



OPPORTUNITIES IN ALBANIA



April 18, 2011

TABLE OF CONTENTS

1. COUNTRY PROFILE	3
ECONOMY	3
2. PRIVATIZATION	6
INTRODUCTION	6
STATISTICS	7
LEGISLATION	8
PROCEDURES	9
3. CONCESSIONS	21
INTRODUCTION	21
LEGISLATION	21
PROCEDURES	22
4. UTILITY CONCESSIONS	26
WATER AND SEWAGE	26
LEGISLATION	27
APPROVAL AND LICENSING REQUIREMENTS	29
PRIVATE SECTOR PARTICIPATION	30
WASTE	32
LEGAL FRAMEWORK	33
PRIVATE SECTOR PARTICIPATION IN WASTE MANAGEMENT	33
5. MINING	35
INTRODUCTION	35
LEGISLATION	35
POTENTIAL IN MINING	35
PROCEDURES	37
6. HYDROCARBON	47
INTRODUCTION	47
LEGISLATION	47
OIL POTENTIAL	47

1. COUNTRY PROFILE

Albania's strength and strongest asset is in its location. Situated in South Eastern Europe in the West of Balkan Peninsula, Albania encompasses an area of 28,748 square kilometers. It is bounded to the northwest by Montenegro, to the northeast by Kosovo, to the east by Macedonia, and to the southeast and south by Greece. To the west and southwest lie the Adriatic and Ionian seas. Albania's western neighbour across the Adriatic, Italy, lies some 80 km across the Adriatic. From the geographical position point of view, Albania represents a strategic crossroads from the Western Mediterranean to the Balkans and Asia Minor. Albania has a high number of climatic regions for such a small country, comprised by 4 seasons its temperatures vary significantly from north to south and the midlands. The capital city of Albania is Tirana.

Land boundaries: Total: 717 km; Border countries: Greece 282 km, Macedonia 151 km, Montenegro 172 km, Kosovo 112 km; coastline: 362 km.

Natural resources: petroleum, natural gas, coal, bauxite, chromite, copper, iron ore, nickel, salt, timber, and hydropower.

Albania is well known for the religious harmony that exists in the country. According to data from the CIA World Factbook Albania is 70% Muslims, 20% Orthodox and 10% Catholic, even though more recent data are not available.

1.1 ECONOMY

Albania is doing its best at this time to transition to a liberal and modern economy. The government has taken measures to cut taxes thus reduce the large gray economy and attract foreign direct investments. While recorded per capita income has increased steadily, Albania remains one of the poorest countries in Europe. However, great progress has been made in attracting more investments in the country and in increasing the competitiveness of Albanian companies in foreign markets by promoting exports and investing in new technologies.

Population: ~ 3,2 Million.

10 Million Albanians reside outside the country, mainly in Italy, Greece, Germany, USA.

According to 2009 data, there are 1,599,047 males and 1,595,370 females in the country where the greatest number of people reside in the agegroup 15 to 49 years old. Albania has a relatively young population by European standards, eager to work and ready to contribute to the overall economy. Employment rate in Albania was 53.4% in 2009, while unemployment accounted for 13.8%. The average monthly wage in Albania was 36,537 ALL and 40,878 ALL in 2008 and 2009, respectively.

After Albania joined the World Bank in 1991, the Bank became one of the country's main sources of development assistance. Albania is a member of the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA).

Currency: LEK

Exchange rate as of April, 2011: \$1 = 97.98 Lek/ 1 Euro = 141.57 Lek

2. PRIVATIZATION

2.1 INTRODUCTION

Privatization is the process of transferring ownership of a business, enterprise, agency or public service from the public sector (the state or government) to the private sector (businesses that operate for a private profit) or to private non-profit organizations. The privatization of state enterprises from foreign investors is one of the main factors that have determined the progress of foreign investments in Albania. Revenue ensured from this process is called 'Revenue from Privatization' and is not part of the group "TotalRevenue" of the budget; instead it is used for financing the Deficit.

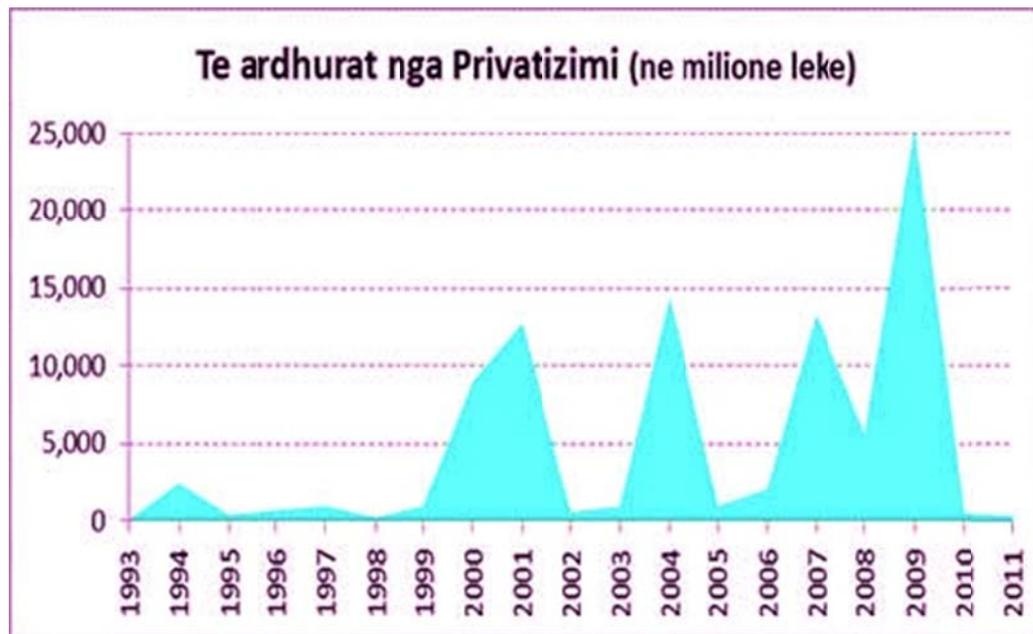
In 2009, the former Minister of Economy, Trade and Energy, declared that all state-owned assets are up for privatization, excluding hydropower plants, schools and hospitals.

On February 10, 2011 the Prime Minister of Albania, Sali Berisha, gathered the Task Force for Privatization to discuss the privatization process of government shares in strategic sectors, small and medium takeovers, and public objects up for privatization. Considering that there are 1280 objects identified for privatization, Berisha requested that this process be finalized within 2011. He emphasized that this process is necessary in the fight against corruption, and that all state assets should, at the end, be owned and managed by the private sector, which makes up 84% of the total GDP.

See Annex 1 for a partial list of the assets to be privatized by the Albanian government.

2.2 STATISTICS

The table below shows revenues from privatization (in million leks) from 1993 to 2010.



Source: Ministry of Finance

As we can see from the graph, from 1993 to 1999 revenues from privatization are very low. These amounts are mainly realized from the privatization of small enterprises and assets.

