



Albania

Population ¹	2,866,376
Area (km ²) ¹	28,750
GDP per capita (USD) ¹	5,268.85
TPES (Mtoe) ²	2.35
Energy intensity (toe/10 ³ 2010 USD) ²	0.17
CO ₂ emissions - energy (MtCO ₂) ³	4.34

Data from Orbis Crossborder Investment on energy projects and deals completed between 2015-2020⁴

Target industry	Number of projects and deals	Project/deal type	Project CapEx and deal value (million EUR)
Extraction of natural gas and crude petroleum	2 deals	acquisition deals	40m EUR total value of deals

Sources:

1. The World Bank 2018
2. ©IEA, World energy balances, 2020, www.iea.org/data-and-statistics/webstore.iea.org/key-world-energy-statistics-2019
3. ©IEA 2020, CO₂ emissions from fuel combustion, www.iea.org/data-and-statistics/webstore.iea.org/key-world-energy-statistics-2019
4. Orbis Crossborder Investment (2020), Bureau Van Dijk. Albania is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2020. For more information see Annex II of this report.

Albania's overall risk level against the assessed areas is **low**.

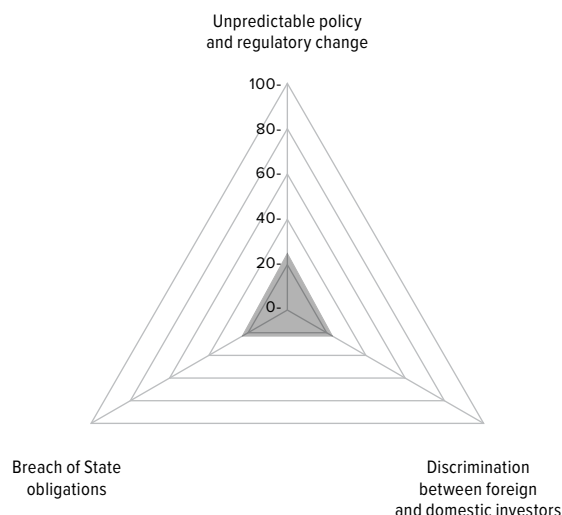
All three risks assessed in EIRA, namely, *discrimination between foreign and domestic investors*, *breach of State obligations*, and *unpredictable policy and regulatory change* continue to be on the same level as in 2019.

Albania's performance against the four indicators is good. It has maintained a good score on the indicators *management of decision-making processes* (79), *rule of law* (77), and *regulatory environment and investment conditions* (76). On *foresight of policy and regulatory change*, it has retained a score of 69.

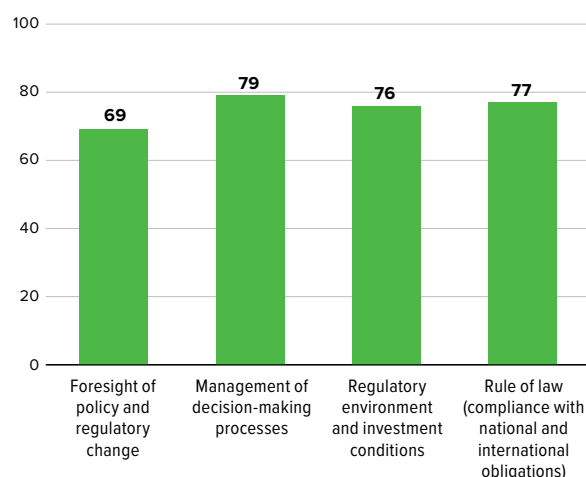
On a more detailed level, Albania's overall sub-indicator performance is good. The highest-scoring sub-indicators are again *transparency* and *respect for property rights*, both at 83. Its performance on the sub-indicators *restrictions on FDI* (80), *institutional governance* (75), *robustness of policy goals and commitments* (75), *regulatory effectiveness* (72), and *management and settlement of investor-State disputes* (70) remains unchanged from last year. *Communication of vision and policies* remains the lowest-scoring sub-indicator at 62.

