERGY IMPLEMENTATION

59%



### 2030 RENEWABLE ENERGY TARGETS **88%**

The target of achieving a 54,4 % share of renewable energy in gross final energy consumption in the adopted National Energy and Climate Plan (NECP) is in line with the 2030 target set by the Energy Community and incorporated in the amended Renewable Energy Law. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (178,1%), transportation (34,6%), and heating and cooling (16,6%). The 2030 target for renewable energy in the heating and cooling sector is not as ambitious as required by Article 23 of Renewable Energy Directive (REDII). Following Article 26 of REDII, Albania adjusted its minimum target for renewable energy in transport to 7% by 2030.

### QUALITY OF SUPPORT SCHEME **82%**

The amendments to the Renewables Law abandon administratively determined feed-in tariffs. Support for renewable energy electricity generation is now provided (or will be converted to) through a competitive process in the form of contract for difference (CfD) or contract for premium (CfP). Auctions for a fixed purchase price were held, with the intention of transitioning to CfD arrangements once a robust day-ahead market is established.

### SELF-CONSUMPTION AND ENERGY COMMUNITIES **75%**

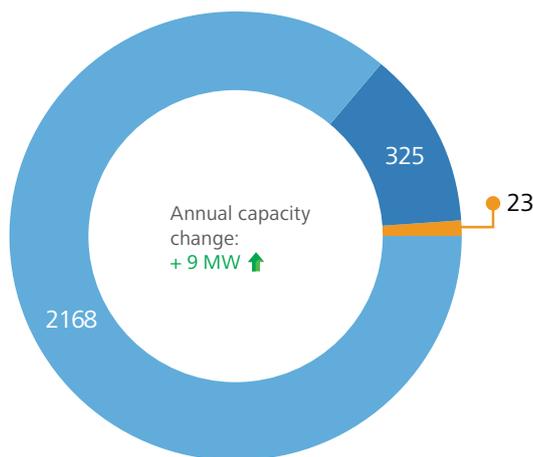
There is a net metering in place, enabling consumers to operate renewable energy installations with a maximum capacity of 500 kW. Albania has incorporated changes into the Renewables Law, which outlines a transition to net billing for self-consumed renewables, scheduled to commence on 1 January 2024. These amendments guarantee the involvement of citizens in renewable energy communities while preserving their privileges and responsibilities as end consumers.

### GUARANTEES OF ORIGIN **70%**

Within the framework of the regional project implemented by the Energy Community Secretariat, an electronic registry for guarantees of origin (GOs) was established for Albania. It became operational by regulator ERE in May 2023. The next critical milestone for achieving a fully operational GO system includes the adoption of disclosure rules and the calculation of the residual energy mix.

The amendments made to the Renewable Energy Law incorporated the necessary legal provisions for issuing GOs for all types of energy carriers, including renewable gas, and heating and cooling.

### Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Solar

Total capacities of renewable energy (MW):

2516

Source: Ministry of Infrastructure and Energy

### SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS **0%**

Albania's current legal framework does not conform to the sustainability and greenhouse gas emissions reduction criteria stipulated in REDII for biofuels, bioliquids, and biomass fuels. The criteria are expected to be incorporated into a separate law. Adoption of such a law is vital in guaranteeing that Albania's substantial utilization of biofuels, the highest among Contracting Parties, effectively contributes to achieving the 2030 RES target.

### RENEWABLE ENERGY IN HEATING AND COOLING **25%**

There was no progress concerning the integration of renewable energy in the heating and cooling sector of Albania. To meet the requirement of increasing renewable energy by 1,1 percentage points, as set in Article 23 of REDII, the creation of the framework and measures for the integration of renewable energy, including heat pumps in individual heating systems is needed.

## ENERGY EFFICIENCY IMPLEMENTATION

54%



### 2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

64%

Albania has taken steps towards energy efficiency and climate action with the introduction of its 2030 energy efficiency targets and associated policies and measures, outlined in the NECP adopted in February 2022. These measures, however, are not aligned with the 2030 targets set by the Energy Community.

