



Albania

Population ¹	2,866,376
Area (km ²) ¹	28,750
GDP per capita (USD) ¹	5,284.38
TES (Mtoe) ²	2.34
Energy intensity (toe/10 ³ 2015 USD) ²	0.18
CO ₂ emissions - energy (MtCO ₂) ³	4.3

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 new project	Norway: 1 RE project of 74 mEUR
Extraction of natural gas and crude petroleum	2 acquisition deals	Netherlands: 1 deal of 39.5 mEUR Value of 1 deal (United States of America) is N/A

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Albania is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

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

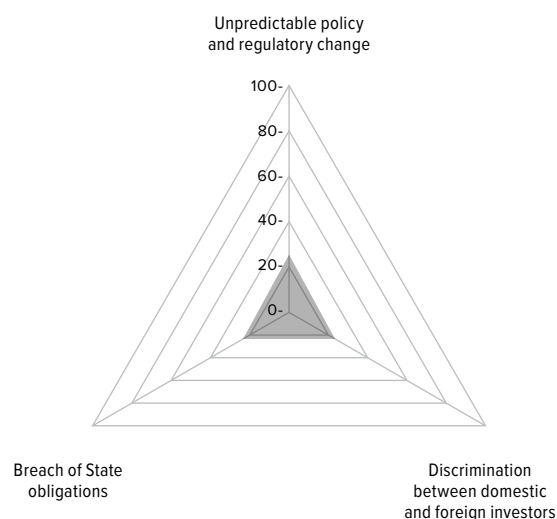
Of the three risks assessed in EIRA, *discrimination between domestic and foreign investors* and *breach of State obligations* are lower compared to *unpredictable policy and regulatory change*.

Albania's performance against EIRA's 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*, the country's performance has improved by a point and stands at 70.

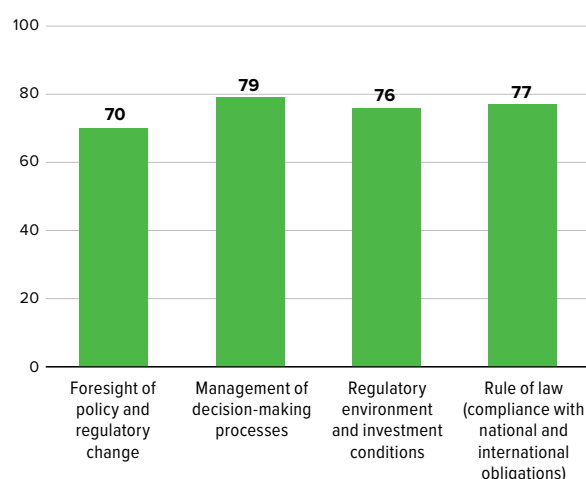
On a more detailed level, Albania's overall sub-indicator performance is good. The highest-scoring sub-indicators are *transparency* and *respect for property rights*, both at 83. On *restrictions on FDI* (80), *institutional governance* (75), *robustness of policy goals and commitments* (75), *regulatory effectiveness* (72), and *management and settlement of investor-State disputes* (70) it has the same score as in EIRA 2020. Its score on *communication of vision and policies* has improved by three points, from 62 to 65.

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

RISK LEVEL



INDICATOR PERFORMANCE

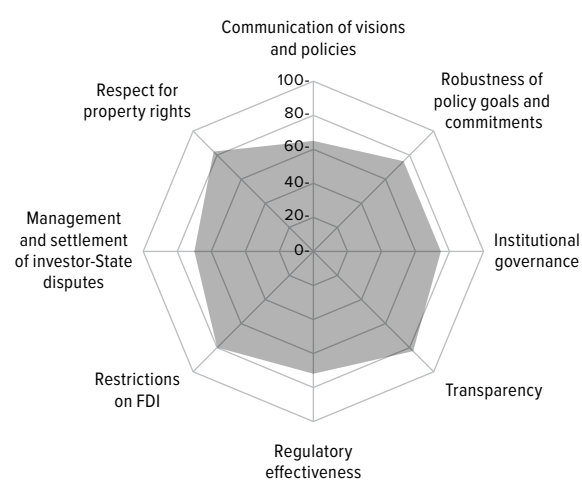


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	33	25	25	25
Discrimination between domestic and foreign investors	23	23	23	23
Breach of State obligations	23	23	23	23

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	46	69	69	70
Management of decision-making processes	79	79	79	79
Regulatory environment and investment conditions	76	76	76	76
Rule of law	77	77	77	77

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

Albania's National Energy Strategy 2018-2030 outlines the energy sector's outlook for the following decade.

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

STRENGTHS

Albania is advancing with the implementation of the EU acquis in its energy sector. The Government aims to increase the share of renewables in the total consumption from 38% in 2020 to 42% in 2030. To this end, in 2020, the Ministry of Infrastructure and Energy (MIE) launched two bids to construct the country's largest solar power plants, with installed capacities of 140 MW and 100 MW, respectively. To promote energy efficiency, the Ministry of Finance and Economy (MoFE) has developed an Economic Reform Programme 2021-2023, which introduces policy and regulatory measures to increase competitiveness, reduce energy consumption and lower electricity costs. In 2021, the Parliament of Albania amended Law no. 124/2015 "On Energy Efficiency" to introduce new obligations for the public and private sectors. The amendments require local governments to frame policies, action plans, and measures to improve energy efficiency and facilitate energy savings. In addition, large private and public energy consumers must develop action plans to reduce their electricity consumption by 4%.

