



RECOMMENDATIONS

by the Energy Community Secretariat

on the Draft National Energy and Climate Plan of Albania

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Energy Community Secretariat

Recommendations

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1. Procedure

1. In 2018, the Ministerial Council of the Energy Community (“Ministerial Council”) adopted Recommendation 2018/01/MC-EnC which considers that
“the development of integrated national energy and climate plans by the Contracting Parties would support the attainment of the long-term energy and climate policy objectives, reduce the administrative burden and enhance transparency while promoting investor certainty in the region. The framework for regional cooperation established by the Energy Community and the assistance offered by its institutions and bodies is essential to prepare the successful development of integrated national energy and climate plans.”
2. Article 1 of Recommendation 2018/01/MC-EnC sets out in more details the structure and content of the national energy and climate plans (“NECPs”) covering the period from 2021 to 2030. Articles 2 to 5 of Recommendation 2018/01/MC-EnC describe the process of their adoption and review. Moreover, the Policy Guidelines 03/2018 of the Energy Community Secretariat (“Secretariat”) on the development of NECPs under Recommendation 2018/01/MC-EnC incorporate the European Commission’s Communication COM(2015) 572 final which provided guidance to European Union Member States to start developing national plans for the period 2021 to 2030.
3. Article 5(2) of Recommendation 2018/01/MC-EnC stipulates
“In view of the submission of the final national plans by Contracting Parties, the Secretariat should issue recommendations on draft national plans.”
4. The Ministerial Council incorporated Regulation (EU) 2018/1999 (“the Governance Regulation”) in the Energy Community acquis at its session on 30 November 2021, which features a legally binding obligation on Contracting Parties to develop an NECP, and to take due account of the recommendations from the Secretariat. The development and assessment of NECPs submitted in 2024 shall be pursuant to the provisions of the Governance Regulation.
5. In March 2019, Albania established a national working group to work on the NECP. The national working group met regularly to draft the NECP, and consulted with the Secretariat throughout the process. The draft NECP was submitted to the Secretariat for assessment on 21 July 2021.
6. Following a detailed assessment of the draft NECP, based on Article 6 of the Policy Guidelines 03/2018, the Secretariat provides the following assessment and recommendations.

2. General Remarks

7. At the outset, the Secretariat notes that contrary to the situation in the European Union, the Energy Community has not yet committed to targets for 2030 on greenhouse gas (“GHG”) emissions, energy efficiency and renewable energy. Article 1(2) of Recommendation 2018/01/MC-EnC suggests that the Contracting Parties:

“should ... set out the direction of national energy and climate objectives and policies in a way that is coherent with the commitments made by Contracting Parties under the Paris Agreement as well as with other possible long-term energy and climate targets for 2030 applicable to Contracting Parties.”

8. The draft NECP does not define the targets for GHG net emissions reduction and for energy efficiency compared to values in a base year, as it is the case for NECPs in the European Union, but as a difference between two scenarios: a business-as-usual scenario with existing measures (“the WEM scenario”), and an enhanced policy scenario with additional measures (“the WAM scenario”). These targets, amount to an 18.7% GHG net emission reduction by 2030 and an 8.4% savings of final energy consumption. Albania also aims for a 54.4% share of renewable sources in gross final energy consumption by 2030, which is 16.4% points higher than Albania’s 2020 renewable energy target and which corresponds to the target value calculated in the second most ambitious scenario in the study commissioned by the Secretariat in 2019.¹
9. The Secretariat notes that regardless of the projected GHG emission level, which is lower in the WAM scenario compared to the WEM scenario, the GHG emissions from 2030 are projected to further increase until 2040 in both scenarios. However, considering Albania’s signature of the Sofia Declaration pledging climate neutrality by 2050, emissions cannot increase beyond 2030. The draft NECP’s projections indicate that the listed policies and measures do not result in structural changes, which would decouple the emission increase from economic growth. Policies and measures relying on more sustainable forestry do not address the root cause of polluting industry. The Secretariat is concerned that the country’s net GHG emission levels – i.e. taking into consideration removals and land use, land use change and forestry (“LULUCF”) –, instead of decreasing below 1990 levels, are projected to even rise, and are projected to be 31% and 45% higher in 2030 and in 2040 respectively compared to 1990.²
10. The Secretariat would strongly encourage Albania to revise the GHG emission reduction targets and increase the ambition level. The Secretariat further recalls that the Contracting Parties are expected to modify their NECPs upwards at any time, in case the national legislation or the Energy Community acquis develops further with regard to targets on GHG emissions, energy efficiency and renewable energy in line with a higher level of ambition in the European Union. The Governance Regulation foresees the submission of final NECPs by Contracting Parties in 2024 for the period of 2025-2030. Albania will be requested to report on the basis of a revised level of ambition, in line with the 2030 targets on GHG emissions, energy efficiency and renewable energy adopted at Energy Community level. The adoption of such targets by the Ministerial Council is envisaged for 2022.
11. The Secretariat appreciates that the draft NECP is transparent as to where and why the proposed targets deviate from existing strategies and plans (the National Energy Strategy 2017-2030 in particular). That said, the Secretariat notes that the draft NECP contains several sections which should be updated before adoption, as they include references or data from 2018 or older.
12. The Secretariat welcomes that the draft NECP addresses all dimensions of the Energy Union, and generally follows the structure set out in the Governance Regulation. However, the draft fails to adequately establish the link among the targets, policies and measures of the various Energy Union dimensions, and as such falls short of properly integrating all sectoral documents. The lack of links is particularly evident between the internal market, the energy security and the renewable energy dimensions.
13. The Secretariat recalls that a public consultation is to be carried out before adopting the NECP and related documents. The final NECP will need to include detailed information about the consultations, the input received and how it was taken into account. The Secretariat welcomes that the Strategic Environmental Assessment (“SEA”) was initiated for the draft NECP and that a draft SEA report was prepared. The Secretariat recalls that the draft SEA

