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THE ENERGY IN ALBANIA



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PROMOTION OF RENEWABLE ENERGY SOURCES IN ALBANIA

1. Introduction

Albania is endowed with a considerable potential of Renewable Energy Sources (RES). The promotion of use of RES has been one of the key objectives of the National Strategy of Energy and other policy papers approved by the Albanian Government. Albania doesn't have a specific law on RES yet, however, although not very coordinated, a number of primary and secondary legislation with the objective to support and promote the use of RES have been enacted during the last decade. Below are provided some of the main promoting measures undertaken in Albania for the promotion of RES including the very recent amendments to the Power Sector Law (PSL).

2. Connection and Access to Networks for Power Generators using RES

One of the important elements for promotion of electricity generation from RES is their connection and access to distribution and transmission networks. According to Article 37 of the PSL the costs of connecting a new Independent Power Producer or Auto-producer, including generators using renewable, and the costs in the transmission or distribution network arising due to this connection shall be borne by the generator, and such connection shall be in compliance with the Grid Code, or with the general conditions of electrical power supply. The system operator shall have the property rights of such a connection. The transmission and distribution

code provide for that a connection point for the new power plant shall be set by Transmission System Operator (TSO) or Distribution System Operator (DSO). Article 38 of the PSL has introduced the concept of privileged power producers which include: a. HPP with capacity up to 10 MW and other RES with capacity up to 25 MW; b. cogenerators with capacity up to 100 MW; c. auto-producers using renewable with capacity up to 10 MW. According to this article these producers shall benefit a favorable treatment while they are dispatched by TSO. Manner, extent, terms and conditions of this treatment shall be defined in the Grid Code. It is worthwhile pointing out that this article has not been applicable up to date for various reasons. On the other hand it should also be underlined that no differentiation from other-type generators as to the connection rules and conditions are contained in the legislation for power producers using RES.

3. Renewable Energy Targets

Albanian legislation, specifically, the Law No. 9072, dated 22.05.2003 "On Power Sector" and the Law No. 9876, dated 14.02.2008 "On production, transportation and trade of biofuels and other renewable transport fuels" have established specific targets for RES in the domestic market. Article 39 of the Law No. 9072, stipulates that: a. Independent power producers using no renewable energy sources with an installed capacity higher than 50 MW, are obliged to produce and/or inject to the power system an amount of electricity of not less than 3 % of their annual output for the previous year from generation renewable power plants certified by the ERE with "green certificates" commissioned after 2.11.2000; b. For the period 2010-2012 the target established in paragraph 1 shall be increased by 0.75 % each year.

With this target set by the PSL is related the possible development of green energy market in Albania, while any bilateral agreement for mutual recognition of guarantees of origin (the case with the agreement between the Albanian and Italian Governments), may enable using of electricity produced by RES in other countries green energy markets. Based on the requirements of above-mentioned article of the PSL, a specific regulation on the criteria and procedures for issuing the guarantees of origin and green certificates has been approved by the ERE. Article 8(4) of the Law No. 9876, provides for that starting from 2010 the minimal annual amount of biofuels and other renewable combustibles used for transport shall not be less than 3 % of total fuels traded in the market while starting from 2015, not less than 10 %.

4. Fiscal Facilities for Renewable Energies

The Albanian legislation contains a number of fiscal facilities for the use of RES and equipment used for exploitation of RES:

- Law No. 8987, dated 24.12.2002 "On establishment of facilitation conditions for power producers" stipulates that all power producers using renewables shall be exempted from custom duties for the equipment and machineries. The same law provides for that excise tax shall be reimbursed for the fuel used for production of electricity within 45 days. Based on this law the Government Decree No. 560, date 27.8.2004 was approved, which defines the procedures how the requirements of the law shall be implemented.

