

# Workshop “Strengthening national capacity in applying sustainable energy policies and practices based on the recommendations of the Environmental Performance Reviews”

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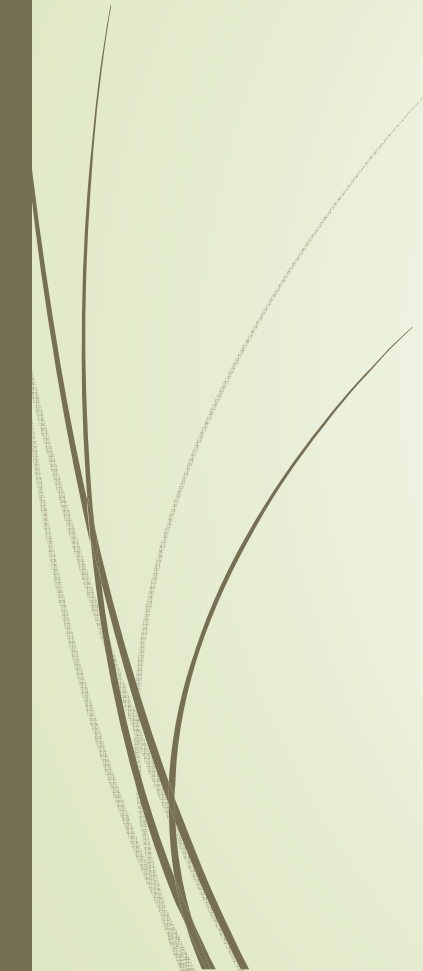
# Strategy



- Implementing this Energy Strategy will increase the security of Albania's energy supply and begin to integrate the Albanian energy market into regional and European markets. This Strategy supports the country's overall economic development goals, and is based on an optimal energy scenario that balances national interests with those of the different energy sub-sectors. In addition, the strategy is designed to support social development goals, by increasing employment through promotion of the green energy sector, stimulating competition in the Albanian energy market, ensuring supply stability by moving towards regional markets, minimizing energy supply costs for Albanian citizens and businesses, and minimizing adverse impacts to the environment.
- Albania has signed the Paris Agreement on the 22nd of April 2016 in New York, entering in the new era of the climate international policy process. Albania joined the United Nations Framework Convention on Climate Change (UNFCCC) in 1995, and the Kyoto Protocol in 2005. Albania has started the process of changing the status from a developing country to a developed country, in the context of the UNFCCC. This process is an integral part of the process of integration into the European Union and involves the development of capacities at the national level for monitoring and annual reporting of Greenhouse Gases (GHG), the formulation and implementation of policies to reduce GHG and climate change adaptation, transposition and implementation of the European Union acquis on climate change. In line with the objectives of the EU 20-20-20, Albania has submitted its National Determined Contribution within the Paris Agreement process in September 2015, committing itself to reduce CO<sub>2</sub> emissions compared to the baseline scenario in the period of 2020 and 2050 by 11.5%.



