

Developments in the Albanian Energy Market



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The Albanian energy market is a regulated market, and foreign entities seeking to conduct activities in the energy sector in the region are required to establish a subsidiary and follow a permitting process, enabling them to operate.

Based in Tirana, Albania, Boga & Associates has a wide experience in advising clients operating in the field of energy, power and utilities. The firm's expertise encompasses advice on the legal aspects of the complete supply chain (upstream and downstream); assistance in the course of the bid procedures, permitting and corporate governance process; negotiation of the terms and conditions of the concession agreement; tax planning of projects; arbitration and disputes resolution in the field of energy; and also issues related to environmental impact and necessary permitting procedures in this regard.

According to Alketa Uruçi and Jonida Skendaj (both managers at Boga & Associates) the power production permitting process begins with obtaining the concession or the permit to build and operate a power plant. Afterwards, several permitting phases through central and local government entities are necessary to obtain a licence to produce power and to operate as a market player. Power trading, distribution and transmission are also subject to a specific licence.

Mrs. Uruçi and Mrs. Skendaj noted: "The current trend of the Albanian

government policies of inciting the foreign investments is to establish a 'one stop shop' for all permitting processes pertaining to the power sector – except for concession (implemented through a bid procedure and concession agreement) and licences issued by the Energy Regulatory Entity."

In addition, Albania's power legislation is in the process in reforms in order to better respond to developments of the market, as well as the requests of foreign investors. This is an ongoing process of harmonisation with the EU legislation in the context of the Association and Stabilisation Agreement entered into between Albania and EU. Several initiatives have been also undertaken to amend renewable energy legislation in light of EU rules.

"Most Europe's largest power entities have entered the market by participating to several bids, and obtaining concessions over construction and operation of hydropower plants," said Mrs. Uruçi and Mrs. Skendaj. "The largest project was the concession obtained by EVN and Statkraft in early 2009 for constructing and operating three hydropower plants in Devolli River. Their investment was about 1 billion Euro, the biggest investment in the country.

"In addition, the Austrian company Verbund was awarded winner of the concession for the hydropower plant of Ashta in Drini river – an investment of 160 million Euro. Slovenian Internergo, Italian ETEA group have also obtained concessions in hydropower plants, while the biggest Italian power company, Enel Spa, is planning realisation of a thermal power plant and an interconnection merchant line in Albania, although this is not yet finalised."

They added that in recent months, other investors, both small and medium companies, have obtained permissions for construction of renewable energy plants such as wind farms – but implementation of the projects is still to come. "The market, however, is not saturated, they said. "Individuals or small companies have obtained concessions for construction of small hydropower plants all over Albania, and are now primarily seeking to sell their concessions to foreign investors."