From 2000-2010 the privatization of state assets takes on a great importance and becomes a major factor in the financing of state deficit.

The year 2000 was the first year to indicate high revenues from privatization through the privatization of the National Commercial Bank (Banka Kombetare

Tregtare) in the amount of 8.9 billion leks, therefore financing 22% of the deficit. In 2001, privatization went up to 43% and financed 30% of the deficit. During 2002 and 2003 privatizations were low again, while 2004 marks the privatization of the Ex-Savings Bank of Albania by Raiffeisen Bank. In the following two years the privatization sector underwent another drastic decrease, while 2007 and 2008 mark the privatization of Albtelecom (telecommunication) and Armo (oil), respectively. The privatization of 76% of public shares of OSSH in 2009 in the amount of 25 billion leks marks the highest revenues from privatization ever. Total revenues from privatization in 2010 reached 400 million leks, while in 2011 they are expected to be at around 300 million leks.

2.3 LEGISLATION

The laws that regulate the privatization of state assets in Albania are:

- 1) **Law no. 9967, dated 24.7.2008** of Council of Ministers, "On the privatization and usage by commercial companies and state institutions, of enterprises and special facilities, key assets and means of turnover of these enterprises".

- 2) **Decision no. 428, dated 9.6.2010**, "For the evaluation criteria of state property, to be privatized or transformed, and the sale procedure".

Pursuant to Article 100 of the Constitution and Article 2 of the normative act 4, dated 09.07.2008 "On the privatization and usage by commercial companies and state institutions, of enterprises and special facilities, key assets and means of turnover of these enterprises" approved by law no. 9967, dated 24.7.2008 on the

proposal of the Minister of Economy, Trade and Energy and Minister of Finance, the Council of Ministers

Decided:

- I. Procedures for privatization of state property
- II. Assessment of the elements of state property
- III. Procedures for sale of state property
- IV. Duties and rights for the implementation of this decision

2.4 PROCEDURES

1) WHAT PROCEDURES ARE FOLLOWED FOR THE PRIVATIZATION OF COMPANIES IN STRATEGIC SECTORS?

Pursuant to Law No. 8306, dated 14.03.1998, for any companies in strategic sectors, a specific law for the enterprise to be privatized is prepared.

Later in the implementation of the specific law, are drafted and adopted by the Council of Ministers the bylaws, as follows:

- Tender procedures for the selection of strategic investors to transfer shares
- Criteria for selecting strategic investors interested in buying shares
- Evaluation criteria of bids for the privatization of companies in strategic sectors
- Manner of using revenues from privatization
- Approval of the draft contract for the purchase of stock, and instructions for submission and opening of bids for the privatization of companies in strategic sectors

- Approval of the evaluation report of bids for the privatization of the company

As procedure, the Commission for Evaluation of Bids submitted by investors interested in buying shares prepares an evaluation report and submits it for approval to the Council of Ministers, which approves the winner of the tender. Negotiations held with the winner enter into a contract of sale of shares of the company.

Approval of the sale or concession contract is the final event of the privatization process and is implemented by the Council of Ministers and Parliament.

To confirm the necessary guarantees to the purchaser, the contracts to buy stock, passes to parliament for ratification (the draft law is previously approved by the Council of Ministers).

Associated with financial and legal guarantees for buyers interested in buying shares, it should be said that requirements to purchasers are published in the invitation for expression of interest and are further specified in the Decision of Council of Minister for selection criteria of investors. All these requirements are verified through official certificates, issued by relevant authorities or by other official documents, legal, financial and banking.

2) HOW ARE STATE SHARES PRIVATIZED IN A JOINT VENTURE?

The Minister of Economy, Trade and Energy as owner representative for parts of capital owned by the state, approves the transition to privatization of these shares, according to the laws in force.

The company prepares the relevant documentation for privatization.

A. Publication procedures for the sale of state shares

1. Where is the publication posted?

- a) The Administration and Sale of Public Property Department, in the Ministry of Finance sends for publication in the Public Announcement Bulletin a notice for the development of an auction of state packet that will be privatized.
- b) The publication period lasts 21 days from the first publication date and is posted in any publication within this time.
- c) Publication of the packet of shares to be issued in the auction is also published on the website of the Ministry of Finance, with relevant information about shareholders.
- d) Posters are placed at the headquarters of the company being privatized.

This procedure applies to all cases of publication for sale of state shares in joint stock companies.

2. What data contains the publication?

Notice for publication includes the following information:

- a) The place, date and time of auction
- b) Company name, type of activity, its location
- c) Part of the capital owned by the state as a percentage of company capital

3. What should participants present at the auction in the notified place, date and time, before the commission and auction?

- a) A written request for participation in the auction for the privatization of capital shares owned by the state.

b) Bank document(or paystub)to confirm the freezing of 20% percent of the published value for purchase in ALL to the Ministry of Finance.

c) Name and address of the correct physical or legal entity who wants to buy state owned capitalshares, and legal document for relevant identification.

3) HOW IS THE PUBLICATION PROCEDURE FOR SALE OF STATE SHARE PACKAGES?

1. Where is the publication posted?

a) The Administration and Sale of Public Property Department, in the Ministry of Finance sends for publication in the Public Announcement Bulletin a notice for the development of an auction of state packet that will be privatized.

b) Thepublication period lasts 30 days from the first publication date and is posted in any publication within this time.

c) Within this period, announcements are made on television and radio.

d) Publication of the packet of shares to be issued in the auction is also published on the website of the Ministry of Finance, with relevant information about shareholders.

e) Posters are placed at the headquarters of the company being privatized.

This procedure applies to all cases of publication for sale of state-owned stock.

2. What data are contained in the publication?

Notice for publication includes the following information:

a) The place, date and time of auction

b) Name of company

- c) Company headquarters
- d) Initial capital and number of shares of the company
- e) Package of shares to be privatized
- f) General surface of company
- g) Field of activity of the stock company
- h) The period of registration and the type of documents that employees of the company should submit at the company.
- i) The registration deadline and type of documents that employees of the company should submit to the Department for the Sale of Public Property in the Ministry of Finance.
- j) The period of registration and the type of document which landowners, known to by decision of the Property Restitution and Compensation Commission, should submit to the Department for the Sale of Public Property in the Ministry of Finance.

After the end period of collecting documentation for employees and landowners, the Department of the Sale of Public Property in the Ministry of Finance calculates the respective share packet to be transferred to landowners and company employees.

3. What are the publication procedures for state package shares?

- a) The Administration and Sale of Public Property Department in the Ministry of Finance begins publication procedure for sale of the stock package.
- b) It sends for publication in the Public Announcement Bulletin a notice for the development of an auction of state packet that will be privatized.

c) The publication period lasts 30 days from the first publication date and is posted in any publication within this time.

d) Within this period, announcements are made on television and radio.

e) Publication of the packet of shares to be issued in the auction is also published on the website of the Ministry of Finance, with relevant information about shareholders.

f) Posters are placed at the headquarters of the company privatized.