¹ Source: https://www.energy-community.org/dam/jcr:090129f2-22c3-4cc6-95d9-cb08cde5cf57/TUW/en_2030_targets_062019.pdf

² Source: Emissions Summary for Albania UNFCCC – https://di.unfccc.int/ghg_profiles/nonAnnexOne/ALB/ALB_ghg_profile.xlsx

report should be fully aligned with Article 5 and Annex I of the SEA Directive 2001/42/EC. The Secretariat encourages the establishment of joint working groups between the SEA experts and the NECP experts in order to integrate the environmental considerations into the final NECP in accordance with Article 8 and 9 of the SEA Directive.

3. Recommendations

1. In the following, the Secretariat gives its Recommendations on the compliance of the draft NECP with the conditions listed in the Governance Regulation, the Recommendation 2018/01/MC and the Policy Guidelines 03/2018.

A. Overall Recommendations

2. The Secretariat notes the estimated increase in emissions foreseen to take place after 2030 in both scenarios, which is associated with the assumed economic growth. This is remarkable, taking into account that Albania is in a unique position among Contracting Parties by having a fully decarbonized domestic electricity generation sector already today. This would enable Albania to dedicate resources to decarbonize other sectors in all time perspectives.

1. The Secretariat recommends that additional policies and measures are identified and designed which would enable decoupling economic growth and energy consumption from GHG emissions. This concerns in particular the sectors which are projected to be the largest contributors to emissions increase, most notably industry. Such additional policies and measures should be included in the first NECP developed under the Governance Regulation in the Energy Community in 2024.

3. The Secretariat finds that a number of policies and measures lack an estimation of their impact of GHG emission reductions, as well as the necessary budget for implementation giving an overview of the incremental cost of the WAM over the WEM scenario. For the majority of policies and measures, concretely defined milestones are missing. This will make the assessment of their progress through the integrated progress reports all but impossible.

2. The Secretariat recommends that the expected level of GHG emission reduction as well as well the associated costs and investment needs including an analysis on investment needs across different sectors and sources of (re)finance, are indicated for each policy and measure. In addition, the Secretariat recommends that an analysis of the overall implications of the WAM scenario on investment, private consumption/ purchasing power, prices, export competitiveness is carried out to understand the benefits and the costs of the proposed pathway. It is furthermore recommended that policies and measures include explicit and quantified milestones, through which their progress can be tracked via the biennial progress reports under the Governance Regulation.

4. The information provided with regard to the development of the draft NECP and the NDC evidences that these processes should be better coordinated and aligned. Developing NDCs and NECPs in isolation jeopardizes the establishment of coherent targets and plans, and affects the objective of creating long-term certainty and predictability for investors. With respect to greenhouse gas emission inventories in the draft NECP, only the non-energy part follows the UNFCCC – and thus the NDC – methodology, and is easily comparable. The energy part appears to be customized for the NECP only and thus cannot be compared to the information in the NDC.

3. The Secretariat recommends that in the future, the NECP and NDC development processes and all processes for developing national strategies are better integrated, which could be supported by the creation of joint working groups, information flow and harmonized data and methodological approaches including for modelling and projections.

5. Article 3 of Recommendation 2018/01/MC-EnC suggests that NECPs of the Contracting Parties should complement and where possible reinforce each other. The draft NECP of Albania does not provide information about any actual or planned consultations with neighbouring Parties. They would be essential especially regarding those policies and measures with a cross-border focus/impact and for those assumptions relying on neighbouring markets and energy systems. The NECP should also include a description of the impacts on the neighbouring Contracting Parties and those in the wider region. The identification of cross-border impacts can significantly enhance synergies and avoid the duplication of capacities and infrastructure.

4. The Secretariat recommends to start bilateral and/or regional exchanges with interested Parties on the effects of the NECP on them, and include a description of the outcome of such consultations in the final NECP. The Secretariat further recommends that the final NECP contains an assessment of how the envisaged objectives and policies will affect other Parties, and how cooperation across policy areas and sub-sectors can be strengthened.

B. Specific Recommendations

3.1 Decarbonisation

a) GHG emissions and removals

3.1.1 Targets and objectives

6. A long-term outlook until 2050 in the decarbonisation section of the targets and objectives chapter is missing in the draft NECP.

5. The Secretariat recommends that as part of the long-term outlook to 2050, the final NECP includes additional information on how Albania plans to fulfil the 2050 climate neutrality objective.

7. In the agriculture and waste chapters, the emission levels are identical in both WEM and WAM scenarios. This is partly explained by the fact that those policies and measures, which are expected to have an impact on emissions, are already included among the existing measures. There are some measures in the WAM scenario but they do not appear to have a direct impact on reducing emissions, for instance improving agricultural monitoring. Generally speaking, there is very limited information regarding the plans and projections for the agricultural and forestry sectors.

6. The Secretariat recommends that information from the Strategy for the Development of the Forestry and Pastures Sector (2005 - 2030) or the Inter-sector Strategy for Agriculture and Rural Development and Fishery (2021-2027, under development), is included in the chapter on the agricultural and forestry sector. It is also recommended to include information on the targets for land degradation neutrality, as Albania is a signatory to the UN Convention to Combat Desertification.