While Albania has the relevant policies and measures in place, there is potential for improvement. Attention should be given better communicating its vision and policies.

RISK LEVEL



INDICATOR PERFORMANCE

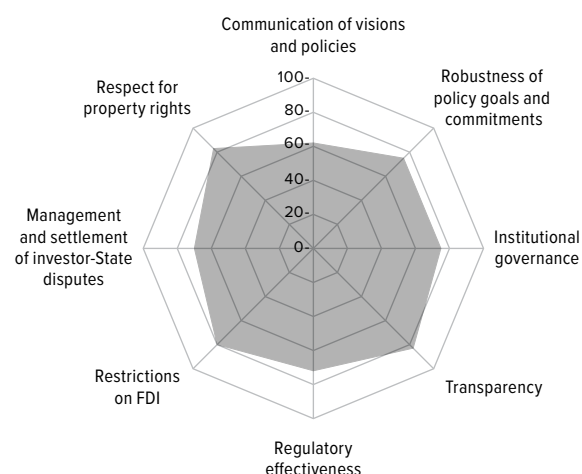


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020
Unpredictable policy and regulatory change	33	25	25
Discrimination between foreign and domestic investors	23	23	23
Breach of State obligations	23	23	23

INDICATORS	2018	2019	2020
Foresight of policy and regulatory change	46	69	69
Management of decision-making processes	79	79	79
Regulatory environment and investment conditions	76	76	76
Rule of law	77	77	77

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The National Energy Strategy 2018-2030 sets the energy sector targets and describes the country's vision for the next decade.

Albania ratified the Paris Agreement in 2016 and submitted its first NDC.

STRENGTHS

Albania is currently implementing the National Energy Strategy 2018-2030. One of the country's primary objectives is to increase energy efficiency. To this end, the Ministry of Infrastructure and Energy amended Law no. 124/2015 "On Energy Efficiency" to simplify the qualification, accreditation and certification of energy auditors and managers. The changes comply with EU Energy Efficiency Directive 2012/27/EU as transposed for the Energy Community Contracting Parties. The Ministry is also working on the methodology for calculating optimal cost levels for the minimum energy performance requirements of buildings. The National Consolidated Action Plan on Renewable Energy Resources 2019-2020, which amends the previous action plan, was approved to ensure that the country remains on track with its targets. Albania's overall efforts led the EU to open accession negotiations with the country in 2020.

The National Energy Strategy 2018-2030 obliges the Energy Regulatory Authority (ERE), the Energy Efficiency Agency (EE Agency) and the National Agency of Natural Resources (AKBN) to provide the Ministry of Infrastructure and Energy with their data by 30 April each year. The Ministry utilises this data to report on the fulfilment of the monitoring indicators and proposes the necessary actions. Based on the Ministry's reports, the Council of Ministers is currently taking measures to ensure the targeted renewable energy sources percentage is integrated into the energy mix by the end of 2020.

AREAS FOR IMPROVEMENT

Albania should expedite the finalisation of the National Energy and Climate Plan (NECP), currently expected in 2021. The NECP will set out measures to achieve the intended share of renewable energy sources and GHG reduction by 2023. It will help the country decrease its dependence on hydropower, improve energy security, and multiply investment opportunities. The Government should also adopt a new action plan on energy efficiency because the Second and Third National Energy Efficiency Action Plan 2017-2020 is about to expire.

The Government should strengthen the institutional capacity of the policy monitoring and evaluation authorities to ensure the implementation of the national strategic programmes. It should support the Agency by fully staffing it and making it functional. The country also needs to establish the Energy Efficiency Fund to finance projects, as required by the Energy Efficiency Law.

Management of decision-making processes

QUICK FACTS

The Ministry of Infrastructure and Energy formulates the energy policies and updates the National Energy Strategy.

The Ministry of Finance and Economy frames the national investment policy.

The Albanian Investment Development Agency (AIDA) was established in 2010 to attract foreign investment and increase the competitiveness of the Albanian economy.

