

REPUBLIKA E SHQIPËRISE
MINISTRIA E ENERGJISË
DHE INDUSTRIË

PETROLEUM ACTIVITIES IN ALBANIA

&

THE INVEST OPPORTUNITIES

**"9th South East Europe Energy Dialogue" International Conference,
Thessaloniki, June 29-30, 2016**

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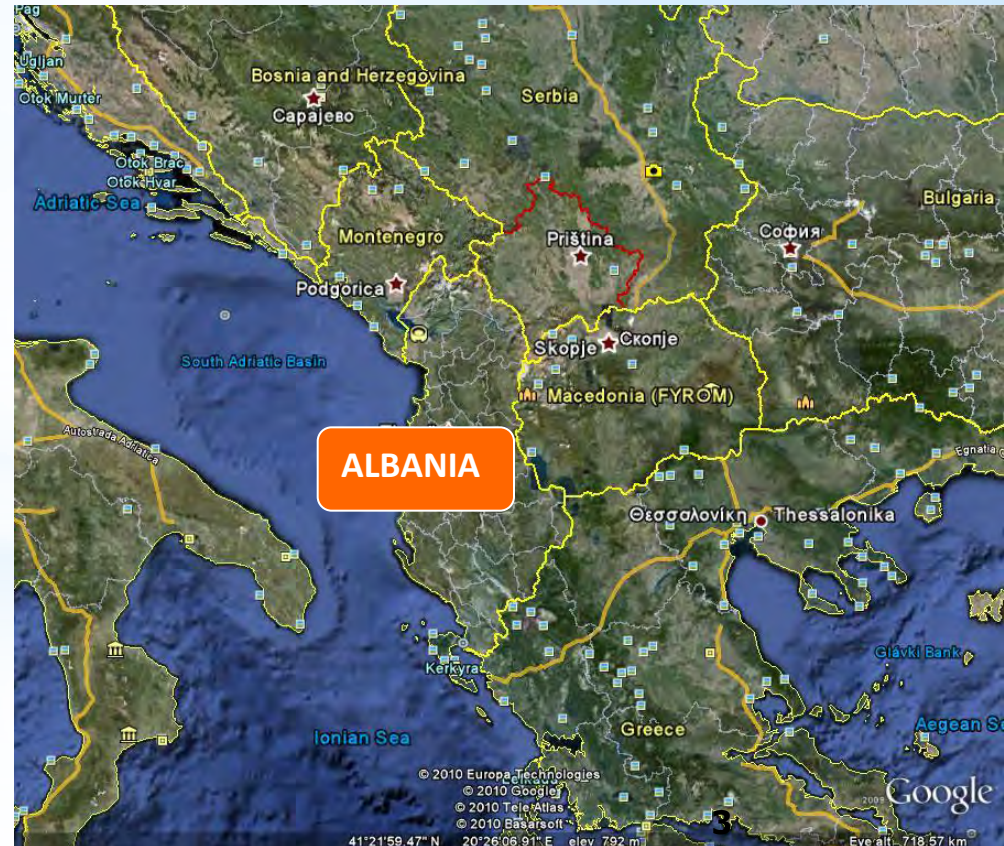
- I. REGIONAL SETTING OF ALBANIA**
- II. REGIONAL GEOLOGICAL SETTING**
- III. LEGAL AND INSTITUTIONAL FRAMEWORK IN UPSTREAM and DOWSTREAM ACTIVITIES**
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I. REGIONAL SETTING

Albania is located in the Southeast of Europe.

Albania, by land, is bordered with **Monte Negro** in the North, **Kosovo** and **“Former Republic of Macedonia”** in northeast and east, and by **Greece** in the Southeast and South, whereas in the West it is bordered by the **Adriatic and Ionian Seas**.

Capital: **TIRANA**
Currency: **Albanian lek**
Official language: **Albanian language**
Government: **Parliamentary Republic,**
It is about **28.000 km²**



II. REGIONAL GEOLOGICAL SETTING

From the geological point of view,

Albania is part of the Mediterranean Alpine Folded Belt and fits in the

Dinaric-Hellenic range, between the Dinarides in the North and Hellenides in the South.

The geological structure constituting Albania is called the Albanides, a term widely used at home and abroad.