- Law No. 9876, dated 14.02.2008, was developed and adopted in compliance with the EU Directive 2003/30/EC on the promotion of the use of biofuels and other renewable fuels for transport. The purpose of this law is to promote production and use of biofuels and other renewable combustibles used for replacement of oil byproducts in the transport sector. The law contains a number of facilities for the biofuel producers and farmers engaged in growing row material for biofuel production. No excise tax shall be applied for biofuels used in transport till 2018, while no custom duties and VAT shall be applied for machineries used for biofuel production plants, as well as equipments and materials used by farmers.

5. Obligation of Public Wholesale Supplier to Purchase Electricity Produced by RES

Albanian Electricity Market Model approved by the Government Decree No. 338, date 19.03.2008 stipulates that SPP, including those using renewable, may sell electrical power to the Wholesale Public Supplier with regulated price. On the other hand, the Government Decree No. 27, date 19.01.2007 "On rules for evaluation and granting of concessions" provides for the obligation of the Public Supplier to purchase the electricity from SHPP with installed capacity less than 15 MW by a long-term PPA. Based on both above secondary legislations, the ERE has approved a standard long-term PPA with a term of 15 years for all SHPP with an installed capacity less than 15 MW. On the other hand no standard long-term PPA has been adopted by the ERE for power producers using other types of renewable despite the Albanian Market Model provides for that other types of renewable SPP may chose to sell their output to the Wholesale Public Supplier. This action may have not been taken by the ERE because no SPP using other types of renewable have been constructed up to date.

6. Feed-in Tariff

Application of feed-in tariffs for different types of power plants using RES has been demonstrated to be one of the most important actions taken worldwide for promotion of RES. Albania has tried to follow the same experience, at least for SHPP. Government Decree No. 27, date 19.01.2007, sets a formula for calculation of the feed-in tariff for new SHPP with installed capacity less than 15 MW based on the average import price of previous year. The ERE adopted the formula set by the above Government Decree for calculation of the feed-in tariff for new SHPP. On the other hand, the ERE had previously approved a feed-in tariff calculation methodology for the existing SHPP based on the average retail price for tariff customers. Based on both methodologies, the ERE sets every year the feed-in tariff for SHPP. The fact that the feed-in tariff is based on the average import price and is approved yearly doesn't create enough predictability and guarantee for private investors, therefore a more stable price should be guaranteed to investors for a certain period. Actually, no feed-in tariff methodologies and no feed-in tariffs have been approved by the ERE for other renewable power plants. The Albanian Parliament approved some amendments to the Law No. 9072, dated 22.05.2003, as amended, with the goal of promoting the use of RES for electricity generation. Paragraph 6 of Article 39 of the PSL was modified establishing the authority of approving the methodology for calculation of feed-in tariffs for the electricity production plants that use RES, connected to

the distribution network, and that do not benefit from the “Green Certificate”, to the Council of Ministers. Despite the new amendment requires the Council of Ministers to cooperate with the ERE in approving the feed-in tariff methodologies, it appears that this provision is in conflict with the Article 26(1) of the PSL, which stipulates that the ERE is the responsible institution for setting tariffs in all regulated activities carried out by the licensees in electric power sector.

7. Conclusions

The promotion of RES remains one of the objectives of energy policies of the Albanian Government. However, despite a number of actions and policies undertaken by Albanian institutions to promote the RES, a lack of coordination for those actions can be noticed. EU accession process initiated by Albania and the EU third legislative package, especially the new EU Directive 2009/28/EC on promotion of RES, may require a revision of the up to date actions and policies with respect to the RES promotion. Taking into consideration the above, it appears that a new comprehensive law on RES is necessary to be developed by the Albanian Government. The new law would address some of the problems of the existing legal framework and create a more favorable and reliable investment climate for private investors.