# National Strategy for Sustainable Energy presents:

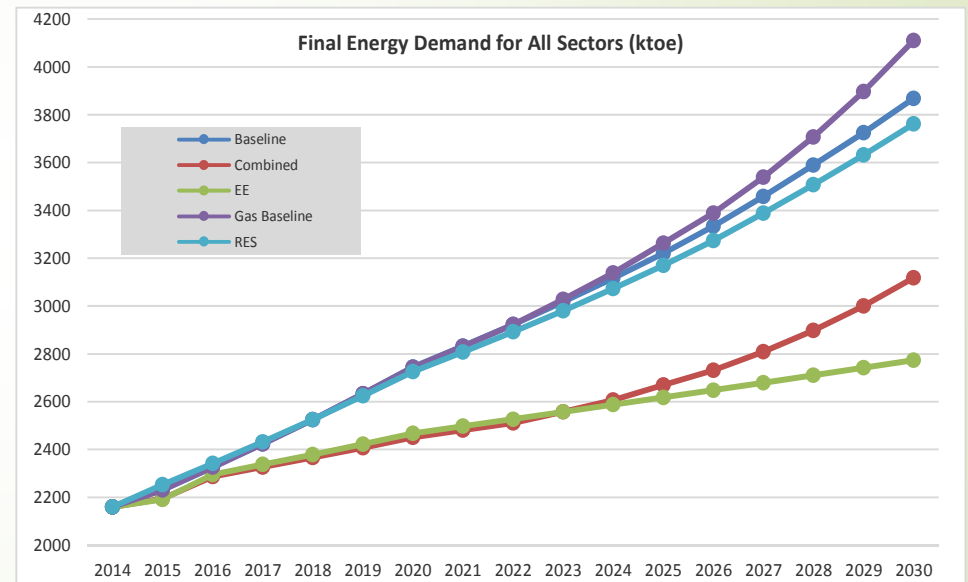
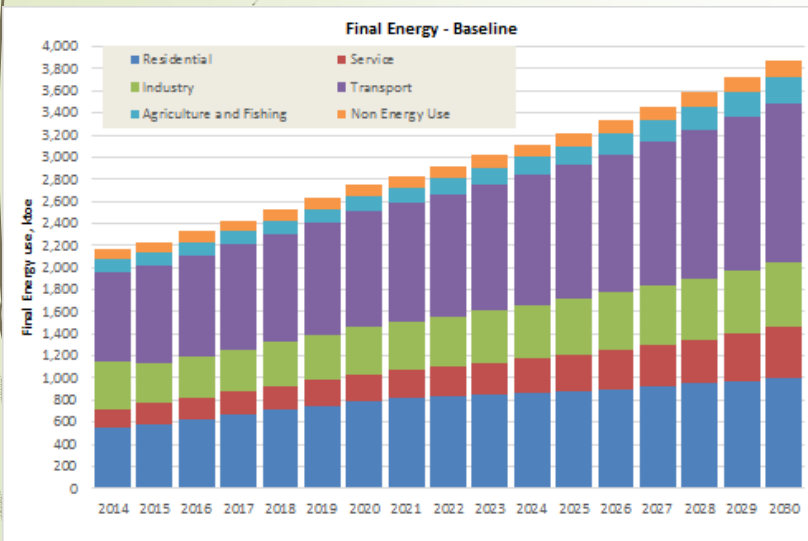
- Increase the security of energy supply with affordable costs for Albanian citizens and the economy;
  - Establish consumer-oriented energy markets and strengthen competition in the sector;
  - Provide incentives for reaching renewable energy resource (RES) and energy efficiency targets and for decreasing adverse environmental impacts by reaching NDC's targets.
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# National Strategy for Sustainable Energy present

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- Establish consumer-oriented energy markets and strengthen competition in the sector;
- Provide incentives for reaching renewable energy resource (RES) and energy efficiency targets and for decreasing adverse environmental impacts by reaching NDC's targets.
- Having the pathway for Albania with limited emission increase in the coming two decades, it can be assumed without risk that the pathway foreseen for Albania enables reaching the 2 tons per capita GHG emission level by 2050. This is an emission reduction ambition level which is comparable to the EU 2050 political goal and it is possible to achieve with high confidence with the foreseen increase of emissions followed by decoupling and slow decrease of emissions.

# Final energy Baseline and demand





# ENERGY SECTOR CHALLENGES

Since 1992, the Albanian economy has experienced a transformation from a centralized to a market economy. The GDP per capita value has increased in the last two decades due to a number of factors, including an ambitious program for the economic development, development support offered by donors, and a favorable geographic position as a bridge that connects the Balkans with Western Europe. The challenges currently facing the Albanian energy sector include:

- Meeting the economic developments in different sectors and the growing level of energy consumption per capita;
- Improving the trend of energy intensity;
- Enhancing energy security by improving energy efficiency, increasing the share of renewables and other indigenous energy sources, and reducing dependence on energy imports.