During the reporting period, the Ministry of Infrastructure and Energy adopted new by-laws to implement the Energy Efficiency Law, covering aspects such as local energy efficiency action plans and building requirements. The drafting of further by-laws addressing key areas like monitoring and verification, energy efficiency obligations, and criteria for public procurement is ongoing. Their adoption remains pending.

To promote energy demand reduction within public institutions, the Government has imposed obligatory measures, requiring a 15% reduction in electricity consumption. Nominated energy managers are responsible for progress monitoring and reporting. Penalties have been established for non-compliance.

### ENERGY EFFICIENCY IN BUILDINGS

86%

A long-term building renovation strategy has not yet been adopted. Following the adoption of relevant by-laws to implement the 2016 Law on Energy Performance of Buildings, Albania has established an operational energy performance certification system. The Energy Efficiency Agency supports the issuance of energy performance certificates for buildings and oversees the scheme. More than 40.000 audit reports have been issued since its inception.

### ENERGY EFFICIENCY SCHEME AND FINANCING

44%

The energy efficiency obligation scheme, as mandated by the Energy Efficiency Law, is being established in Albania. The Ministry of Infrastructure and Energy drafted an order for the approval of the Energy Efficiency Obligation Scheme, which has not been adopted.

In terms of funding mechanisms for energy efficiency, no dedicated fund has been established. Investments in energy efficiency are currently being channeled through the state budget and foreign financial aid, with a particular focus on the buildings sector. Furthermore, local banks are actively involved in promoting energy efficiency by offering credit lines for various measures, with a primary focus on enhancing the thermal insu-

lation of building envelopes in private buildings. These initiatives are subsidized with up to 50% of the costs being financed by the Municipality of Tirana.

The development of the energy service (ESCO) market model is ongoing. The relevant regulations and model contracts for energy performance contracting have not been adopted.

### ENERGY EFFICIENT PRODUCTS – LABELLING

38%

The amendments to the Law No. 62/2012 are essential to align the national framework with the latest Energy Community requirements on energy labelling. The adoption of these amendments is still pending.

There has been little advancement in updating the existing or adopting new implementing regulations for specific product groups, as mandated by the Ministerial Council Decisions from September 2014, November 2018, and lastly, December 2022. This remains an area of concern.