8. The targets in the waste and wastewater sector foresee a peak of GHG emissions in 2025, continued by a reduction until 2040 in both scenarios. Reversing the current trend of

increasing GHG emissions in just four years appears extremely challenging to implement with the provided policies and measures in light of the current level of development of the waste management sector in Albania, notably the existence of several illegal landfills and dump sites that may have already exceed their carrying capacities, and the fact that only 14.3% of the population is connected to wastewater treatment.

7. The Secretariat recommends that the ambitions in the waste and wastewater sector are maintained and appropriate resources are mobilised for their implementation.

3.1.2 Policies and Measures

9. The operationalization of the monitoring and reporting of greenhouse gases, as envisaged in Article 37 of the Governance Regulation, is essential for the establishment of a GHG inventory system, a long-term strategy as well as policies, measures and projections.

8. The Secretariat recommends that actions related to establishing the greenhouse gas monitoring, reporting and verification system are included in the relevant policy and measure.

10. The action on the “Implementation of the ETS in Albania” is described well, however, its anticipated impacts – i.e. 50% reduction of emissions in the industry sector – cannot be verified on the basis of the projections, and there is no explanation in the NECP for this. The planned timeline of eight years for adoption appears ambitious but feasible. Details on the practical implementation of the establishment of greenhouse gas emissions monitoring, reporting and verification obligations, processes and systems should also be included in this policy and measure.

9. The Secretariat recommends that the anticipated impacts of the introduction of an ETS in Albania are adequately included in the projections, and a clear definition is provided how and in which timeframe this policy and measure is expected to demonstrate its effect. Because of its links to other sectors, it is recommended that the ETS measure is linked with other policies and measures, such as with the electricity generation (e.g. new gas-fired power plants) and with the IPPU sector (with new policies and measures to tackle rising emissions). The Secretariat recommends that Albania – pursuant to the relevant policy and measure in the NECP – implements a fully functioning ETS by 2030, which can start yielding results in emissions reduction before 2040.

11. The Secretariat notes that in industry and most notably in the cement sector, the increase in energy-related GHG emissions until 2030, in both scenarios, stems from growing coal and diesel use, which is projected to increase by 35% under the WAM and by 38% under the WEM scenario between 2018 and 2030. The proposed policies and measures envisaged to mitigate the increase in energy demand appear to have only a limited impact. The cement sector dominates also the projected hike in process-related emissions, with a 40% projected increase between 2018 and 2030 in both scenarios. Again, there are no measures considered to mitigate this anticipated increase. The Secretariat recalls that Albania ranks as No 6 among the EU’s top 10 external cement suppliers, and that in July 2021 the European Commission proposed the establishment of a carbon border adjustment mechanism (“CBAM”), which conditions cement exports to the EU to the purchase and surrender of CBAM certificates.

10. The Secretariat recommends that Albania includes relevant policies and measures which can effectively tackle the growing energy and process-related emissions in the industry sector (in particular in minerals/cement production). Albania should also add a policy and measure to the current NECP, which will focus on an assessment what technological and policy changes are necessary and feasible in order to reduce emissions from the minerals/cement segment of the

industry from 2030. The technological assessment should be complemented by a cost-benefit assessment taking into account the impact of other policies and measures.

12. In the transport sector, the projected emission increase results from a continuously increasing gasoline and LPG use from 2018 to 2040, which is a function of the projected economic growth and increased demand for transport services. Policies and measures in the WAM scenario are expected to keep the emission increase limited to 6% between 2018 and 2030. Electrification is expected to pick up towards 2030, but is projected to have the smallest share among all fuels. The Secretariat recalls the importance of urban planning, which significantly influences the nature and magnitude of demand for transport.

11. The Secretariat recommends that additional policies and measures are considered, which could contribute to such structural changes in the transport sector that could have an impact on emission reduction also beyond 2030. Furthermore, the Secretariat recommends to review the high dependency on diesel vehicles in view of phase-out policies and bans on diesel vehicles all over Europe. The Secretariat recommends that also local urban planning policies – if available – are taken into account when developing transport related policies and measures.

13. The policy and measure related to the improvement of the extra-urban bus network includes a number of measures which are not related to buses specifically (such as improving the quality of road, increasing access to bicycle use, carbon tax, road tax, setting traffic tariffs and limiting the use of vehicles, improving the vehicle load factor in the freight transport, drafting an optimal parking plan and optimal parking tariffs). Regarding the policy and measure on integrated freight management, the expected results are well elaborated, however measurable milestones to track progress are missing.

12. The Secretariat recommends that the description in the transport related policies and measures is improved, their scope is better aligned with their title/objectives, measurable milestones are added and the investment needs are indicated.

14. The emission impacts of the policies and measures concerning hydrocarbon exploration and production are not reflected in the decarbonisation chapter, and no link is made between the energy security and decarbonisation chapters. Increasing hydrocarbon exploration and production as well as increasing refinery capacities are likely to drive emissions upwards, whereas improved compliance with fuel quality requirements may have a downward impact on emissions.

13. The Secretariat recommends that the impact on emissions resulting from an increased capacity of the Ballsh and Fier refineries, and the planned improvement in fuel quality is assessed.