4. What should participants present at the auction in the notified place, date and time, before the commission and auction?

a) A written request for participation in the auction for the privatization of shares.

b) Bank document (or paystub) to confirm the freezing of 30% percent of the published value of stock package in favor of the Ministry of Finance.

c) Legal identification document for physical or judicial persons.

4) HOW IS A JOINT STOCK COMPANY PRIVATIZED?

The Minister of Economy, Trade and Energy defines the formula of privatization of shares traded in a joint stock company.

The privatization formula is the division of company shares into packet shares:

1. What rights do landowners have in a joint stock company?

The stock package for former landowners is part of the stock with which the former owners of land enter the company as a shareholder without participation in the auction.

Former owners of the site as demanding entities are entitled to receive shares in proportion to the value of the known land based on the decision by the Restitution and Compensation of Property Commission.

2. What rights do employees have in a joint stock company?

The package of shares for company employees is part of the shares offered to company employees in exchange for their Bills and their families' Bills.

3. State share package is part of the shares held by the state

The Minister of Economy, Trade and Energy issues an order to begin the privatization procedure through an auction of state shares.

The company prepares the relevant documentation for privatization.

5) HOW IS THE PUBLICATION PROCEDURE FOR SALE BY AUCTION OF A STATE ASSET?

1. Where is the publication made?

a) The Administration and Sale of Public Property Department, in the Ministry of Finance sends for publication in the Public Announcement Bulletin a notice for the development of an auction of the asset that will be privatized.

b) The publication period lasts 21 days from the first publication date and is posted in any publication within this time.

c) Within this period, this notice is published in a newspaper with national circulation.

d) The list of objects to be privatized is also published on the website of the Ministry of Finance, with data for each facility, including its premises.

2. What data are presented in the announcement for publication?

Notice for publication includes the following information:

- a) The place, date and time of auction
- b) Name and location of the facility, to be privatized
- c) The initial value of the auction
- d) General area of the facility (including the area under the facility)
- e) The owner of the land, if any, (name, surname, etc.)

3. What should participants present at the auction in the notified place, date and time, before the commission and auction?

- a) Written request to purchase the object, registered in the protocol of the Ministry of Finance,
- b) Bank guarantee (or paystub), which proves the hardening of 20 percent of the beginning value of the auction, in ALL, on behalf of the Ministry of Finance.
- c) Identification Document

The expropriated facility except to the above must also submit:

- d) The relevant decision by the Commission for Restitution and Compensation of Public Property, associated with deployment plan of the property, which determines that he is owner of the land.
- e) Inheritance testimony, power of attorney, etc., in case that there are such.

6) HOW IS THE SALE OF A STATE ASSET CARRIED OUT?

- If the Agency for Restitution and Compensation of Public Property has confirmed that according to a decision of the Commission of Restitution and Compensation of Public Property the building to be sold has a landowner, then the Department of Sale of Public Property in the Ministry of Finance verifies the Decision of recognition of Ownership issued by the Restitution and Compensation of Property Agency/Commission of Restitution and Compensation of Property comparing it with the evaluation documentation of the facility to be privatized.

- If after verifying the object turns out that the land to be privatized has an identified owner who is entitled the right to pre-buy the facility, then the object is published for the owners of the land, otherwise if it turns out to have no owner, then it is required to be sold at an auction.

7) HOW IS THE EVALUATION PROCESS OF A STATE ASSET CARRIED OUT, WHICH IS INVOLVED IN PRIVATIZATION?

The Minister responsible for privatization of state property issues an order for privatization of the facility, and forms an Assessment Commission for its evaluation.

1. The Commission shall not have less than three members.

a) The Commission is chaired by the Chairman of the Public Company Branch in the respective Prefecture where the facility is located.

b) In its composition should be an expert evaluator of real estate property, unless otherwise deemed.

c) Representatives of the Institution administering the property or asset.

2. What job does the evaluation committee of the object conduct?

- a) The Commission verifies the actual state of the object.
- b) The relevant evaluation expert of real estate prepares the deployment plan of the facility, which is confirmed by the respective prefectures.
- c) The President of the Public Companies Branch, who chairs the evaluation commission requires from the Registration Office of Immovable Property (ROIP) relevant data (if available from the institution) for the facility to be privatized.
- d) After response by ROIP, the head of the Public Company Branch, as chairman of the evaluation committee requires the Property Restitution and Compensation Agency for confirmation that for this facility are given decisions by the Commission for Restitution and Compensation of Public Property.
- e) On receipt of these documents by the expert evaluator of real estate the evaluation of the facility is made, according to the fair market value, taking into account the actual state of the object, etc.

The evaluation file which contains all the above information is sent to the Ministry of Economy, Trade and Energy and then at the Ministry of Finance, which conducts the sales procedure.

8) HOW IS A STATE ASSET PRIVATIZED?

How to search the privatization of a state asset?

Requests for the privatization of a state asset can be directed to the Ministry of Economy, Trade and Energy, or at the institution that has in administration or owns the facility that you seek to privatize.

1. What the application must contain:

a) Accurate name of the institution that addresses the requests

The identity of the person seeking privatization

b) Exact name of the object that you seek to privatize

c) Location of the facility that you want to privatize

d) Other data about this facility (for example, its administrative structure, the current state of the object, etc.)

e) The exact address of the person who manages/runs the application

f) Any document or other information from the applicant.

If the applicant is the owner of the land, the above requirements should be accompanied with:

The relevant decision by the Commission for Restitution and Compensation of Property, through which the person or the heirs have the right of pre-buy the respective facility, along with its deployment plan

Request made at the administrative body of the asset:

If the request is made at the institution administering the facility, the latter, by its decision sends a positive communication about the privatization of the facility to the Ministry of Economy, Trade and Energy, together with the respective request; or responds to the interested party with the reasons for not approving the privatization of the respective facility.

Request made in the Ministry of Economy, Trade and Energy:

If the request is made at the Ministry of Economy, Trade and Energy, the latter, after reviewing the request made by the interested party, requests from the administrative body of the building its privatization.

2. How to take part in the privatization process of an asset?

a) If the administering institution responds positively to the privatization of the requested facility then the Minister responsible for privatization orders the starting procedure for the evaluation of the facility in order to privatize it.

b) If the administering institution responds negatively to the privatization of the requested facility, then the Ministry of Economy, Trade and Energy notifies the applicant for non-involvement in the privatization of the requested object making known to him the reasons by the administering institution.

3. CONCESSIONS

3.1 INTRODUCTION

The Ministry of Economy, Trade and Energy, as well as its dependant responsible structures are committed to an evaluation and consideration process of the draft-proposal for the construction on concession of hydropower stations in Albania.