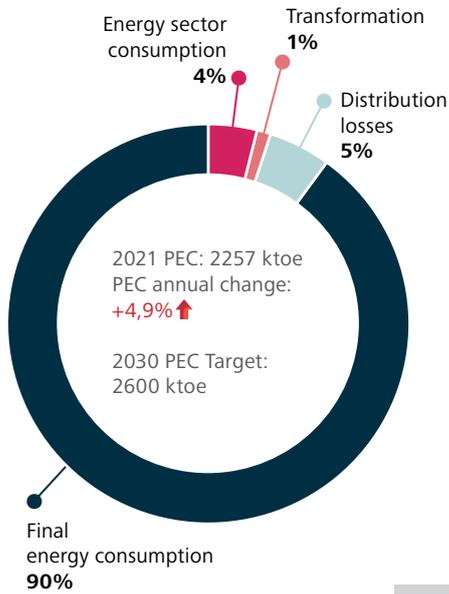
### EFFICIENCY IN HEATING AND COOLING

38%

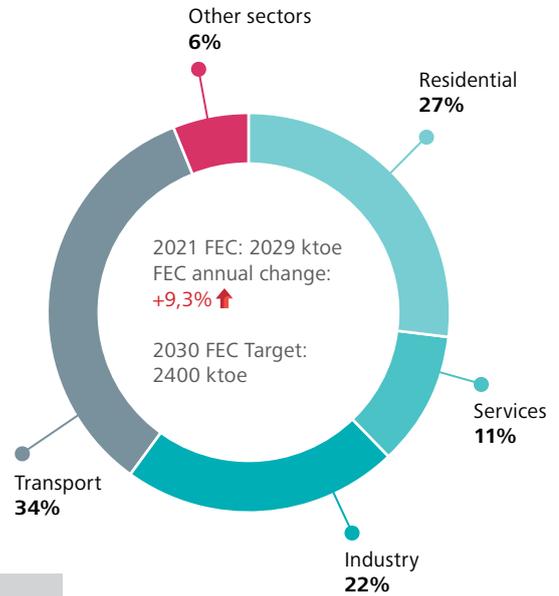
While the Energy Efficiency Law introduced the legal basis for developing a comprehensive assessment of the potential for efficient heating and cooling in 2021, the conduct of assessments in line with the requirements of Article 14 of the Energy Efficiency Directive is missing. Moreover, the transposition of provisions related to the inspection of heating and air-conditioning systems is pending. Recently, Albania subsidized 2.000 families with solar water heating systems.

## 2021 Energy Efficiency Indicators and Trends

### Primary Energy Consumption (PEC)



### Final Energy Consumption (FEC)



Energy intensity, 2021 value and trends:  
0,20 ktoe/mil EUR, -3,5% ↓

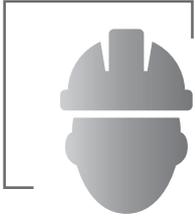
Source: EUROSTAT 2023 data, NECP and 2022 Ministerial Council Decision

### Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	n/a	n/a

● In place    ● In progress    ● Not in place

Source: compiled by the Energy Community Secretariat



# Albania

## Ensuring energy security



### ELECTRICITY SECURITY OF SUPPLY

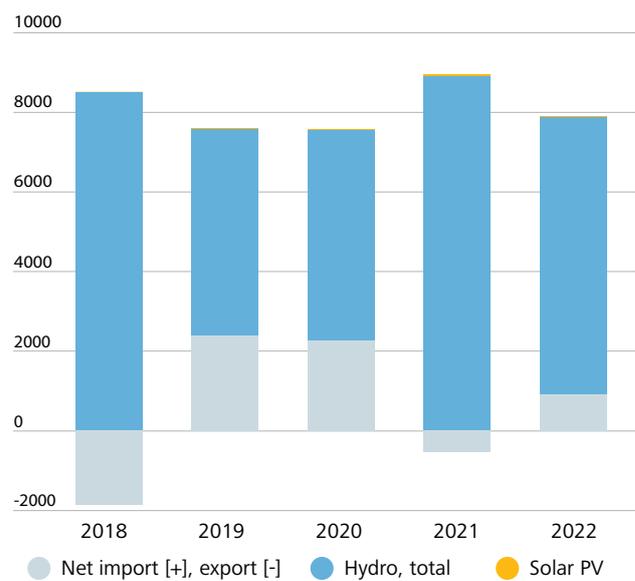
75%

Directive 2005/89/EC is transposed. However, the security of supply rules required by the Power Sector Law have not been adopted. In December 2022, the Government adopted the national action plan in response to the energy crisis. This plan defined the measures that were undertaken by the Government under the state of emergency for the supply of electricity, prolonged until 31 December 2023. Albania has not been providing the Security of Supply Statements to the Secretariat, as required by Article 29 of the Treaty.

In line with the national regulation governing cybersecurity in the electricity sector, electricity companies delivered self-assessments on cybersecurity, which were reviewed by the regulator. The transmission system operator OST and the electricity production company KESH completed their tasks, while the distribution system operator OSSH could not provide the requested documentation.

A cybersecurity strategy is being drafted. In July 2020, the regulator revised the existing cybersecurity regulation. There were no serious cyber-attacks in the energy sector in the recent period.

Fuel mix and primary supply of electricity (in GWh)



Source: Ministry of Infrastructure and Energy, compiled by the Energy Community Secretariat



### GAS SECURITY OF SUPPLY

36%

Gas emergency regulations are in place following amendments to the Gas Law in 2021, which incorporate some but not all provisions of the Security of Gas Supply Regulation (EU) 2017/1938.

Albania submitted its national risk assessment to the Secretariat in time.