15. The bulk of the projected reduction in GHG emissions in the WAM scenario is projected to come from a single segment in the LULUCF sector – referred to as “Reducing forest emissions CO₂”. GHG emissions in this category are expected to be reduced by half by 2030. However, the projected continuous increase in emissions in other sectors – even in the WAM scenario – is expected to offset this one-off reduction shortly after 2030 and lead to an overall higher level of emissions. The impact of policies and measures related to reducing forest emissions CO₂ appears to be overestimated, and without a long-term structural impact. It is not clear from the description of the policies and measures which action precisely is expected to realize the large-scale emission reduction. Relying on “Reducing forest emissions CO₂” as a panacea for emission reductions conceals the lack of action in other areas and poses a significant risk of not meeting the targets if that measure fails to be implemented or to deliver the expected results.

14. The Secretariat recommends that the potential of the projected emission reductions in the segment “Forest emissions CO₂” is reviewed, and a risk

assessment analysing the scenario of that policy and measure failing to deliver the expected results is prepared. The Secretariat also recommends that the NECP contains an additional description of the concrete measure(s), which are expected to deliver the assumed emission reductions in reducing forest emissions.

16. In the agriculture sector, the same slight reduction between 2018 and 2030 is projected in both scenarios, suggesting that the policy and measure included in the WAM scenario will not trigger additional emission reductions. None of the agriculture related policies and measures include an overview of the actions taken to date, even though most of them have been ongoing for years.

15. The Secretariat recommends that the effectiveness of agriculture policies and measures to date is reviewed and the results delivered so far by them are included in the NECP, so that the feasibility of the future plans can be assessed.

17. Natural gas has a prominent role in the Albanian energy plans in general. It is also implied in the modelling, but not in the text of the NECP, as an alternative to hydropower contributing mainly to energy security. It would evidently introduce emissions in the currently emission-free domestic electricity generation sector. In the draft NECP, only the anticipated emissions from gas use in electricity generation are indicated explicitly, even though gas is expected to be used in the residential and services sectors as well in the WAM scenario. There are no policies or measures indicated to tackle and address the increasing emissions from using natural gas.

16. The Secretariat recommends that a realistic and feasible concept of natural gas use is outlined in the NECP, which updates the outdated assumptions of the Natural Gas Master Plan of Albania. The Secretariat recommends that the emissions attributed to the use of natural gas are described more clearly in the NECP, and policies and measures are designed how to tackle such emissions.

18. The NECP presents a wide range of policies and measures aimed at reducing GHG emissions from the waste and wastewater sectors. The policies and measures are generally in line with the adopted National Integrated Waste Management Strategy and the Action Plan for Albania for the period 2020-2035. As they are ambitious, a risk assessment to define risks and challenges for the implementation of the measures would provide a realistic view about the feasibility of meeting the targets.

17. The Secretariat recommends that some additional policies and measures are included, including capacity-building and organisational development activities, supporting municipalities in establishing cost and tariff schemes for waste management services and establishing an effective data collection system on hazardous waste. Furthermore, the Secretariat recommends that an assessment of risks, including of administrative nature, would help to improve the robustness of the policies and measures proposed to achieve the waste and wastewater related targets.

b) Renewable Energy

3.1.3 Targets and objectives

19. The renewable energy target in the electricity sector seems to reflect the high potential, while the target for the heating and cooling sector (16.6%) seems to be under-ambitious, given the fact that in 2019 renewables already contributed with 24.9% to this sector. The transport sector target in renewable energy is very ambitious (34.6%), as renewables in 2019 contributed only with 13.4% share of biofuels in transport however, in the absence of an adopted sustainability scheme, this cannot be accounted for in the targets, and that the

energy demand of the transport sector is expected to increase by 19.4% in 2030 compared to 2020. The trajectories for the overall as well as the sectoral targets are not presented on an annual basis.

18. The Secretariat recommends that the estimated trajectories for the share of renewable energy in final energy consumption in the electricity, heating and cooling and transport sectors as well as the estimated trajectories by renewable energy technology (both in % and Mtoe) are indicated in detail per annum in the NECP to allow for consolidation on Energy Community level.

20. The NECP is missing a detailed assessment of the current situation in the development of renewable energy, and a clear explanation of the pathway to reach the 2030 targets. The consolidated Renewable Energy Action Plan adopted in 2018 foresees the expansion of renewable energy generation installations by 738 MW within two years (2019-2020) already. The policies and measures in the NECP on the other hand anticipate for the coming 9 years a total of 1780 MW capacity in small-scale and large-scale renewable installations.

19. The Secretariat recommends that the NECP clearly demonstrates how the implementation of policies and measures including projects is expected to contribute to the achievement of the overall and the sectoral renewable targets, indicating when the new capacities are expected to come online and how these new capacities change the share of renewable energy within the final energy consumption. The Secretariat furthermore recommends that policies and measures are developed in regional cooperation (statistical transfers, joint projects, cross-border auctions).

21. Targets, policies and measures related to renewable energy, the electrification of transport, electricity grid management and development and security of energy supply and the internal energy market are highly interconnected. The Secretariat recalls that assessing sectoral policies and measures in holistic manner is an essential function of the NECP. The NECP does also not provide any assessment how the planned electrification of transport would influence the demand for electricity.

20. The Secretariat recommends the draft NECP includes a cross-dimension assessment and description of how the targets, policies and measures in renewable energy, transport, internal energy market and energy security complement, strengthen or neutralize each other. In particular, an assessment of how the targeted increase of electric vehicles and the installation of renewable generation capacity are expected to affect the balancing of the electricity grid, would be useful.