3.2 LEGISLATION

Law no.9663, dated 18.12.2006 "On Concessions", amended, Council of Minister Decision no.27 dated 19.01.2007 amended The purpose of this law is to create a favorable framework for promoting and facilitating the implementation of concessionaire projects, enhancing transparency, fairness, efficiency, long-term sustainability in development of infrastructure and public service projects. This law is implemented for granting of concessions by contractual authorities for the economic activities in the sectors as: transport, generation and distribution of energy, telecommunication, mining, and tourism.

Box 1: Example of a Bid

REPUBLIC OF ALBANIA MINISTRY OF ECONOMY, TRADE AND ENERGY

INVITATION FOR BID

1. Ministry of Economy, Trade and Energy (METE) on bases of the Decision of Ministers Council No. 1017, date 2.07.2008 "For the indication of Concession Contracting authority of the HPPs to be build on the Shushica river, and the approval of bonus points that are given to the company in the pre-selective stage" and Ministries Council's Decision No. 27 dated 19.01.2007 "On the adoption of rules of evaluation and concession granting" (amended), opens the invitation for participation in the competition procedure for concession permit for the building of HPPs on the river of Valbona, Tropoja District.
2. It is solicited that the project should be implemented on the river of Valbona, Tropoja District.
3. The intrested bidders can cognise the standart documents of the competition procedures in the License and Contract Management Directorate, where the person in charge is Ms. Miranda Bashi
4. A copy of full standard competition procedure documents can be bought by the interested candidates through a written demand to the Contracting Authority in the aforementioned office with a non remunerable payment of 5.000 Lek, which shall be effectuated via bank in the METE „s account No. 0104030780 at "Raiffeisen Bank" Tirana.
5. The bidders should present only one offer, where they declare that accept the conditions indicated in the invitation for competition procedures and the liabilities that derive from winning the concession. The incurred expenses for participation in the competition procedures shall not be remunerated by the Contracting Authority.
6. The offers should be accompanied with original legal and administrative documents or notarized copy, as evidence of qualifying criteria indicated in the documents of the competition procedure and should be sent to the Ministry of Economy, Trade and Energy in the address: Bulevardi "Deshmoret e Kombit" 1001 – Tirana, Albania.
7. The insurance of the offer, that is 2% of the Project's Value, should be filed together with the offer. The accepted manners of insurance are explained in the documents of the competition procedure.
8. None of the bidders shall be excluded to participate in the competition procedures on bases of citizenship.
9. The offers should be filed within 30 Gusht 2010, 1100 o'clock. The offers filed after this term shall be refused.
10. The offers shall be opened in the Ministry of Economy, Trade and Energy in the Meeting Room, First floor, 30 Gusht 2010, 1100 o'clock.
11. Representatives of bidders are invited to attend the opening of offers.

3.3 PROCEDURES

1) HOW TO IDENTIFY POTENTIAL CONCESSIONS?

- a. The identification of potential concessions shall be done by competent ministries, and local government authorities in cooperation with the Concessions Treatment Agency.
- b. Potential concessions may be identified by solicited proposals or unsolicited proposals by a proponent.
- c. In case of solicited proposals, the competent authorities shall carry out an analysis where the potential concession should be implemented. This analysis shall be based upon the principles of value for money, alignment of potential Concessions with the national strategic objectives, as well as with sector strategic objectives, the technical and commercial feasibility of the potential Concession and its ability to attract potential Concessionaires and private financing.
- d. In case of unsolicited procedures the proponent shall carry the analysis by evaluating the elements for each case.
- e. When the competent authorities consider that a concession should be implemented they approve the commencement of selection procedures.
- f. The Council of Ministers shall decide the competent authority for each concession.

2) PRESELECTION PROCEDURE

- a. The contractual authority shall prepare the invitation for participation in preselection procedure and the pre-selection documents. The invitation to participate in the pre-qualification procedure shall be published in the Public Announcements Bulletin, as well as in the international and local press.
- b. The contracting authority performs the qualification of each bidder that has submitted an application for pre-qualification, in accordance with the criteria set forth in the prequalification documents.

c. The contracting authority shall publish the list of pre-qualified bidders in the Public Announcements Bulletin within 30 days from taking the decision.

The contracting authority shall invite the preselected bidders to submit the proposals and the adequate documents that include:

1. General information

2. Specific information that includes at least

- the project and project specifications
- specific qualification terms and evaluation criteria

3) WHAT TYPE OF INFORMATION DOES THE CONTRACTING AUTHORITY REQUEST?

Type 1 Form for unsolicited project-proposals

I. Technical documents

a. The project must contain:

- Feasibility study on technical solution for an optimal exploitation of water potential
- A detailed analysis of costs evaluation
- Business Plan
- The graphic of project execution
- Election of machineries and equipments that will be used
- A study on the way of linking with the system
- Graphic material

b. Hydrologic study

c. Geologic study

d. Business Plan

e. Report on Environment impact

f. Information from the Water Basin Council of the area where the concession will be executed, about the priority and the water amount that can be used for electric energy production

g. Respective licenses of the specialists that have completed the studies (notarized)

II. Legal documents

a. Authorization from the official representative that will follow the procedure up to the concessionary contracts undersigned

b. Court Decision for the company registration as a legal person.

Note:

The Project must be done from licensed studios. The projectors licenses must complete the criteria defined from the State Technical Evaluation Group. In respect to the Rule “For the management of the documentations and the examination of requirements for granting a concession “, the required documentation must be in 2 (two) copies, putted inside two files where must be written the address of the interested subject and also the company’s stamp.

The Evaluation will be done from the State Technical Evaluation Group. In every technical document must be signed the number of pages stamped with the company stamp.

Address: Ministry of Economy, Trade and Energy: www.mete.gov.al

1. Within 90 days of receipt and review of such unsolicited proposal, the contracting authority shall determine whether the project is considered to be in the public interest.

2. If the concession project is considered to be in the public interest, the contracting authority shall invite the proponent to submit additional data, to make an evaluation of the proponent’s qualifications and the technical and financial feasibility of the project;

3. Within 120 days of the invitation from the contracting authority, the proponent has to submit a technical and financial feasibility study (including but not limited to a financial model and a project financing plan), an environmental impact study and satisfactory information regarding the concept or technology contemplated in the proposal

4) INITIATION OF A SELECTION PROCEDURE

a. The contracting authority shall, within 6 months of receipt of the documentation decide to accept or reject the potential concession project derived from the unsolicited proposal.

b. If the unsolicited proposal is accepted by the contracting authority, the contracting authority shall initiate a competitive selection procedure

c. The proponent shall be invited to participate in the competitive selection procedure and upon decision of the Council of Ministers; it shall be awarded a bonus on its technical and/or financial score during the competitive selection procedure up to a maximum of 10% of the points.

5) ADMINISTRATIVE REVIEW PROCEDURES

a. The Concession Treatment Agency is the competent authority that supervises the Concessionaire procedures, and conducts administrative review of the complaints.

b. For each complaint should be paid a fee in the amount of 10% of the bid security in advance.

c. Concession Treatment Agency concludes the administrative review within 30 calendar days from the submission of the complaint and notifies the contracting authority and the petitioner about the decision.