### OIL SECURITY OF SUPPLY

28%

Albania's current emergency oil stockholding system is based on legislation from 1999 (amended in 2004) and governmental decrees from 2004 and 2007, where the entire emergency stockholding obligation is assigned to the oil industry. In 2018, a new law was drafted. The draft Law on the Establishment, Maintenance and Management of Minimum Security Stocks of Crude Oil and Petroleum Products failed to be adopted during the reporting period. As an alternative, three draft regulations and a governmental decision were prepared in 2022 to comply with the Directive's obligations by introducing a system that

would be more in line with the existing industry-based model. The current emergency procedures are not sufficient to meet the Directive's requirements.

The reporting system and calculation methodology do not comply with Directive 2009/119/EC. Data are reported partially.

No progress was achieved during the reporting period and Albania's legal framework remains non-compliant.



# Albania

## Improving the environment

### ENVIRONMENTAL ASSESSMENTS **47%**

Albania did not improve its legislation on Environmental Impact Assessment (EIA) during the reporting period, resulting in a continued lack of alignment with Articles 8 and 8(a) of the EIA Directive. A clear requirement for granting development consents for projects to include the EIA conclusion, environmental conditions, as well as associated measures and monitoring protocols, is not envisaged by the EIA Law. Essential secondary legislation required for proper implementation of the EIA is still lacking. The screening criteria remain unaligned with Annex III to the EIA Directive and the establishment of a certification scheme for EIA experts is delayed. The institutional capacity is not sufficient to facilitate a streamlined process for EIA and other environmental assessments (e.g. biodiversity assessment). No measures were implemented to enhance public participation in decision-making processes at the local level.

The effective implementation of the Strategic Environmental Assessment (SEA) Directive continues to pose challenges. No new mechanisms were introduced to enhance the consultation process, including its transboundary dimension. Also, the existing secondary legislation remained unchanged, allowing for the revision of plans and programs approved without a completed SEA process. This could affect the upcoming revision of the National Energy and Climate Plan (NECP).

The dispute settlement case related to the improper EIA of planned hydropower projects on the Vjosa river remains open.

### LARGE COMBUSTION PLANTS **100%**

TPP Vlora remains the only large combustion plant in Albania. It is not operational. With the Fier-Vlora gas pipeline still in preparation and in the absence of an LNG terminal, fuel switch to natural gas cannot take place. If realized, this would be a substantial change making the plant subject to an environmental impact assessment. The installation, if put into operation, must also comply with the emission limit values of the Industrial Emissions Directive for new plants. The same holds true for the mobile combustion units installed in 2022 to be used as reserve units in case they are put in operation.

### SULPHUR IN FUELS **60%**

Albania transposed the provisions of the Directive, including those on marine fuels, by a decision of the Council of Ministers in 2019. The ministerial decisions to implement and enforce the obligations for reduction of the sulphur content of certain liquid fuels, especially with regard to the provisions on sampling and analysis, are still not adopted. In the wake of the energy crisis in 2022, Albania imported two mobile, sea-based combustion units (barges) run on heavy fuel oil. These devices are foreseen as reserve units, they have, however, not been used up until now.