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MAIN ACTIVITIES FOR 2010 OF THE PROJECT "ALBANIA - SOLAR WATER HEATING MARKET TRANSFORMATION AND STRENGTHENING INITIATIVE"

Having got the endorsement by both, GEF- the Global Environmental Facility and the Albanian Government via a Government Decree, No. 714, dated 23.06.2009, the Country Programme of Albania under the GEF/UNDP/UNEP/ICA Global Initiative on SWH, officially started its implementation in September 2009 with its Inception Phase, under which the Inception Workshop was successfully done on December 2009 in Tirana. As a part of the UNDP/UNEP/GEF Global SWH Market Transformation and Strengthening Initiative, this country programme of Albania aims at accelerating the market development of SWH in Albania with an objective to facilitate the installation of 75,000 m² of new installed collector area over the duration of the project, an annual sale of 20,000 m² reached by the end of the project and with expected continuing growth to reach the set target of 520,000 m² of total installed SWH capacity by 2020. This has been estimated to correspond to over 300 MW of avoided, new fossil fuel power capacity by using solar instead of electricity for water heating, and estimated cumulative GHG reduction potential of over 800,000 tons of CO₂ by the end 2020. This Project will be implemented as per rules and procedures of UNDP with the

main partners, respectively the Ministry of Economy, Trade and Energy (METE) and the Ministry of Environment, Forestry and Water Administration. The inception phase of the project is already over and within this time, another important event is to be mentioned: the Inception Workshop for the Global Initiative, organised by UNEP in Tunis, in February, 2010, with the participation of UNEP, UNDP, International Copper Association and representatives of the first six countries who participate in the GEF Global Initiative in the first round: Albania, Algeria, Lebanon, Chile, India and Mexico. Actually, the project has started the implementation of a vast and challenging list of activities for 2010, which are clustered as the following 5 Outcomes:

Outcome 1: An enabling institutional, legal and regulatory framework to promote sustainable SWH market.

- Updating the analysis of the economic and financial feasibility of SWH systems in Albania on the basis of the current and planned future energy prices and SWH system costs;
- Analysing the foreseen financial impact (both for the end user price of the SWH systems and the state budget) of the custom duty exemption proposed in the new Renewable Energy Law (REL);
- Supporting the METE in drafting the required secondary legislation for the implementation of the REL, as it relates to any financial or fiscal incentives (including the elaboration of the practical implementation mechanisms of the proposed custom duty exemption);
- Initiating consultations with the Ministry of Public Works, Transport and Telecommunication and the METE on the legal and regulatory changes that could be introduced into the building regulations to promote increasing utilisation of SWH. This may include specific solar obligations for certain types of buildings or measures to make SWH installation easier and more attractive later on.

Outcome 2: Enhanced awareness and capacity of the targeted end users and building sector professionals to consider and integrate SWH systems into different types of buildings.

- Establishment and updating of the SWH web-site, as part of the UNDP Climate Change Programme web-site www.ccalb.org, linked with the web-page of the Global Initiative on SWH www.solarthermalworld.org;
- Identification of the key drivers, stakeholders and opinion leaders to promote SWH in different market segments, initiation of consultations with and development of materials that address those drivers, stakeholders and opinion leaders by building on the material developed under the earlier ADA funded project;
- Finalisation of the communication strategy for the building professionals, by considering the international experiences and best practices that can be used in project's further awareness raising and training activities;
- Finalisation of the design of the marketing campaign;
- Consultations with selected educational institutes about specific SWH courses and/or integrating SWH better into the existing curricula;
- Preparation of SWH-related learning material (with a target to have them ready for the 2010 Autumn term).

Outcome 3: Increased demand for SWH systems by the availability of attractive end-user financing mechanisms or other delivery models, such as SESCOs or utility driven models.

- Identification of and consultations with the key financial sector

stakeholders and local suppliers and, as applicable, formulation of a concrete proposal for co-operation with CEZ, to elaborate the type of complementary financing mechanism that is likely to show the biggest positive impact on sustainable market development;

- Supported by UNEP/DTIE, finalizing the design of the financial support mechanisms and, as applicable, new business/delivery models with contributions from the Italian Government and the Government of Albania;
- Providing training to SWH supply chain on the available financing options and how to use them in marketing;
- Supporting the start-up of new business models such as SESCOs.