6) APPEAL

The petitioner is entitled to take an appeal against the decision of the Agency within 30 days since the notification at the Court of Tirana.

4. UTILITY CONCESSION

4.1 WATER SUPPLY AND SEWAGE

The Albanian market is rich in underground waters, surface waters, wells, rivers, etc, and represents great potential for development in the water sector. Albania has one of the highest resources of fresh water in Europe estimated at 8,700 cubic meters per capita per year. The water supply for drinking purposes comes mainly from natural springs and underground water sources, distributed across six watershed basins which have as their major river systems: Drini and Buna Rivers, Mati River, Ishem and Erzeni Rivers, Shkumbini River, Semani and Vjosa Rivers. The quality of 80% of the surface water in rivers is valued as satisfactory.

General data show that 2.65 million people in Albania were served with water service in 2010, which represents only 80.3% of the total population. As such, water supply coverage is 90.7% in urban areas and 57% in rural areas.

On the other hand, 1.65 million people were connected to a sewage system in 2010, which represents 64.6% overall coverage. Broken down by service area, the sewage coverage is 83% in urban areas and 10.9% in rural areas.

A significant gap exists between water supply and demand in Albania which is related to the quantity of water produced but not billed. In 2010 water production reached 292 million cubic meters per year as compared to water sales which were 107.5 million cubic meters per year.

The continuity of water supply (11.1 hours on average per day in 2010) service remains an issue in Albania. The main factors that cause this low continuity of water supply are

the loss of water from un-metered over-consumption from flat rate billing, illegal connections, and technical losses in the networks.

Presently, Albania has two operating conventional, mechanical sewage treatment plants located in Kavaja and Pogradec; and three, combination mechanical/constructed wetland treatment plants located in Durres, Sarande, Lezhe, that are planned to be operating by the end of 2011. Lastly, there is a conventional, mechanical sewage treatment plant in Vlora that is ready for operation, but lacks a major transmission main to deliver sewage to the treatment plant. These sewage treatment plants will be owned, operated and maintained by the water supply and sewerage companies in the respective service areas.

Other issues related to water utilities are issues like inability to cover operating costs due to a combination of low tariffs, low bill collection rates, high levels of non-revenue water, and overall service inefficiencies. The current average water price levels do not cover all costs, and the collection level still remains to be not satisfactory. The household collection rate is 70% and the private entities collection rate is 83%.

The state should delegate some of these duties to the private sector in order to achieve efficiency and improve services and accountability.

4.1.1LEGAL FRAMEWORK

The legal framework that organizes, controls, and implements the water supply system in Albania is represented below (MPPT):

1. Law No. 8103, dated 28.03.1996 "On privatization of enterprises in the sector of water supply and disposal of water used".
2. Law No. 8102, dated 28.03.1996 as amended by Law Nr.9915, dated 23.03.2005 "On the regulatory framework in the sector of water supply and waste water removal".
3. Law No. 8975, dated 21.11.2002 as amended by Law no. 9286, dated 30.09.2004 "On Receipts Tax treatment of drinking water as Executive Title".
4. Law No. 9115, dated 24.07.2003 "On environmental treatment of waste water".
5. Law No. 9803, dated 13.02.2007 "For the forgiveness of unpaid bills in the consumption of drinking water, that family and nonfamily consumers have toward the enterprises and companies, wholly state-owned".
6. Law No.9915, dated 12.05.2008 for ERRU on some amendments to the Law No.8102, dated 28.03.1996 "On the regulatory framework in the sector of water supply and waste water removal".
7. DCM No.1304, date 11.12.2009 "On approval of model regulations on water supply and sanitation in the area of water supply and sanitation services..."
8. Decision No.236, dated 10.05.1993 "For the administration and supply of water for family and nonfamily users" amended by DCM No.96, dated 21.02.2007 "On some changes in the decision No.236 dated 10.05.1993 of the Council of Ministers, "On the management of water supply for family and nonfamily users".

9. Decision No.479, dated 29.07.1998 "On the liberalization of water tariffs".
10. Decision No.550, dated 07.11.2002 "On approval of the policy document "Decentralization of water supply service and sanitation" and measures for its implementation.
11. Decision No.706, dated 16.10.2003 "On approval of the National Strategy to water supply and sanitation".
12. Decision No.660 "On the transfer of sewage water companies to local government units".
13. Decision No.145, dated 26.02.1998 "On approval of hygiene-health regulations to control water quality, design, construction and monitoring systems to supply drinking water".
14. Instruction No. 3, dated 28.07.2004 "On the management of drinking water".

4.1.2 APPROVAL AND LICENSING REQUIREMENTS

The competent body in charge of issuing and/or approving licensing for companies which are engaged in the delivery of water supply service is the Water Regulatory Entity. Such entity is also responsible for approving prices and tariffs, establishing procedures and standards, placing administrative and monetary sanctions, and more.

In order to obtain a license in the water supply (or sewage) sector, any natural or juridical person may apply and fulfill the following conditions:

- Should have considerable technical and professional abilities
- Should have necessary financial means to fulfill functions and meet license conditions
- Must have sufficient experience in the water supply sector
- Personal qualities such as credibility and seriousness

The commission may request certifications that support the candidate's request for license, and may reject license if conditions mentioned above are not met.

After payment of a certain tariff by the applicant, the Commission shall issue a license which authorizes the qualified person to:

- Collect and treat water in its plants
- Deliver water for public consumption
- Displace and process waste waters

4.1.3 PRIVATE SECTOR PARTICIPATION

The strategy drafted in improving the water and sewage systems in Albania also involves the participation of the private sector as a major player in reducing the financial burden of the Central government, reducing political intervention and commercializing the sector.

Albania's legal framework is adequate by international standards and fully supports and protects foreign investments. Private sector participation in public sector is supported

by law no. 7973, "On Concessions and Participation of the Private Sector in Public Services and Infrastructure", or Law No. 8306, "On Privatization Strategy of the Special Important Sectors" which also includes the privatization of the water sector, and last but not least law no. 9663 " On Concessions".

Private sector participation has been present in the Albanian water sector even before thanks to the help and assistance of foreign donors. Three contracts were awarded: 1) the Elbasan Concession which lasted only 5 years due to the financial hardships of the foreign firm; 2) the "Four Cities" management contract financed by the World Bank, considered to be relatively successful, and included the cities of Durrës, Fier, Lezhë and Sarandë; 3) the Kavaja management contract.

According to the Albanian Water Strategy, there are a number of ways in which the Central Government can support private sector participation implementation to maximize its benefits. The support that the Central Government can provide is:

- **Support for high quality transaction documentation and processes.** Private sector participation contracts and transactions are complex. Experienced private sector participation advisors understand how private sector participation contracts work and they know what mistakes were done in the past. Retaining experienced advisors to prepare the contract and implement the transaction will minimize chances of problems later during the contract.
- **Accessing financing.** The Central Government can assist the municipalities to discuss their needs with donors and provide appropriate channeling for capital funds.