3.1.4 Policies and Measures

22. The absence of a proper assessment of the status quo in renewable development makes it impossible to assess the outlined policies and measures. It is not clear from the draft NECP how the listed policies and measures fit in the overall renewable development plans and whether the planned renewable capacities are in line with the renewable energy potential – in particular regarding limitations for siting installations – and the targets of the country reflecting a high level of ambition. The investment needs and the planned breakdown of financing sources for the policies and measures is poorly estimated or missing completely, even though this highly influences their success. In relation to support measures, neither the benefits and strengths nor challenges of the current scheme in reaching the 2020 targets are described.

21. The Secretariat recommends that the impact of the current support schemes in achieving the 2020 targets is assessed and included in the NECP as an input for designing the upcoming support schemes in the policies and measures. The Secretariat recommends that a measure on developing a policy for the sustainable

siting and zoning of renewable energy projects is added to the NECP, since limitations in siting installations may considerably influence the renewable energy potential.

23. Grid stability planning should take into account both renewable energy and electricity in transport in an integrated manner. The policies and measures on the electrification of transport are not linked to the policy and measure on demand side management and electricity storage systems for grid flexibility.

22. The Secretariat recommends that the policies and measures for electromobility are linked with policies and measures in the renewable and electricity sectors notably on demand side management and electricity storage systems for grid flexibility.

24. There is very little information on the current status and plans for the role and practical implementation of guarantees of origin (“GoO”) within the Albanian market and within a cross-border context. This stands in contrast to the importance of a regional market for GoOs for the promotion of renewable energy.

23. The Secretariat recommends that policies and measures on the development of a regional system for the issuance, transfer and cancellation of GoOs should be included in the NECP. The Secretariat also recommends that policies and measures are included which aim at fostering the development of energy communities.

25. The policies and measures related to the mechanism for feed-in-tariff for small-scale renewable capacity and to the auctions for new renewable capacity and contract for difference needs to be put into a wider policy context. This would provide clarity as to whether and what level of incentives or support are necessary for additional capacities. These policies and measures should also be linked to the energy security dimension. Since the establishment of a Renewable Energy Operator is a WAM policy and measure, an explanation should be provided what happens with the referred policies and measures in case only existing measures are implemented.

24. The Secretariat recommends that clarification is provided on how planned renewable capacities (in MW) are expected to contribute to the achievement of the 2030 target (in %), which would make it clear whether additional quotas are necessary or new capacities can be installed without support.

26. The policy and measure regarding a “Robust power grid to accommodate increased renewable energy capacity” also is linked with internal energy market and energy security aspects, and would benefit from a link to other policies and measures related to generation adequacy. The infrastructure developments should be part of the Ten-Year Network Development Plan (TYNDP). There is no information how the needed investments correlate with the various scenarios for renewable energy development, and what the impact of WAM scenario is on the transmission and distribution system. It is not clear whether implementing this policy and measure enable the system to cope with the planned level of renewable energy in the WAM scenario. Moreover, there is no information on the status of the policy and measure “Facilitating regulatory and physical connection to the electricity grid”, even though this measure – according to the draft NECP – has been in place since 2017. There is also only limited information with regard to the policy and measure “Demand side management and electricity storage systems for power grid flexibility”. No timeframe or budget has been indicated.

25. The Secretariat recommends that the policies and measures related to electricity infrastructure within the renewable energy area are elaborated in more details. These policies and measures should also be linked to those in the energy security and internal energy market dimensions, and their mutual impacts should be analysed and described in the NECP.

27. How “Policies to support RES in Heating and Cooling Sector” will be promoted or how implementation will contribute to energy and greenhouse gas emission savings is not explained in the draft NECP. The financial incentive schemes are planned but there is no budget envisaged.

26. The Secretariat recommends that the NECP elaborates further how the policy and measure will be implemented, including its anticipated impacts and the planned budget. Clear targets and technologies (heat pumps, solar thermal etc.) should be assessed and proposed. The Secretariat also recommends that a bigger emphasis is placed on the importance of an adequate level of charging infrastructure in buildings, to match the needs of electro-mobility targets.

3.2 Energy Efficiency

3.2.1 Targets and objectives

28. The NECP energy efficiency targets are not consistent with the targets communicated under the National Energy Strategy (-15% compared to the baseline 2030). This results from different assumptions taken under each document when developing the baseline scenario (the National Energy Strategy projects much higher future energy demand resulting also from a much lower renovation rate). For energy efficiency (both primary and final energy consumption) the headline targets should be explicitly indicated in Chapter 2. Moreover, the 2021 amendments of the Energy Efficiency Law delegate the definition of the cumulative Energy Efficiency Obligation Scheme targets to the NECP. However, this information is not included in the draft. The renovation targets set by the 2021 amendments of the Energy Efficiency Law, notably 3% annual renovation target for central government buildings, and 2% for public buildings is also not included in the draft NECP.

27. The Secretariat recommends that the contribution of the energy efficiency target in terms of absolute level of primary energy consumption in 2030 is clearly indicated in the NECP. The Secretariat further recommends that the Energy Efficiency Obligation targets and measures pursuant to Article 7 of the Energy Efficiency Directive are elaborated in the NECP in more details than the current information in the policy and measure indicating an 1,5% target and expected savings of 37 ktoe in 2030. The NECP should also include the latest annual renovation targets for central government and for public buildings.

29. Regarding the district heating and cooling sector, the current status is reported in general terms, but there are no plans and policy measures envisaged spanning until 2030.

28. The Secretariat recommends that the plans for heating and cooling sector are included in the NECP and that the targets for all sectors are expressed in absolute figures (ktoe).

3.2.2 Policies and Measures

30. A number of energy efficiency related policies and measures remain on a general level and refer only to framework measures without specifying concrete actions. This makes the measurement of progress and the estimation of impacts impossible. The Secretariat commends the well-elaborated package of measures for the long-term renovation strategy in the buildings sector.