Law no. 146/2014 "On Notification and Public Consultation" was enacted to improve accountability in the public sector.

STRENGTHS

The Ministry of Infrastructure and Energy continues to work in cooperation with public sector entities, particularly on the EU integration process. The Parliament is increasing its legislative initiative and improving its coordination with the Government. To make the economy more robust and stable, the Government has introduced significant changes that harmonise the country's regulatory and fiscal management framework. The Ministry of Finance and Economy is leading the ongoing financial management reassessment to improve, among others, investment planning and control, and the public procurement procedures.

Last year, the Parliament gave the public access to its documents and activities, and it held thematic public meetings. Additionally, "co-governance platforms", which invite citizens to submit their assessments, are improving public sector accountability. Albania is also taking measures to reduce political corruption, such as restricting the immunity of high-level public officials, politicians and judges. The Official Gazette website was fully updated in 2019, resulting in enhanced accessibility and usability of the online database. The new platform provides updates on legislative amendments and repeals. It features an advanced search tool, making the information published in the Official Gazette directly available to citizens, legal professionals and public authorities. The platform is also accessible in English, which makes it user-friendly for foreign investors. Administrative decisions, including the announcement of public procurements, are also published on the website of the Official Gazette.

AREAS FOR IMPROVEMENT

The Government should improve coordination between public authorities and ministries to ensure policy coherence across all economic sectors. Although it has taken some steps in this direction, the lack of robust regulation and weak institutional capacity may lead to inconsistent decisions and policies.

Regulatory environment and investment conditions

QUICK FACTS

ERE regulates the electricity and natural gas sub-sectors. The Ministry of Infrastructure and Energy regulates the petroleum sub-sector.

Law no. 7764/1993 “On Foreign Investments” establishes a legal framework for safeguarding foreign investment.

STRENGTHS

The Government is making continual efforts to reform the electricity market. Following the decision of May 2019 to establish the electricity stock exchange with day-ahead and intraday markets, in 2020, the Ministry of Infrastructure and Energy invited bids for participation in the Albanian Power Exchange (APEX), which will operate the power exchange market. ERE intensified its efforts to secure the cooperation of energy regulators in the neighbouring countries. In November 2019, the Ministry of Infrastructure and Energy signed a PSC with Eni to explore, with a 100% equity interest, the onshore Dumre Block. To ensure the smooth functioning of the market, the Competition Authority has launched an investigation against the biggest oil producer operating in the country for possible violations in the production and trade of crude oil.

Albania's legal framework remains open and conducive to foreign investments. FDI inflow has grown substantially over the last two years. The Government is promoting investment in energy, which is a strategic sector for Albania. In January 2020, Albania opened a tender for the construction of a solar park project in the Karavasta area, which attracted considerable interest. More than 20 international companies are competing for the construction, maintenance and operation contract of the 140 MW solar power plant, the most prominent photovoltaic facility in the country.

AREAS FOR IMPROVEMENT

Albania should accelerate its electricity market reforms and unbundle the distribution and supply activities, which has been postponed by an ERE decision until December 2020. The country should also remove legal and contractual obstacles that may impede regional market integration. The changes will open the internal market to regional producers and result in competitive electricity prices.

The country should consider lowering restrictions on the acquisition of property and the employment of non-Albanian unskilled personnel. Currently, uncertainties over real estate ownership rights may discourage investment. Additionally, work permits are issued only if the number of foreign employees did not exceed 10% of the staff on payroll in the last 12 months, excluding personnel in key positions. An increase in investment can lead to employment generation and better promote national interests.

Rule of law

QUICK FACTS

Albania is a contracting party to the Energy Charter Treaty since 1998.

The Convention on the Settlement of Investment Disputes between States and Nationals of Other States was ratified by Albania in 1991.