- **Tariff subsidy for low income groups.** Most of the municipalities will not have sufficient funds to provide appropriate levels of subsidies. Therefore, they will require subsidy funds from the Central Government
- **Helping neighboring municipalities to achieve synergies through regionalization.** Most of the municipalities in Albania are small and they would benefit from cooperation. The Central Government can provide advice in which areas this would be useful, like creating a regional company with a shared water source, provide technical assistance, and act as a facilitator in the process
- **Provide regulatory and contract management support to local government.** Again, due to contract complexity, the local governments might lack technical capacity to monitor contract performance, and it might not be economical for them to develop this capacity. Therefore, the Central Government should consider providing some form of centralized assistance that would serve all of the local governments at lower cost rather than for each local government doing this themselves.

4.2 WASTE

Waste management in Albania is at a low level. Collection services and disposal of urban solid waste is performed in most of the cities, and recycling is carried out for a very small portion of waste. The most used method of disposing waste is just dumping it. No proper landfills are constructed. Waste collection and disposal services are not carried out in rural areas and small towns. The greater part of waste extermination in these areas is done by throwing them in canals, roads, valleys and recently also in water flows.

There does not exist a system for safe management of hazardous waste (household and commercial) in Albania. Recycling of waste is at a weak level. The main method of waste treatment is casting it away, although must mention the fact that landfill sites are not built properly (they are not landfills), and therefore has caused permanent pollution to the environment.

There are numerous problems with waste generation and management. The largest quantities of waste generation (by weight) are remainders from construction materials, but the biggest risk is associated with smaller volumes of dangerous waste generation (mainly industrial). Municipal waste collection, need special transport and disposal which is expensive. Special conditions should be applied for specific categories of waste such as hospital waste,.

The problems that arise from the current collection arrangements include: a) vehicles in poor condition, b) poor condition of waste bins; c) not frequent collection of waste resulting in excessive filling bins; d) remains on the road that cause bad odor, annoyance and health problems.

4.2.1 LEGAL FRAMEWORK

In regards to waste management, great progress is made in recent years in improving the legal framework in accordance with the directives and decisions of the European Union. The laws and decisions that regulate this sector are as follow:

- 1) Law no. 8934 dated 5.9.2002 "On environment protection"
- 2) Law no. 9010 dated 13.2.2003 "On environmental management of solid waste"
- 3) Law no. 9537 dated 18.5.2006 "On management of hazardous waste"
- 4) Decision no. 803 dated 4.12.2003 "On approval of rules and procedures for import of waste for recycling and treatment"
- 5) Decision no. 99 dated 18.2.2005 "On the approval of the Albanian catalogue for the classification of waste"
- 6) Guide no. 6 dated 27.11.2007 "On the approval of regulations, contents and deadlines for draft plans of solid waste management".

The competitive authorities are working on another law which, when passed, will abolish some of the laws and regulations stated above.

4.2.2 PRIVATE SECTOR PARTICIPATION IN WASTE MANAGEMENT

Collection of waste is carried out either by a company that is wholly owned by the municipality or, more often, by a private company, usually but not always selected by tender. In the first case, generally there is a contract between the municipality and waste collection company, but in the second case has a contract usually signed for 3 to 5 years. The contractor is usually paid on the basis of a fee specified in the contract.

Payment is not related to quality of work. In general waste removed in a municipal deposit which, if managed, is done by the company that carries out waste collection. Necessary equipment (especially bins and waste trucks that collect waste) can be owned by a municipality or private company.

Waste tariffs are levied based on tariffs predetermined by municipal councils. Families create more waste than businesses and institutions, however, municipalities are able to collect waste tariffs more easily from businesses and institutions than families.

Waste treatment and their disposal are performed by different organizations, including the producers of waste, private companies that manage waste, or companies that use waste materials as raw materials.

Albania seeks to achieve great success in this field in the next 20 years in order to be closer to EU standards. Great costs are associated with this process which is financially difficult to be covered only by the public sector, therefore the contribution of the private sector is welcomed. However, it is worth mentioning that even though the private management of some utilities has been successful in some sectors like water management, such investments in waste management are not advisable due to the low profitability of the sector which will not cover the costs of investment. Therefore, most investments in waste management are expected to be done through public sector.

5. MINING

5.1 INTRODUCTION

Albania is a country with rich mineral resources. Mineral exploration, exploitation and processing constitutes a key component of the Albanian economy, due to a traditional mining industry that has been a solid foundation to the country's economic sector generating substantial revenues. The minerals mined and treated in the past which still remain in Albania include chrome, copper, iron-nickel and coal.

5.2 LEGISLATION

Law no.10081, dated 23.2.2009 "On Licensees, Authorizations and Permits in the Republic of Albania"

Law no. 7796 dated 17.02.1994 "Albanian Mining Law" as amended

Guideline no. 1028, dated 10.12.2009 "On the content of the documentation to grant a mining permit" from the Minister of Economy, Trade and Energy. According to the Albanian Mining Law the legal entities and individuals have the right to conduct mining activities.

5.3 POTENTIAL IN MINING

The estimated quantities of different kind of ores reserves in Albania are as below:

Mineral name	Quantity (mill tons)
Chrome	36.9
Copper	27
Iron- Nickel and Nickel-Silicate	311
Coal	794
Decorative stones and ophiolitic	230
Basalts	1064
Olivine	108
Gypsum	170
Lime stones and carbonatic decorative stones	1335
Sand stones	860

Source: AKBN

Some of the perspective zones for research, exploration and exploitation are:

Chromium:

There are three main regions of Ultrabasic Massifs of chrome in Albania:

1. North-East Region (Ultrabasic Massif of Tropoja and Kukës)
2. Central Region (Ultrabasic Massif of Bulqiza).
3. South-East Region (Ultrabasic Massif of Shebenik-Pogradecit)

Present Geologic Reserves of chrome in these regions are:

- Category B+C1 21.8 million tons
 - Category C2: 15.1 million tons
- Total: B+C1+C2: 36.9 million tons

- Tropoja Ultrabasic Massif Geological reserves: 6.1 million tons x 26.48% Cr₂O₃

Perspective deposits:

Zogaj, Vlahnë, Qaf-Perollaj

- Kukës Ultrabasic Massif Geological reserves : 6.8 million tons x 21.4% Cr₂O₃

Perspective deposits :

Kalimash, Përroi Batrës

- Bulqiza Ultrabasic Massif Geological reserves : 12 million tons

Geological reserves, more than 3 % Cr₂O₃: 7.5 million ton

Perspective deposits: North Bulqiza, Qaf- Bual, Batër, Krasta in depth, Thekna in depth,
intermediate region of Batër-Liqeni

Sopeve-Thekën-Tërnovë

- Shebenik-Pogradec Ultrabasic Massif Geological reserves: 1.2 million tons, more than 38% Cr₂O₃

Perspective regions: Katjel - Pojskë; Bushtricë-Përroi Govatës.