29. The Secretariat recommends that all those policies and measures, which are limited to a general description of policy directions and topics such as the “Implementation of the Minimum Energy Performance Requirements in buildings”,

the “Retrofitting of the existing central governmental buildings”, and “Retrofitting of the public building stock”, are elaborated in more detail including concrete actions to be taken and metrics how progress can be measured.

31. The 2021 amendments of the Energy Efficiency Law envisage the development of guidelines and a comprehensive assessment of the potential for the application of high-efficiency cogeneration and efficient district heating and cooling by 2022. There is no such policy or measure included in the NECP.

30. The Secretariat recommends that guidelines and a comprehensive assessment of the potential for the application of high-efficiency cogeneration and efficient district heating and cooling are developed by 2022, and such a policy and measure is added to the NECP.

32. Regarding the energy efficiency measures related to purchasing by public authorities, the Energy Service Companies (“ESCO”) model is focused on only buildings, while it would be beneficial to extend it to other sectors as well.

31. The Secretariat recommends that more information is included on the concrete actions and on the implementation of the policies and measures related to the financial support schemes for improving energy efficiency in private buildings as well as the support for energy efficient and clean vehicles. The Secretariat recommends that the ESCO model is extended from the buildings to other sectors such as industry or services as well. The Secretariat recommends that plans for adopting specific product regulations in Energy labelling and Eco-design are included in the relevant policy and measure. The Secretariat recommends that within the policy and measure concerning energy audits for large energy consumers (industry) concrete actions to introduce energy management system are included.

33. Regarding the policy and measure “Municipalities Energy Efficiency Action Plans, implementation, and reporting” it must be noted that the concept of the NECP phases out sectoral strategies such as National Energy Efficiency Action Plans in order to ensure an integrated planning. Such an integrated planning could take place also on a municipal level going beyond energy efficiency.

32. The Secretariat recommends that municipalities – instead of developing municipal energy efficiency action plans – develop integrated municipal energy and climate plans (including also energy efficiency) in order to be in line with the national level strategic planning. Such municipal plans could provide valuable input to the NECP in the future.

3.3 Energy Security

3.3.1 Targets and objectives

34. Energy security is an important pillar of Albanian energy policy, and the draft NECP describes the strategic objectives in energy security, which are based on the National Strategy of Energy 2018-2030. Potential disruptions of hydropower and the shortages in electricity supply due to the draught periods stemming from climate change are taken into account in the modelling. Still, an explanation (definition of potential threats and hazards) justifying why the listed targets and objectives have been chosen is missing. The draft NECP does also not describe any targets related to energy security, which would present the pursued outcomes in a quantified and measurable manner, and assigned with a priority. The lack of priority setting bears the risk of encouraging policies and measures, which may neutralize each

other's effects or lead to overinvestment and to a non-cost-efficient realization of energy security.

33. The Secretariat recommends that clear and quantified energy security targets are defined and included, and that both targets and objectives are cross-assessed for consistency with the other dimensions of the NECP.

35. In electricity, energy security objectives include both reducing import dependency and the diversification and increasing of the interconnection capacity with neighbouring markets. Pursuing both policies for energy security seem to be redundant, and the needed links to other dimensions such as the internal energy market or decarbonisation are missing. Moreover, some objectives such as cybersecurity are not set. Individual projects should not be considered as objectives or targets and thus should be removed from the chapter.

34. The Secretariat recommends that for electricity, the objective to reduce import dependency should be underpinned by a cost-benefit assessment taking into account costs of investing in generation facilities and infrastructure, and the value of lost load. Quantifiable indicators for import dependency should also be established to measure progress.

36. The energy security objectives related to natural gas fail to explain the energy security considerations which justify the introduction of gas in the energy mix and a lot of the description is based on the Master Plan for Natural Gas for Albania, which includes outdated information. It is implied in the policies and measures and in the analytical section that the main anticipated role for introducing natural gas in Albania is to ensure electricity generation in dry periods when hydro availability is low. However, this role for gas is not at all clear from the objectives. Being a nascent market, Albania should focus as much as possible on relying on already connected neighbouring markets for gas security of supply and avoid targeting major investments in additional national measures such as developing an underground gas storage or excessive infrastructure. The minimization of costs is essential for avoiding the creation of stranded assets.

35. The Secretariat recommends that for natural gas, the targets and objectives include a clear explanation what the anticipated role of natural gas in the energy mix is, and a brief explanation why. The targets and objectives in natural gas security of supply are recommended to be limited to the absolute necessary level of operational security and business continuity, all planned on the basis of a cost-benefit analysis in order to avoid investment in "over-insuring" the sector.

37. In the oil sector, the underlying reasons for the planned extension of refinery capacity are not described at all. There is no analysis why the current refinery capacity level is not sufficient, what the related quantified energy security targets and objectives are, what the threats stemming from the current refinery capacity level are, and how the future demand for refined petroleum products corresponds to the planned extension of refining capacity. It is not clear what energy security threat the dependence on the high level of petroleum product imports represents.

36. The Secretariat recommends that the objective for reducing import dependency on oil products is explained and that an in-depth economic analysis is prepared and included in the NECP demonstrating the business case for investing in refining in order to decrease the imports of refined products. The planned period for recovering the investments and the projected demand for oil products is especially relevant in light of the Europe-wide ambition to phase out internal combustion engines in road transport and to curb emissions related to the marine transport sector.

