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**Greek – Albanian Cooperation
in the Energy Sector**

Conclusions & Recommendations

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**INSTITUTE OF ENERGY
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Alex. Soutsou 3, 106 71 Athens
Tel.:210-3628457,3640278, Fax:210-3646144
E-mail secretariat@iene.gr, Web:www.iene.gr

CONTENTS

1. Preamble	3
2. Conclusions	4
(i.) Electricity	4
(ii.) Natural Gas	5
(iii.) Renewable	6
3. Recommendations	7

1. Preamble

Energy is proving to be a key sector for the economic cooperation between Greece and Albania. Albania's rapid economic growth - expected to continue over the following years but probably at lower rates due to the international financial crisis - offers Greek firms important investment opportunities in numerous energy applications and projects.

Several well known Greek and Albanian energy specialists participated in the conference organized by IENE in Tirana on January 15, 2009, in collaboration with the Greek-Albanian Commercial and Industrial Chamber (GACCI), and held under the joint auspices of the Albanian Ministry of Economy, Commerce and Energy (METE) and the Hellenic Ministry of Development. Over 150 delegates from Greece, Albania and other European countries attended the event. The followings are the basic Conclusions and Recommendations of the Conference on “Greek–Albanian Cooperation in Energy Sector” which was convened by the Institute of Energy for S.E. Europe (IENE).

2. Conclusions

The strong economic relations between Greece and Albania and the need for further collaboration in the crucial energy sector in order to boost investments and provide energy security were at the epicenter of the Conference on “Greek – Albanian Cooperation in the Energy Sector” which was organized by IENE. Despite the outbreak of the financial crisis, the geopolitical position of Albania as transit region in the West Balkans and its rapid economic growth offers Greek firms and organizations important investment opportunities in numerous energy applications.

(i) Electricity

The long history in electricity exchange and trading between KESH and PPC and the construction of interconnection lines since the '70s (150KV) and '80s (400KV) creates a solid basis for further development in the electricity sector. The lack of investments in generation capacity in Greece and Albania and the fact that both countries are net electricity importers sets priorities for further investments in the electricity sector. Currently PPC is implementing a new Business Plan for the period 2009 – 2014, envisaging 13,5 bn Euro investments in power generation and networks, as well as taking advantage of opportunities in the promising electricity sector of Albania. Furthermore, it is well known that a consortium consisting of RWE, PPC and Titan S.A. is considering a business proposal to construct an 800 MW coal fired power station in Albania.

On the other hand, substantial investments are in place in Albania for the modernization of the transmission system, especially with the upgrade of the National Dispatching Center. In fact, the Podgorica – Tirana – Elbasan line

(400KV) is to be commissioned by the end of 2009, strengthening the Albanian transmission system as well as regional trade perspectives. The Albanian Electricity Corporation, KESH is currently exploring a more active role in the trading business.

Latest studies indicate that the high annual growth in energy demand in Albania is expected to remain at the same level of 3.0% until 2020. As a matter of fact, new power plants are required immediately in order to satisfy the rising demand. In view of the above perspectives the Vlora 97MW thermal power station is expected to be commissioned in the summer of '09 while investments on hydropower projects are already in progress.

However, major challenges for the Albanian electricity sector remain and include the regulatory uncertainty and the unbundling process which is still at the beginning. Nevertheless, progress toward a liberalised electricity market structure in legislation and institutions is noted in line with the European Community treaty provisions.

(ii) Natural Gas

Due to their geographic proximity and their participation in the (SE Europe) Energy Community, Greece and Albania face very similar energy challenges and they have a number of common issues and interests in the energy sector in general and in the natural gas sector in particular. Both countries, although at a different stage of gas market development should effectively respond to the same challenges and secure sufficient gas supplies for their future needs. Currently, and following the recent energy crisis between Russia and Ukraine, there are increasing concerns in many SE European countries about future gas

availability and security of gas supply. Several key projects currently face serious implementation obstacles due to a number of reasons like geopolitical tensions, high dependency on Russian gas imports, delays in the necessary upstream investments, delays in the implementation of the so-called “fourth corridor” gas supply pipelines, as well as LNG facilities, but also lack of clear and effective regulatory regimes in various transit countries.

It is clear that further delays in the implementation of new critical gas corridors for additional gas supplies and transit infrastructure in the region will have serious implications for its socio-economic development and could threaten SE European countries’ strategic objective to diversify their gas supply sources and routes.