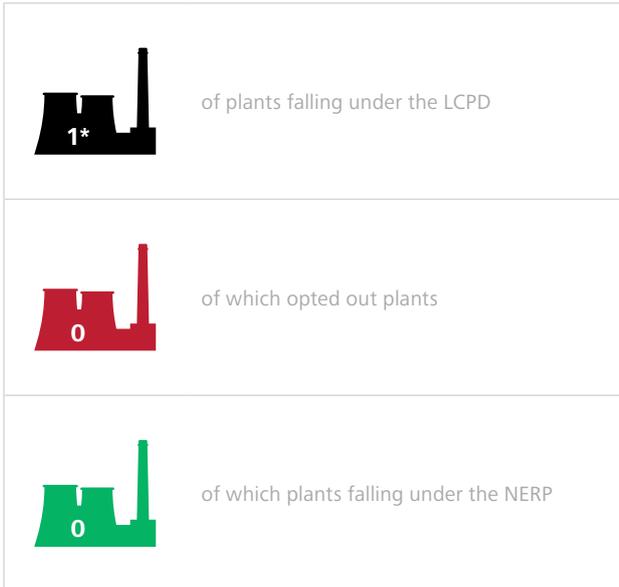
### NATURE PROTECTION **67%**

Albania designated the Vjosa River and its free-flowing tributaries, Bënça, Shushica, and Drino, as a national park. At the same time, the still existing concession agreements for the hydropower projects Kalivaç and Poçem pose challenges for the park's future. The management and protection of the Ramsar wetland, which is of international importance and the Vjosa-Narta Protected Area, is still missing, with ongoing infrastructure projects within the site. The National Agency for Nature Protection intends to establish a special fund for protected areas and develop scenarios for three protected areas. This initiative includes mechanisms to enhance revenue streams in specific protected areas, focusing on the Dajti National Park, Divjaka-Karavasta National Park, and the Llogara-Karaburun Protected Area Complex.

### ENVIRONMENTAL LIABILITY **20%**

Albania has transposed certain provisions of the Environmental Liability Directive via the Law on Environmental Protection. Secondary legislation remains to be adopted and the financial mechanisms to ensure implementation of the Directive's provisions is yet to be set up.

## Installations under the Large Combustion Plants Directive



\* not in operation

Source: compiled by the Energy Community Secretariat



# Albania

## Performance of authorities



### REGULATORY AUTHORITY

84%

The Energy Regulatory Entity (ERE) is established in line with the applicable Energy Community legislation. Regulatory decisions are affected by a level of penalties that is lower than required by the Electricity and Gas Directives.

Electricity Market Operators (NEMO). After adopting the secondary legislation transposing the REMIT Regulation in 2022, ERE established the registry of market participants. There is no track record of ERE taking enforcement actions.

In 2023, after approving the Electricity Market Rules jointly with ERO of Kosovo\*, ERE appointed ALPEX to be the Nominated



### COMPETITION AUTHORITY

50%

As in previous reporting periods, the activities of the Albanian Competition Authority (ACA) in the energy sector were again limited to opinions and recommendations regarding compliance of decisions by ERE with the Law on Protection of Competition.

In the absence of any action regarding the enforcement of the competition acquis in the energy sectors in terms of investigating and sanctioning anti-competitive conduct, Albania does not live up to its obligations under the Treaty.



### STATE AID AUTHORITY

40%

The institutional structure and human resources of the State Aid Control Unit (SACU), which provides technical and administrative support to the decision-making body (the State Aid Council, SAC) continue to be of concern. Full compliance with the Treaty's obligations in the area of State aid would require an inde-

pendent State aid authority with sufficient human and technical resources. In the reporting period, the SAC reviewed in line with the State aid acquis the state support for the Remas-Karavasta solar project through a power purchase agreement, convertible to a contract for difference.



### STATISTICAL AUTHORITY

72%

The Agency for Natural Resources (AKBN) compiles annual energy balances and annual questionnaires that are transmitted to EUROSTAT. The SHARES questionnaire for 2021 was also transmitted, as well as the preliminary data for 2022. The breakdown of energy consumption of households was transmitted to EUROSTAT and published, including the breakdown of energy consumption in industry in accordance with Regulation (EU) 2022/132. The quality reported was not updated in the 2022 reporting cycle.

in Annex C of Regulation (EC) 1099/2008, necessary for stock obligations monitoring and crude oil import registry, fall short of the requirements. Monthly coal data are not available yet.

Monthly oil, electricity and natural gas data are available and transmitted to EUROSTAT, although the deadlines for the submission of data are not observed. Monthly oil statistics defined

The prices of electricity charged to households per consumption band were transmitted. AKBN began to transmit the breakdown of main price components together with the corresponding volumes from the reference year 2022. AKBN, in cooperation with ERE, is preparing a set of data on natural gas prices. The first reported set covered the first semester 2022. The breakdown of price components is not completed due to the unavailability of data in the bundled activities. The quality report on price statistics has not been transmitted yet.