3.3.2 Policies and Measures

38. In the absence of quantified targets (e.g. security of supply standards such as the N-1 rule, quantified import dependence such as a maximum reliance on supply routes or sources) and reference to analytical documents (such as a generation adequacy assessment), the effectiveness and relevance of policies and measures cannot be assessed. Reference to generation projects (TPP Vlorë and hydro power plants) does not represent the policies and measures necessary for electricity security of supply. The policy and measure “New construction of power plants – Skavica, Vau Dejës, Moglice” is actually limited to the construction of Skavica HPP. Electricity market integration and cooperation at regional and pan-European level should be described by concrete measures and milestones. The benefits of an integration with the Kosovo* electricity market (thermal capacity mitigating the impact of hydrology) should be coordinated with Kosovo* where a potential coal-phase out might reduce baseload availability. The impact on energy security of increasing the share of variable renewable energy generation in the energy mix should be analysed and linked to renewable targets and the decarbonisation dimension.

37. The Secretariat recommends the policies and measures in the energy security dimension are linked to the policies and measures in the decarbonisation dimension (in particular to renewable energy) and also to the internal energy market dimension. Moreover, neighbourly and regional cooperation in ensuring security of electricity supply, including regionally coordinated adequacy assessments, security analyses, risk preparedness plans and management of emergency and crisis situations should be considered.

39. As gas is planned to play a role in electricity generation, future risk assessments and preventive and emergency measures should take into account the electricity-gas nexus and the role of gas in generation adequacy and balancing. The other area where gas security of supply may become relevant is the industry, where backup fuels and fuel switching could be considered to ensure business continuity following a cost-benefit analysis. At the same time, considering the introduction of new rules in natural gas in 2040, just ten years before the anticipated climate neutrality objective represents a risk for stranded efforts. The Secretariat further notes that no tangible steps have been taken to realise the projects of the Gas Master Plan in the last years except for the Trans Adriatic Pipeline. Regarding cross-border projects such as ALKOGAP and IAP, the planning should be based on consultations with the relevant neighbouring markets to verify the need of those projects, in particular in the case of limited demand for gas from such infrastructure on the Albanian market. The reference to the “Energy Community Gas Ring” concerns a concept which has not been pursued for some ten years. The planned start of operations of the Vlorë TPP is not clear in the draft NECP. The concept of developing an underground gas storage facility appears to represent an unnecessary level of investments with a high chance of leading to stranded assets. Albania is connected via the Trans Adriatic Pipeline to the Italian gas market, which constitutes additional investments in physical infrastructure for Albania’s security of supply excessive.

38. The Secretariat recommends that the policies and measures in gas are critically reviewed in terms of reality and feasibility. Natural gas risk assessments, preventive action plans and emergency plans should focus on the impacts of a gas disruption in the electricity and in the industry sector. The Secretariat recommends that the reference to concrete natural gas projects is significantly reduced and limited only to those, which bear potential for progress and have a positive cost-benefit ratio.

40. The policy and measure titled increasing hydrocarbon production actually refers to other aspects in a misleading way (stockholding, fuel quality, refinery capacity expansion).

39. The Secretariat recommends that the policy and measure on increasing hydrocarbon production is removed from the NECP and is replaced by relevant individual policies and measures related to compliance with the oil and oil products stockholding obligation and with fuel quality requirements. Any policies and

measures linked to the extension of refinery capacity should be presented accompanied by a solid economic assessment outlining the expected demand for products, the estimated cost recovery period and assumptions and the verification why such a measure is essential for achieving energy security objectives.

3.4 Internal Energy Market

3.4.1 Targets and objectives

41. The inclusion of quantified targets and objectives is welcome, since they go beyond the electricity interconnection target foreseen by the Governance Regulation. At the same time, there are no links of the internal energy market dimension to other dimensions.

40. The Secretariat recommends that the targets and objectives for the internal energy market dimension are linked to other relevant dimensions such as energy security and decarbonisation.

42. The set of objectives concerning electricity market integration is not ambitious. The objective to establish a competitive and organised market and couple it with others is too general and insufficient. It should include concrete objectives for the development of all electricity market segments (forward, day-ahead, intraday and balancing markets), and their full regional (beyond the market coupling with Kosovo* only) market integration, together with measurable targets to track progress. Instead of focusing on building new interconnectors, the objective for the maximisation of the existing interconnection capacity for cross-border cooperation should be prioritised, as Albania comfortably satisfies the 10% and 15% interconnection targets applicable in the EU via its current infrastructure and that project. The objective concerning system reliability should be coupled with more quantified objectives and the development of concrete indicators such as SAIDI, SAIFI, CAIDI and related target levels.

41. The Secretariat recommends that the following aspects are covered additionally in the assessment considered: specific objectives and timelines on smart grids, aggregation, demand response, storage, distributed generation, mechanisms for dispatching, re-dispatching and curtailment, real-time price signals including the roll-out of intraday market coupling and cross-border balancing markets and non-discriminatory participation; consumers participation in the energy system and benefit from self-generation and new technologies, including smart meters, electricity system adequacy, as well as flexibility of the energy system with regard to renewable energy production, and grid congestions.

43. Some information on the current status of energy poverty is included in the draft, however there are no details on the implemented energy and social policies. A reference to existing policies and measures should be included. Furthermore, there is no quantification of disposable income, nor number of households in general.

42. The Secretariat recommends that more information on currently applicable measures for tackling energy poverty (legal references, who is entitled to receive support, short description of measures, estimation of budget employed) are included in the NECP.