- In Manazdren- Selishtë- Shtrungëz area;
- In Lura massif; Copper
- In Munellë area;
- Around Perlat area; 27
- Around Rehovë area. Iron- Nickel and Nickel- Silicate
- In the depth of Përrenjas mine and Bushtrica drift;
- In the area between Bitinckë and Kapshticë areas;
- In Kukës- Krumë area. Carbonatic decorative stones
- Bedded limestone In Rasfik, Rubik area;
- Decorative marble limestone in Kolosjan - Skavicë- Kovashicë of Kukës- Dibër- Bulqizë areas;
- Conglomerate In Bilisht- Kapshticë area;
- Decorative limestone are located in QafShtamë and Mat area. Silica sands decorative stones
- Leskovik- Përmet- Këlcyrë- Ballaban region;
- Corovodë- Polican- Berat region;
- Plovisht- Mesmal in Korça District;
- In Shushica river- bed, Vlora region.

5.4 PROCEDURES

These entities for acquiring mining permits for minerals of group 1,2,3,4 must present a request to the National Registration Centre according to the procedure predicted in Articles 17, 31, 32, and 33 of the Law “ On licenses, Authorizations and Permits in the Republic of Albania. “ According to Guideline No. 1028, dated 10.12.2009

“On the content of the documentation for granting mining permits” documentation should include:

- Request for granting a mining permission, defining exactly the coordinates of the area and the surface asked for exploitation. Brief description and a map of the mining area of scale 1: 25 000 (defined by its coordinates in plan and its surface).
- Verification Act conducted by the National Agency of Natural Resources (AKBN), according to the format prepared by the Agency for each type of mining permit required.
- The Decision of National Registration Centre as a legal entity, where the object of activity in registration form have to be approved as development of mining activities with work in surface or underground, according to the type of permit requested.
- Financial resources needed for investment that are predicted to be completed, the juridical persons who apply for a mining permit, where they themselves declare that had not exercised before any business activity, must submit their financial sources through one of documents as below:
 - A statement from the Bank to confirm that the legal entity has opened an account number, which should have deposited at least 30% of the projected investment. A declaree from the Bank that confirms that the legal person has an account where are deposited at least 30% of the predicted investment value and/or:
 - A document certifying that the legal person has secured a loan from a bank or any other financial entity with a value which covers the value of investments predicted to be completed, and/or

- A contract with an investor who provides financial support for implementation of investment program. In this case the company must submit a notarized document, in which are expressed willingness of investors to support this investment, as well as documents to provide the financial resources of investors. (bank guarantee, or balance sheet of the company in which the investor is sole or majority shareholder).

For the legal persons that apply for mining permits, that have previously developed a mining activity or any other business activity, as documents for the accomplishment of financial sources will be considered:

- Accounting Investments done. Physical Inventory with main investments as buildings, machinery, office equipments, etc. Financial balance sheet of the last year.

1) Types of permits and the required documents

For Exploration Permits of minerals of group 1, 2, 3, the application must contain the conditions set out in Article 25 of the Albanian Mining Law:

The demand for an Exploration Permit must have:

- a) Name and address of the applicant
- b) Specification of financial resources and technical skills that are needed to the licensed applicant, and his experience in the mining industry.
- c) A description of the requested area, including a map.
- d) Specifications of the proposed research program to be performed, the proposed working methods, an assessment of costs and terms of carrying out the program.

The term of this Permit is defined by point 23 of this Law where is cited: "The maximum term will be a year and it is not an object to a time extension."

- For the Prospecting Permit of minerals in Group 1, 2 and 3, the request must contain the conditions set out in Article 31 of the Mining Law of Albania, where it is cited as below”:

2) The demand for a Prospecting Permit shall include:

- a) identity and address of applicant;
- b) statement of relevant experience;
- c) statement of financial and technical resources available to the applicant for purposes of the requested concession;
- d) proposed area of concession, including map;
- e) mineral or minerals (Group 1, 2 or 3) for which the concession is sought;
- f) proposed method of explorations proposed work program and anticipated schedule and expenditure for carrying it out.

An exploration concession shall specify the minimum work program to be undertaken by the concessionaire. Performance of produced minimum work program shall be guaranteed by a guarantor acceptable to the Minister. The form and substance of produced guarantee shall also be subject to the Minister’s prior approval. According to Article 34 of Albanian Mining Law , the initial term of an exploration concession shall be for two years, subject to up to three extensions of one year each if requested by the end of the then current period.

For the Exploitation Permit for minerals in Groups 1, 2 or 3, the request must include the conditions as predicted by Law in article 45 of Albanian mining Law, as it is cited below. The request for an exploitation Permit shall include:

- a) identity and address of applicant;
- b) specify the area over which the mining concession is sought (including map);
- c) specify the mineral or minerals in Groups 1, 2 or 3 for which the mining concession is sought;
- d) give details of the mineral deposits in the area over which the mining concession is sought, including details of all known minerals proved, estimated or inferred, ore reserves and mining conditions;
- e) be accompanied by a technical report on mining, treatment and value added possibilities within Albania and the intention of the applicant in relation thereto;
- f) provide a proposed development and investment program and schedule;
- g) give particulars of the proposed mining operations, including:
 - (i) estimated capacity of production and scale of operations,
 - (ii) nature of the products,
 - (iii) proposals for the prevention of pollution, waste treatment, the safeguarding of natural resources, the progressive reclamation and rehabilitation of land disturbed by mining, and for the minimization of the effects of mining on surface water and ground water and on adjoining or neighbouring lands,

(iv) the anticipated residual effects on the environment of the mining operations and proposals for their minimization on and mitigation, and any particular risks (whether to health or otherwise) involved in mining the mineral and proposals for their control or elimination; give a detailed forecast of capital investment, operating costs and revenues and the anticipated type and source of financing; give particulars of the applicant's proposals with respect to the employment and training of citizens of Albania, and shall give particulars of expected infrastructure requirements and arrangements.

According to Article 49 of Albanian Mining Law "The duration of a mining exploitation permit shall be till to twenty years from its effective date, subject to up to four renewals of till to five years each if requested by the Owner of the Permit not less than one year before the expiry of the previous term.

- To permit the prospecting and exploration of minerals in the 4th Group the request must contain the specified conditions according to Article 64 of the Albanian Mining Law as below:

The application for a prospecting and exploration permit for group 4 of minerals shall include:

- a) identity and address of applicant;
- b) statement of financial and technical resources available to the applicant for purposes of the requested concession, statement of relevant experience in prospecting and exploration for group 4 of minerals;
- c) proposed area of concession, including map;

- d) mineral or minerals (Group 4) for which the concession is sought;
- e) proposed method of explorations and proposed work program and anticipated schedule and expenditure for carrying it out.