The MIE monitors the implementation of the short- (2020), medium- (2025) and long-term (2030) targets set under the National Energy Strategy. In 2020, the State Supreme Audit published mid-term financial performance reports to evaluate the State-owned electricity distribution operator (OSHEE sh.a), the transmission system operator (OST sh.a) and the national oil company, Albpetrol sh.a. The MoFE also prepared the implementation report of the 2020 State budget that provides information on the financial performance indicators of the State-owned electricity generation, distribution and transmission companies. In addition, the Energy Efficiency Agency became fully operational in 2020. As required under the Energy Efficiency Directive, it published the fourth annual report on the key statistics and indicators, national targets, consumption trends, and legislative measures concerning energy efficiency.

AREAS FOR IMPROVEMENT

The Government of Albania should update its third National Energy Efficiency Action Plan 2017-2020 that expired in 2020. Moreover, it should establish the Energy Efficiency Fund and develop a financing framework for energy efficiency projects.

Management of decision-making processes

QUICK FACTS

The MIE prepares policies for the energy sector and updates the National Energy Strategy.

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

STRENGTHS

The Government of Albania is making efforts to streamline public services and make them more efficient. Since January 2020, the MIE is offering approximately 50 public services online, including mining exploration applications. Moreover, in December 2020, the Albanian Parliament approved Law no. 155/2020 "On Climate Change" which entered into force on 8 July 2021. This law paves the way to adopting the National Energy and Climate Plan and establishing an inter-institutional national framework to address climate change. Per the law, the Ministry of Tourism and Environment (MTE) will monitor, report, and verify GHG emissions and produce biennial update reports and NDC implementation reports. The MTE will undertake these activities based on sectoral emissions data from the MIE and statistics from the National Statistics Institute and other relevant ministries.

Albania has received two successful validations from EITI so far, and it is progressing well with the implementation of the EITI Standards. In 2020, various public agencies published data on the energy sector. For instance, the Albanian Energy Regulatory Entity (ERE) made available its annual report, which provides information on its activities throughout the year, the national energy balance, network tariffs, and consumer electricity prices. ERE also appointed a resident coordinator to initiate a free of charge information disclosure procedure based on companies' and individuals' requests. In 2020, OST sh.a published its data on electricity transmissions on the European Network of Transmission System Operators (ENTSO-E) transparency platform. The National Agency of National Resources prepared the annual energy balances and completed questionnaires that reflect energy prices in 2020.

AREAS FOR IMPROVEMENT

Albania should consider establishing a specialised agency to develop its renewable energy sources, as envisaged in Law no. 7/2017 "On Renewable Resources". The agency could create and maintain a database of renewable electricity priority producers and record renewable sources' contribution to the energy balance. It could also draft a National Action Plan for Renewable Sources and submit it further to the MIE and ERE for their input and approval.

The Government has made progress on climate issues by enacting the new Law no. 155/2020 "On Climate Change". It is now a timely moment to start developing the subsidiary legislation and regulations to support this law's implementation. Moreover, the MIE, in cooperation with MTE, must prepare the national adaptation and mitigation plan(s) that are in line with the EU requirements.

Regulatory environment and investment conditions

QUICK FACTS

ERE regulates the electricity and natural gas sub-sectors.

In May 2020, the Parliament amended Law no. 43/2015 “On Power Sector” to restructure the electricity sector.

Law no. 7764/1993 “On Foreign Investments”, amended in 2017, establishes a legal framework to safeguard foreign investment.

STRENGTHS

The Government is making progress with its electricity sector reforms. In January 2020, OSHEE sh.a was made a holding company with three subsidiaries, namely, the Electricity Distribution System Operator (OSSH sh.a), the Universal Service Supplier (FSHU sh.a), and the Free Market Supplier (FTL sh.a). This event marks the first step towards a new market model based on the free-market principle. The amended Law on Power Sector also addresses some challenges to the country’s EU acquis compliance. For instance, tasks related to the OST sh.a have been transferred to its sole shareholder, the MoFE, in line with the Energy Community Secretariat’s opinion. Moreover, in 2020, the MIE and the MoFE approved an action plan to control and reduce the debt of State-owned power utilities and improve their financial performance. In October 2020, Kosovo and Albania’s transmission system operators signed a shareholders agreement establishing the power exchange company ALPEX to operate the day-ahead market in these countries.