3.4.2 Policies and Measures

44. Only four out of the overall fifty-seven policies and measures in the draft NECP are intended to address the internal energy market dimension, which gives the impression of the absence

of a detailed plan on the next steps for market reforms and developments. The policies and measures related to the electricity market and its integration are insufficiently addressed, and the link with policies and measures in other dimensions is missing. The measures to foster market integration and flexibility should be explained in detail. The policies and measures should be better layered and grouped instead of a catch-all single package. The focus of the electricity sector reform policies and measures is mostly on the present and the past. The forward-looking perspective, which is essential to support decarbonisation, the increased penetration of renewable energy and system integration across different sectors (sector coupling) is missing. Given the high dependence on hydro power plants and the plans for the development of variable renewable energy (wind and solar) policies and measures that support the flexibility of the electricity system should be addressed and linked to the energy security dimension.

43. The Secretariat recommends that the policies and measures related to the electricity sector reform are presented through concrete actions with measurable metrics for tracking their progress. Apart from catching up on the reforms stemming from the Third Energy Package, the planning for implementing all elements of the Clean Energy Package should be included in the NECP.

45. Even though the development of electricity infrastructure is mentioned as a priority, there are no clear actions related to the description and implementation of the transmission system investment plan. Electricity grid development plans should be explained and included in the policies and measures, with a detailed description about their present status.

44. The Secretariat recommends that the focus of policies and measures is moved from investing in new interconnector projects to improvements in market functioning and their maturity and a better use of existing interconnectors. If improvements are needed in the internal electricity transmission system, these should be listed along with a detailed assessment why they are necessary.

46. In energy poverty, the list of outlined preparatory actions represents a good foundation, however the timeframe for their implementation is missing. Since the actual policies and measures tackling energy poverty are to be developed on the basis of the preparatory actions, it is important that a follow-up takes place in due time, and the whole process is not delayed due to the unnecessary extension of the preparatory phase.

45. The Secretariat recommends that a detailed timeframe for all actions is provided, and that there are clear references to possible future measures to fight energy poverty. Links with policies and measures in other dimensions (energy efficiency, decarbonisation, electricity (retail) market reforms) should be further elaborated in detail.

3.5 Research, Innovation and Competitiveness

3.5.1 Targets and objectives

47. The only indicated targets are related to the level of public annual expenditures for general scientific research and innovation (at 2% of the GDP by 2022 and beyond), and to targets for high education and scientific research. These targets are accompanied by well-defined and measurable metrics, through which progress can be tracked. The targets are, however, planned until 2022, which is the timeline of the National Strategy for Science, Technology and Innovation (NSSTI). The mismatch of the timing of the NECP and the NSSTI will make it impossible to include up to date information in the NECP. Sector specific research and innovation targets and objectives are not indicated. In particular, those addressing energy and climate, such as low carbon technologies for instance in industry (e.g. cement) or

solutions to decarbonize the transport sector, are missing. There are no specific objectives for competitiveness, even though there are policies and measures earmarked for that area.

46. The Secretariat recommends that research and innovation targets and objectives, which specifically address energy and climate change related issues are defined in the NECP. Progress should be measurable by indicators such as the number of innovative start-up companies or the number of new patents registered by a certain deadline. The Secretariat further recommends that targets include both a short-term (until 2030) and also a long-term (until 2050) dimension in order to ensure a stable and attractive environment for investors in R&I, and to facilitate long-term planning for SMEs, entrepreneurs, R&I centres and universities. The Secretariat also recommends that the timing of the NSSTI is aligned with the development of the NECP and includes the latest information in particular related to energy and climate related R&D targets and objectives.

3.5.2 Policies and Measures

48. The policies and measures in research, innovation and competitiveness are generally well elaborated, and include clear actions and measurable results. Certain policies and measures go beyond 2022 (which is the final year for targets and objectives) but not beyond 2027. One set of policies and measures does include competitiveness even though targets are absent.

47. The Secretariat recommends that the Targets and Objectives section in the research, innovation and competitiveness dimension is updated with information related to competitiveness in the related policies and measures.

49. The planned policies and measures are coherent, realistic and plausible, but will likely have a limited potential to create significant impacts on the innovation capacity, and the entrepreneurial ecosystems as well as on the industrialisation and marketing of innovative solutions. This is due to the fact that important activities are still missing, such as a strong focus on the establishment of innovation clusters (regional or thematic) and supporting the linking of businesses with innovation actors (universities, R&D centres, start-ups).

48. The Secretariat recommends that additional steps are taken in order to establish innovation clusters and to strengthen the bond between the business sector and R&I providers.

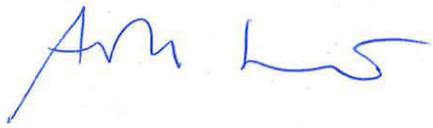
50. With regard to new technologies and solutions in the electricity sector (such as energy storage, demand response, digitalisation and cybersecurity) the role of research and innovation is key. A stronger link to the electricity sector challenges should be established in research and innovation.

49. The Secretariat recommends that technology-related challenges and the need to find new solutions in other sectors such as in electricity are reflected in the policies and measures of research and innovation.

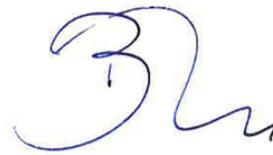
51. International cooperation, especially, on the European level and focusing on energy is comprehensively considered.

50. The Secretariat recommends that all government entities (ministries and other authorities) active in industrial policy in Albania are involved in the policies and measures related to research and innovation and the SET Plan.

Vienna, 17 December 2021



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