In 2001, Albania acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

STRENGTHS

Albania is implementing judicial reforms to ensure better quality and higher efficiency of the justice system, and to improve case management. The comprehensive reform, which started in 2016, addresses critical issues such as the independence and accountability of the justice system. The Government anticipates that the reform will also strengthen the business environment. The domestic laws allow foreign investors to submit investment disputes to the national courts or international arbitration, without the prior exhaustion of local judicial remedies. The legislative framework imposes clear time limits on the administrative courts to render decisions.

Albania's legal framework adequately safeguards the property rights of investors. Foreign investors can submit expropriation disputes against the State to the International Centre for Settlement of Investment Disputes. IP rights are protected under the Constitution to the same extent as any other property. The General Directorate of Industrial Property and the Copyright Directorate administer, protect, and promote IP rights in the country.

AREAS FOR IMPROVEMENT

A law on arbitration should be adopted to regulate national arbitral proceedings and to encourage the extrajudicial resolution of disputes. Although Albania is working on a draft law, its finalisation and adoption, which is pending since 2013, should be expedited.

There should be an independent investment ombudsman, or a similar institution, to handle the complaints of foreign investors against the public authorities on the licensing procedures. This body can contribute to lowering the workload of courts and boost investors' confidence in the State.

Albanian laws do not prescribe timeframes for the payment of compensation in expropriation cases. Currently, it is the Council of Ministers that decides the period for initiating and completing the compensation payment process. To avoid delays and ensure correct budgetary allocation by the responsible bodies, there should be a legally established cap on the timeframe for paying the compensation. The State should ensure the property owner receives compensation before the acquisition, or within a short and specified period after that.

IMPLEMENTATION STATUS



Albania

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2020
Indicator 1		
2018	Set measurable targets and long-term energy goals, particularly to facilitate the clean energy transition.	Fully implemented. In 2018, the Council of Ministers approved the National Energy Strategy for 2018-2030.
	Strengthen the policy monitoring and evaluation mechanisms.	Pending
2019	Finalise the National Energy and Climate Plan (NECP), which is currently expected in 2021.	Work ongoing. Since December 2018, the Ministry of Infrastructure and Energy is preparing the integrated National Plan on Energy and Climate Change (NECP) to be adopted by 2021.
2020	Adopt a new energy efficiency action plan because the Second and Third National Energy Efficiency Action Plan 2017-2020 is about to expire.	Improvement suggested in 2020. Status will be updated in 2021.
	Operationalise and fully staff the Energy Efficiency Agency which was set up in 2016.	Improvement suggested in 2020. Status will be updated in 2021.
	Establish the Energy Efficiency Fund to finance projects per the Energy Efficiency Law.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 2		
2018	Enhance the accessibility and interface of the online Official Gazette to facilitate the use of legal information.	Fully implemented. In 2019, the website of the Official Gazette was fully updated to provide updates on amendments and repeals. It features an advanced search tool, and is accessible in English. Administrative decisions, including the announcement of public procurements, are also published on the website.
	Publish statutes in common foreign languages.	Pending
2020	Develop and promote stronger coordination mechanisms among ministries, public bodies, and institutions to guarantee policy consistency.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 3		
2018	Lower restrictions on the acquisition of property by foreigners, and on the employment of non-Albanian unskilled personnel.	Work ongoing. Albania is working on the first registration of property titles across its territory.
2020	Unbundle the distribution and supply activities, which has been postponed until December 2020 by a decision of the Energy Regulatory Authority.	Improvement suggested in 2020. Status will be updated in 2021.
	Remove legal and contractual obstacles that may impede regional market integration.	Improvement suggested in 2020. Status will be updated in 2021.
Indicator 4		
2018	Adopt the law on arbitration which is pending since 2013.	Work ongoing. Albania is working on a draft law governing arbitration.
	Establish a foreign investment ombudsman authority to settle conflicts on licencing procedures arising in the course of energy projects.	Pending
2020	Set a legally binding cap on the timeframe for paying compensation in the case of compulsory property acquisition or expropriation.	Improvement suggested in 2020. Status will be updated in 2021.