The Government has initiated a campaign to attract new investments in solar- and wind-based power generation. It offers investors attractive conditions, including Power Purchase Agreements (PPAs), 15-year supply contracts at a fixed price, Feed-in Tariff schemes, and the possibility of converting the PPA into a Contract for Differences (CfD) once the market matures. Moreover, measures have been taken to reduce investors’ financial burden and improve the business climate. From January 2021, all investing companies with a turnover of up to 14 million Albanian Lek will pay a 0% profit tax. In December 2020, the Parliament of Albania approved the new Law no. 153/2020 “On the Fiscal Regime in the Petroleum Sector”. Among other things, the law foresees a fiscal stability regime clause to protect a petroleum right holder against discriminatory fiscal conditions that were not in force when the agreement entered into force.

AREAS FOR IMPROVEMENT

The legal unbundling of the State-owned electricity distribution system operator (DSO), which started in January 2020, is now complete. Therefore, the Government should now finalise the market’s functional unbundling. To achieve full functional unbundling, the DSO must ensure management separation, independence in decision-making and a distinct identity in communication and branding. The Government should also consider deregulating electricity prices below 35 kV and approving customers’ right to choose their electricity supplier.

Rule of law

QUICK FACTS

Albania is a contracting party to the ECT since 1998.

In 2001 Albania ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Law no. 8561/1999 “On Expropriations and Temporary Possession of Private Property for a Public Interest” guarantees the protection of property rights.

STRENGTHS

The Minister of State for Protection of Entrepreneurship (MSPE) handles administrative complaints of foreign investors against public institutions. According to the 2020 monthly reports of the MSPE, more than 60% of the domestic and foreign companies’ complaints were settled amicably between private sector companies and the State entities. Between 2020 and 2021, the justice reform’s implementation continued to progress, and the judiciary’s quality improved through the magistrates’ vetting process. Albania reconstituted the Constitutional Court and the High Court, which were vacant for more than two years. Moreover, the Government has drafted an arbitration law that is currently awaiting approval in the Albanian Parliament.

The Government of Albania continues to grant adequate protection to the property rights of foreign investors. The Law on Expropriations lists the public interest grounds on which expropriation of private property is possible. It also indicates the general criteria that the expropriating authority should consider while making a property valuation, such as the nature of the properties/rights, initial value, amortisation, destination and location. The General Directorate of Industrial Property (GDIP) is an autonomous agency under the MoFE responsible for the registration and protection of intellectual and industrial property rights. The GDIP is currently drafting a strategy (2021-2025) to strengthen Albania’s IP rights protection with support from the World Intellectual Property Organization.

AREAS FOR IMPROVEMENT

The Parliament of Albania should adopt the draft arbitration law, pending since 2013, as soon as possible. The law will offer certain advantages for investor-State disputes, such as expeditious proceedings, low administrative costs, and flexible procedures.

Albanian laws do not define timeframes for the payment of compensation in expropriation cases. Currently, the Council of Ministers 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 to pay 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 2021
Indicator 1		
2018	Set quantifiable and long-term policy targets to facilitate the clean energy transition.	Fully implemented. In 2018, the Albanian Council of Ministers approved the National Energy Strategy 2018-2030.
	Strengthen the policy monitoring and evaluation mechanisms.	Pending
2019	Adopt the National Energy and Climate (NECP) in 2021.	Work ongoing. The Ministry of Infrastructure and Energy expects to finalise and adopt the NECP before the end of 2021.
2020	Adopt a new energy efficiency action plan because the Second and Third National Energy Efficiency Action Plan 2017-2020 expired in December 2020.	Pending
	Operationalise and fully staff the Energy Efficiency Agency that was set up in 2016.	Fully implemented. The Energy Efficiency Agency is fully functional and staffed as of 2020.
2021	Establish the Energy Efficiency Fund to finance projects per Law no. 124/2015 "On Energy Efficiency".	Pending
	Adopt a new national action plan to adequately develop and deploy renewable energy sources.	Improvement suggested in 2021. Status will be updated in 2022.
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 information on legislative 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 authorities and State agencies to guarantee policy consistency.	Pending
2021	Establish a specialised renewable energy agency as envisaged in Law no. 7/2017 "On Renewable Resources".	Improvement suggested in 2021. Status will be updated in 2022.
	Draft secondary legislation and regulations to implement Law no. 155/2020 "On Climate Change". Develop a national climate change adaptation and mitigation plan that is consistent with the EU requirements.	Improvement suggested in 2021. Status will be updated in 2022.
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 in all its territory.
2020	Unbundle the distribution and supply activities, which has been postponed until December 2020 by a decision of the Energy Regulatory Authority.	Fully Implemented. In January 2020, the sole electricity distributor and supplier, OSHEE sh.a, was made a holding company with three subsidiaries: the Electricity Distribution System Operator (OSSH sh.a), the Universal Service Supplier (FSHU sh.a), and the Free Market Supplier (FTL sh.a).
	Remove legal and contractual obstacles that impede regional market integration.	Pending
2021	Ensure the functional unbundling of the State-owned distributor and supplier OSHEE sh.a, and abolish the legal obstacles preventing customers from choosing their electricity supplier.	Improvement suggested in 2021. Status will be updated in 2022.
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 ombudsperson to settle conflicts on licensing procedures arising in the course of energy projects.	Pending
2020	Set a legally binding cap on the timeframe to pay compensation in the case of expropriation.	Pending