# RENEWABLE ENERGY

- ▶ The Government has committed to a policy of increasing the use of renewable energy, primarily hydropower, solar and wind, with small-scale hydropower having the highest priority. Methodologies for offering FiTs have been developed as part of this strategy. This stage they address general principles. However, the detail will need to be kept under review as the Albanian power market evolves. In particular:
- ▶ Government will ensure that the levels of renewable power offered to the market are manageable within the framework of other electricity sources and the evolving market.
- ▶ There is already extensive experience in commissioning small scale hydro projects through concession agreements. Such hydro projects are therefore likely to continue to be the main source of renewable energy projects, building on this experience. However, for solar and wind projects there is little previous experience and the Government could invite bids for a particular site and seek to obtain the cheapest price or the Government could offer particular tariffs and invite investors to propose sites.
- ▶ The development of a regional market is likely to lead to greater variation in prices over the day, and the benefits of fitting small scale hydro projects with reservoirs to help balance intermittent solar and wind power will increase significantly and the tariff policy should recognize this.



# ENERGY EFFICIENCY

Support mechanisms to improve energy efficiency in the buildings sector are different for public buildings, commercial buildings and households. Taking into account the mechanisms applied in EU Member States, the following suggestions could be used for Albania:


- Financing mechanisms, including preferential loans, grants, subsidies and third party financing may be recommended rather than fiscal mechanisms;
- Financing of energy efficiency measures in state public buildings should be organized by the government in close collaboration with local authorities. Improvements in the energy efficiency of public buildings may be financed from grants that are still provided by IFIs. Grants and soft loans should be sought from IFIs for specific activities. Such loan programs typically include detailed energy auditing, technical design, implementation and monitoring and verification of the results (energy and cost savings, cost and energy indicators);
- Improvements in the energy efficiency of commercial buildings should be financed by preferential loans from existing guarantee funds such as the EBRD Sustainable Energy Fund (SEF) Programme (under Western Balkan Sustainable Energy Programme). EBRD Project is supporting Residential and SME Sectors with grants for all projects that reach 20% energy savings or 20% reduction of CO<sub>2</sub> emissions. Albania will be included in this scheme during the year 2020 and the program will continue until 2025. Energy audits and technical advice are granted already from this program through financial support provided by the EBRD/EU;
- Some external financing for commercial building energy efficiency is also available in the form of preferential loans (which include incentive payments) combined with technical assistance (energy audits provided free of charge for the borrower) launched by IFC, GGF and from private banks with their internal funds;
- Financial support to improve the energy efficiency of households should combine awareness, technical advice and information, preferential loans for EE investments from an established list.
- Financing of low income households should focus on low cost measures and technical advice which will be subsidized either from a state budget allocation or from local authority budgets and by redirected subsidies from energy utilities to end-users;





# Programs Implementation

- Reduced energy imports and increased domestic energy generation to meet future energy Demand.
- Improved energy efficiency in the household, services and industrial sectors.
- Increased use of RES technologies, based on least-cost planning and environmental protection Principles.
- Penetration of natural gas in the Albanian energy sector through key infrastructure investments.
- Development of mechanisms to encourage foreign direct investment in the Albania energy sector.
- Increased competition in the energy market while preserving customer interests and without impairing the government's responsibilities on energy system functioning and security of supply;
- Improved alignment and integration of Albanian energy-sector policy and regulation with the EU's energy acquis and regional and EU energy markets.
- Development of a more consumer-oriented and decentralized future Albanian energy system.
- Focused activities regarding the use, remediation or removal of existing Soviet-era energy infrastructure that adversely impacts environment and potentially high value areas for other development sectors, i.e. tourism, agriculture, etc.



# The Environment and Sustainable Process

- ▶ Albania has started the process of changing the status from a developing country to a developed country, in the context of the UNFCCC. This process is an integral part of the process of integration into the European Union and involves the development of capacities at the national level for monitoring and annual reporting of Greenhouse Gases (GHG), the formulation and implementation of policies to reduce GHG and climate change adaptation, transposition and implementation of the European Union acquis on climate change. In line with the objectives of the EU 20-20-20, Albania has set quantitative targets related to energy efficiency (increase by 6.8%) and renewable energy sources (increase up to 38%) within the framework of Energy Community Treaty. These objectives are currently under review within the 2nd revision of the National Energy Efficiency Action Plans

# Thank you

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