The duration of the Permit shall be till to two years from its effective date, the maximum area for a prospecting and exploration concession is thirty contiguous square kilometers. The extension of the permit depends on the specifics of the activity the person wants to accomplish” - The second paragraph of Article 63 of the Mining Law.

- To permit the exploitation of minerals in the 4th Group, the application must contain the conditions set out in Article 70 of the Albanian Mining Law, cited as below:

An application for quarry permit shall include:

- a) name and address of the applicant;
- b) indicate the minerals or materials of the 4th Group for which the permit is sought;
- c) specify the initial duration for which the permit is sought;
- d) provide particulars of the financial resources available to the applicant to pay for the minerals and materials to be extracted;
- e) In the case of a type 1 quarry permit, indicate the minimum and maximum quantities on an annual basis and the specifications of each mineral or material for which the permit is sought.
- f) in the case of a type 2 quarry permit,
 - (1) specify the exact location of the applicant’s proposed quarry,
 - (2) give details of the deposit over which the quarry permit is sought,

- (3) provide a proposed development and investment program and schedule,
- (4) give a detailed forecast of capital investment, operating costs and revenues and the anticipated type and source of financing,
- (5) give particulars of expected infrastructure requirements and arrangements for provision,
- (6) provide a detailed list of construction materials and minerals to be produced from the quarry, estimated capacity of production and scale of operations, and planned markets for the production,
- (7) detail the experience of the applicant in operating quarries and in marketing minerals and materials of the type to be produced from the quarry;
- (8) give particulars on environmental aspects of the proposed quarry operation, including:
 - i) proposals for the prevention of pollution, the treatment of wastes, and the safeguarding of natural resources,
 - ii) the anticipated residual effects on the environment of the quarry operations and proposals for their minimization, and
 - iii) any particular risks (whether to health or otherwise) involved in mining the materials and minerals and proposals for their control or eliminations and
- 9) give particulars of the applicant's proposals with respect to the employment and training of citizens of Albania.

Under Article 69 of this Law "Is authorized to provide two types of permits quarries":

a. Type 1 quarry permit, is a permit that permits the exploitation of minerals and construction from a public quarry on payment of produced fee as may be imposed by the Minister in the given permit and the value of this payment is predicted in Regulation. The maximum initial duration of a type 1 quarry permit is one year, subject to renewal for successive periods of six months as requested by the holder.

b. Type 2 quarry permit, being an exclusive permit to develop and mine a quarry for minerals or construction materials in consideration of paying the fee specified in permit as may be imposed by the Minister in the given permit and the value of this payment is predicted in Regulation.

The maximum initial duration of a type 2 quarry permit is ten years, subject to renewal for successive one year periods if requested by the holder.

- In exceptional cases, when the term of the grant of permission required usage mining up to 99 years, the Relevant Ministry negotiates with the individual/subject who asks for a Permit , approval of which is done by Council of Ministers. This Agreement shall enter into power once approved by Parliament.

- To permit the exploitation of minerals in Group 1, 2, 3 and 4 the request must also contain:

- Local Government opinion of the Commune or the Municipality, for the permission of mining activity development and mineral exploitation in the object that is required. In cases when the land is a private property owned by a legal person should be submitted the agreement with the owner of land for the exploitation permission.

- Opinion of the Forest Service Directorate of the District to allow the development of mining activity in the object sought to be used, for the case when the object is in the forest fund.

- Environmental Permit issued by the National Licence Centre. Environmental permit can also be given to an area smaller than that required for the mining permit, but that is part of it, provided that;The mine exploitation to be started from this area. Before the exploitation start outside this surface, must be taken the new environmental permit, which must be submitted to AKBN.

6. HYDROCARBON

6.1 INTRODUCTION

Albania is an oil and gas bearing country. It is almost one century that Albania is producing significant petroleum quantities. Petroleum operations in Albania started in early 1800 when the first geological surveys took place. Later, in early 1900 petroleum operations were intensified and a lot of oil and gas fields were discovered. The cooperation with international petroleum industry started around 1900, when some concessions were granted by Albanian government to the most known petroleum companies of the time. After 1990 several licensing rounds were organized and a number of petroleum agreements with foreign companies were approved. Petroleum operations carried on during these times produced also a great number of data that are used for evaluation and planning of the current petroleum operations.

6.2 LEGISLATION

Petroleum Exploration, Development and Production in Albania is governed by the “Petroleum Law (Exploration and Production)”, No. 7746 dated July 28, 1993, amended by Law No. 7853 dated July 29, 1994, the Law No.7811 dated April 12, 1994 “On Approval of the Decree No.782 dated 22.02.1994, “On the Fiscal System in the Hydrocarbons Sector (Exploration and Production)”, and the Law No. 9975, dated 28.07.2008 “On the National Taxes”.

The legislative framework offers considerable flexibility to the Government in negotiating acceptable terms with oil companies. At the same time these laws give incentives and enough flexibility to attract international oil companies and thus stimulate oil exploration in the country. All petroleum deposits existing in their natural

condition in strata lying within the jurisdiction of Albania are the exclusive property of the Albanian State. “The Petroleum Law (Exploration and Production)” expressly permits the Ministry of Energy to enter into a Petroleum Agreement under which an oil company may be granted exclusive rights to explore for and produce petroleum. The Government’s objective is to negotiate terms with the oil industry, which are fair and balanced, bearing in mind the usual risk, associated with exploration and the State’s legitimate right for revenues as owner of natural resources.

6.3 OIL POTENTIAL

Based on recent geological studies, Albania, in spite of the existing oil and gas fields, still has a very good potential and is a very promising area for further exploration in both onshore and offshore.

ONSHORE

Thrusting westwards in the Albanides and especially in the External Albanides are associated with the masking of the separate anticline structures or anticline chains, which have potential for new oil and gas discoveries. In the cases when thrusting westward is associated with the back thrust tectonic faults, synclines of triangular type are formed which are not easily identified but generally hide potential structures for oil and gas discoveries. From this point of view, still there is enough room for further exploration for identifying the new possible sub thrust structures in onshore areas. Seismic lines below illustrate this model. The possible structures linked to Triassic salt diapirism must be taken into consideration for further exploration in the onshore areas, close to the region where salt diapirism is present.

OFFSHORE

Oil Potential in the offshore area is related to the Possible Ionian carbonate structures and morphological highs of Apulia platform. In the appropriate conditions and places in the offshore there are possibilities for finding of the new and potential oil accumulations both in the clastic section (charged by the underlying platform carbonate) as it was the case in A4-1x well, and/or in the platform carbonate reservoirs. See the following lines. Gas Potential is related to the Miocene–Pliocene folded structures, as identified in the offshore to be valid based on old seismic (1991) and confirmed by the new seismic recently acquired. Taking into consideration the fact that, the dimensions of the prognosed structures in offshore are considerably larger than their analog structures in the existing gas fields in onshore, big reserves of biogenic and/or tectonogenic area expected to be found in the area.