Given the above remarks, governments, regulatory authorities and gas companies in Greece and Albania should further enhance their cooperation and seek ground for common actions and efforts that could improve security of gas supply for both countries through the implementation of the necessary gas supply and transit interconnections, including “fourth corridor” pipelines, LNG and underground storage facilities. It is extremely important to facilitate these energy investments and trade in the future through the establishment of the necessary clear and effective legislative and regulatory frameworks in both countries, as well as the development of an attractive business climate in the broader area.

(iii) Renewable Energy

In addition, the development of Renewable Energy Sources (RES) could develop into a new and important sector for the national economy in Albania with significant economic and environmental benefits while the

harmonization of the national policy with the EU strategy and the adoption of a national action plan could lead to a sustainable RES market. Albania, like the rest of the West Balkan countries, although it has a significant installed capacity of Hydroelectric Power Plants (HPP) lacks any other form of RES.

Consequently, the need of specific targets and policies for all the kinds of Renewables dictates the establishment of a simple and effective legal framework and supporting mechanisms, without “stop and go” problems. For example the feed-in tariff mechanism (FIT) which is one of the most appropriate choices in most European countries should be adopted and elaborated.

Certainly the renewable energy sector is a much promising field for bilateral cooperation between institutions from Greece and Albania in R&D actions within the EC programmes in the energy sector and sustainable energy systems. Furthermore a priority area for bilateral action in Albania and Greece is the formulation of a legal framework on the thermal insulation of buildings and integral actions to transfer experience and Know-How in solar water heating systems and geothermal energy.

Moreover, several dissemination and communication activities like the organization of exhibitions in Albania with the participation of Greek companies and the organization of a series of conferences and seminars in Albania and Greece are needed to promote the cooperation between the two countries and boost the investments in the energy sector.

3. Recommendations

Following the findings of the working groups of the conference and the organizing committee which met immediately after the conference, the following is a list of recommendations that have emerged for follow-up action:

1. Efforts to accelerate the exploitation of the Viosa/Aoos river hydro potential,
2. Bilateral cooperation Between the universities and other institutions in Albania and Greece in R&D actions within the EC programmes in the energy sector and sustainable energy systems
3. Bilateral cooperation for the formulation of a legal framework on the thermal insulation of buildings, which is a priority area for action in Albania
4. Integral actions to transfer experience and know-how in solar water heating systems from Greece to Albania
5. Transfer of experience in geothermal energy concerning the exploitation of low enthalpy geothermal fields for heating in Albania.
6. Collaboration for possible exploitation of a lignite deposit of low calorific value and peat in Korytsa for CHP with clean technologies

7. Creation of a joint group for investigation the possible exploitation of a high calorific value lignite deposit in Memalie for power generation
8. The organizing of an exhibition in Albania with the participation of Greek companies involved in the energy sector
9. The organization of a joint conference in Albania or in Greece once every two years to promote the cooperation of the two countries in the energy sector.
10. Create a common understanding for the energy and environmental challenges of regional interest and for gas supply issues of bilateral interest in particular
11. Improve security of gas supply conditions for both countries through the implementation of the necessary gas supply and transit interconnections, including “fourth corridor” pipelines, LNG and underground storage facilities
12. Facilitate energy investments and trade (especially in the gas and electricity markets) in the future through the establishment of the necessary clear and effective legislative and regulatory frameworks in both countries, as well as the development of an attractive business climate in the broader area.
13. A balanced energy mix is necessary to ensure the security of the energy supply both in Albania and Greece.

14. Progress towards a liberalized electricity market structure in legislation and institutions is noted in Albania, in line with the European Community treaty provisions.

It should be noted that IENE aspires to play a significant role in providing factual and unbiased information on matters concerning energy in Albania and Greece and further provide a suitable platform for discussion and analysis on the critical subjects of energy and the environment. The following is a list of forthcoming activities of the IENE in order to implement the above goals:

- A meeting at high government level and with the participation of NGO's needs to be organized at least once every two years in order to review Greek-Albanian energy relations.
- IENE to inform and assist the Greek companies of opportunities with regard to energy investments in Albania and also to inform Albanian companies and organizations of energy related business opportunities in Greece
- IENE to organize a series of seminars on the application of RES in Albania on Solar, Wind, mini-Hydro and Biomass and generally explore areas of cooperation in the RES sector
- IENE to assist Albanian experts to acquaint themselves with RES developments in Greece and the EU

- IENE to help organize educational and training activities in various energy disciplines in Albania in close cooperation with local partners and also to assist Albanian energy experts and entrepreneurs to acquaint themselves with developments in Greece at technological, legal and administrative level
- IENE to act as a catalyst for furthering Greek-Albanian cooperation in the entire energy spectrum