Outcome 4: A certification and quality control scheme applicable for Albanian conditions and enhanced capacity of the supply chain to offer products and services promoting sustainable SWH market.

- Establishing a working group with representatives from the private SWH supply chain, relevant technical institutes (such as Harry Fultz), NGOs (EEC) and public authorities to discuss and review the proposals for the establishment of a quality control scheme in Albania for both SWH systems and installers;
- Facilitating the formal adoption of the required testing standards such as EN 12975, 12976 and 12977 in Albania by the General Directorate of Standardisation;
- Finalising a proposal for testing, certification and labelling scheme for SWH systems;
- Facilitating the formal adoption and the start of using the adopted testing and certification/labelling scheme.
- Conduct product testing in line with adopted quality control scheme and business plan of the testing facility;
- Identify the remaining gaps after the supply side training activities supported by ADA and further developing a proposal for training and certifying of SWH installers;
- Clarifying further the co-operation with the Swiss Government supported activities.

Outcome 5: The provided support institutionalized and the results, experiences and lessons learned documented and disseminated (including monitoring, learning, evaluation and other feedback for adaptive management).

- Updating of the baseline assessment; development and agreement on the reporting format and establishment of the institutional arrangements for SWH market monitoring that is expected to continue after the end of the project.
- Preparation and agreement on a business and financing plan to facilitate the operation of the Solar Thermal Industry Association (STIA) in order for it to run on a self-sustaining basis.
- Establishment the Albanian STIA.

The project is expected to be completed by mid 2014.



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ELEVENTH WORLD RENEWABLE ENERGY CONGRESS AND EXHIBITION

Press Release - February 2010

The Environment Agency of Abu Dhabi has teamed with the World Renewable Energy Congress to have one of the most timely Congresses next September. More than 600 participants are expected from 100 countries presenting papers and discussing major issues related to the Global Warming, Environment and Green Technology. The Congress topics include: Biomass Conversion Technology; Fuel Cell, Hydrogen, and Intelligent Energy Systems; Geothermal Applications; Low Energy Architecture; Ocean Energy; Photovoltaic Technology; Radiation and Solar Materials; Solar Thermal; Wind Energy; Energy and Gender-Equitable Development; and Policy and Strategy. The Technical Committee consists of 72 scientists and technologists who are leading authorities in their fields. Among the 115 invited outstanding speakers are University Heads and Deans, Heads of Departments, Industrial CEOs, leading architects and environmentalists from 32 countries who will enrich the Congress with their knowledge. Additionally, 200 contributors from various countries will also present their contribution at the Congress.

The Congress will host one of the most effective Technical Exhibitions covering equipment and devices related to building technology, energy and environment. This Congress is the Twentieth Anniversary of World Renewable Energy Congress and Network and (WREC/WREN), and the Congress Trophy to be presented to the country which has most successfully promoted Renewable Energy during the last two years. In addition there will be a student competition, "Towards Sustainable Environment", in Green Building within the Gulf Countries to encourage final year students of architecture in the various colleges and universities in the Gulf Countries to adapt green building design in the region. The Congress is under the Patronage of His Highness Sheikh Hamdan Bin Zayed Al Nahyan Ruler's Representative in the Western Region Abu Dhabi and Chairman of Environment Agency - Abu Dhabi. Among the sponsors are: National Energy and Water Research Centre - Abu Dhabi (NEWRC) - Platinum Sponsor and the Centre of Waste Management - Abu Dhabi - Gold Sponsor.

For more information and details, please consult the Congress Website: www.wrenuk.co.uk under WREC XI or contact Professor Ali Sayigh: asayigh@wrenuk.co.uk, tel: +(44) 1273-625-643, fax: +(44) 1273-625-768 or Environment Agency - Abu Dhabi, Ms. Manisha Pillai mpillai@ead.ae.

Enquiries for the Exhibition please contact: Senthil Gopinath, Congress Solution International: senthilg@emirates.com, tel: + (971) 4-303-4766, fax: + (971) 4-343-2251.



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