The Albanides are divided into
- **INTERNAL ALBANIDES**,
and
- **EXTERNAL ALBANIDES**.



II. REGIONAL GEOLOGICAL SETTING (2)

The Internal Albanides are characterized by developed magmatism and by intensive tectonics which has led to the over thrust and tectonic napes.

The Internal Albanides consist of three tectonic zones, which from east to the west are:

- **the Korabi zone**,
- The **Mirdita zone** (the main ophiolite bearing zone),
- and **Gashi zone**.

The two post orogenic sedimentary (inter-mountainous) basins respectively: **Burreli Basin** in the north and **Korca Basin** in the southeastern part of Albania, overlies transgressively the Mirdita zone and partially the Krasta-Cukali zone.

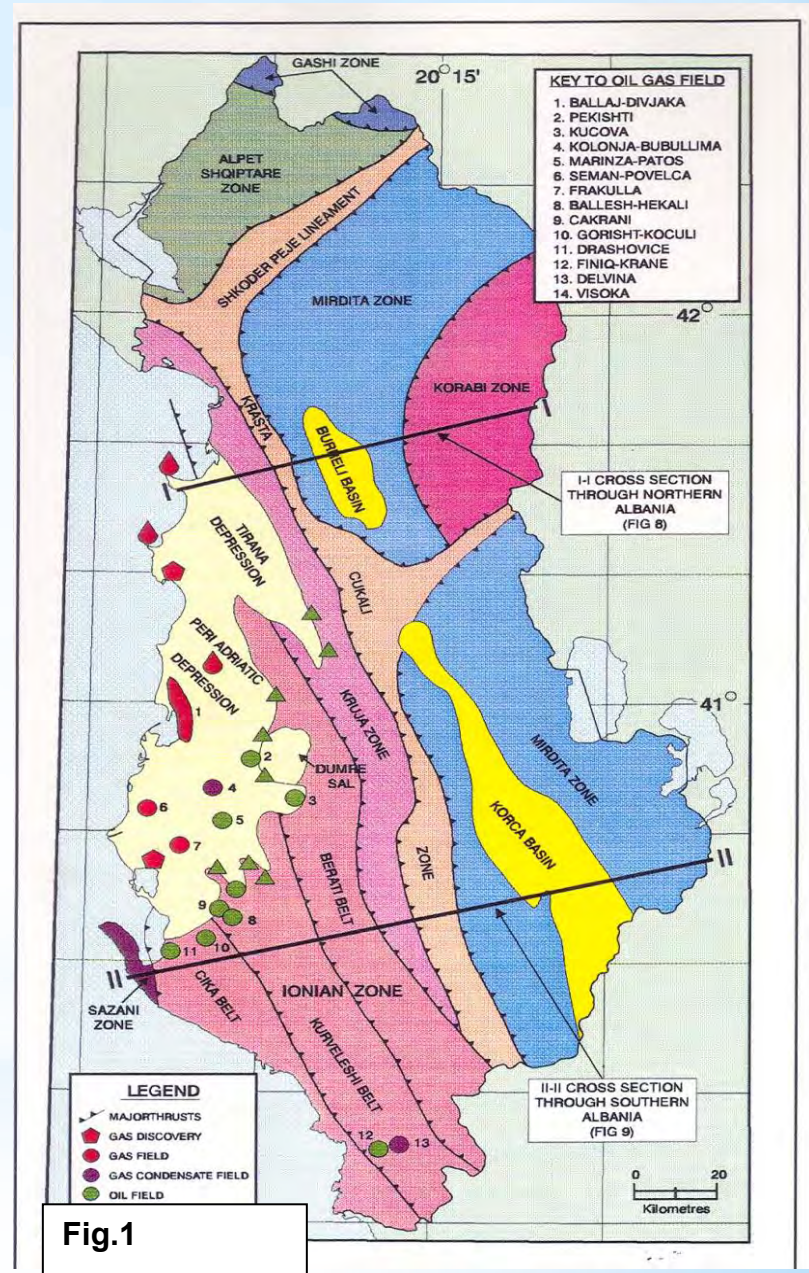


Fig.1

The main structural-tectonic units in Albanides

II. REGIONAL GEOLOGICAL SETTING (3)

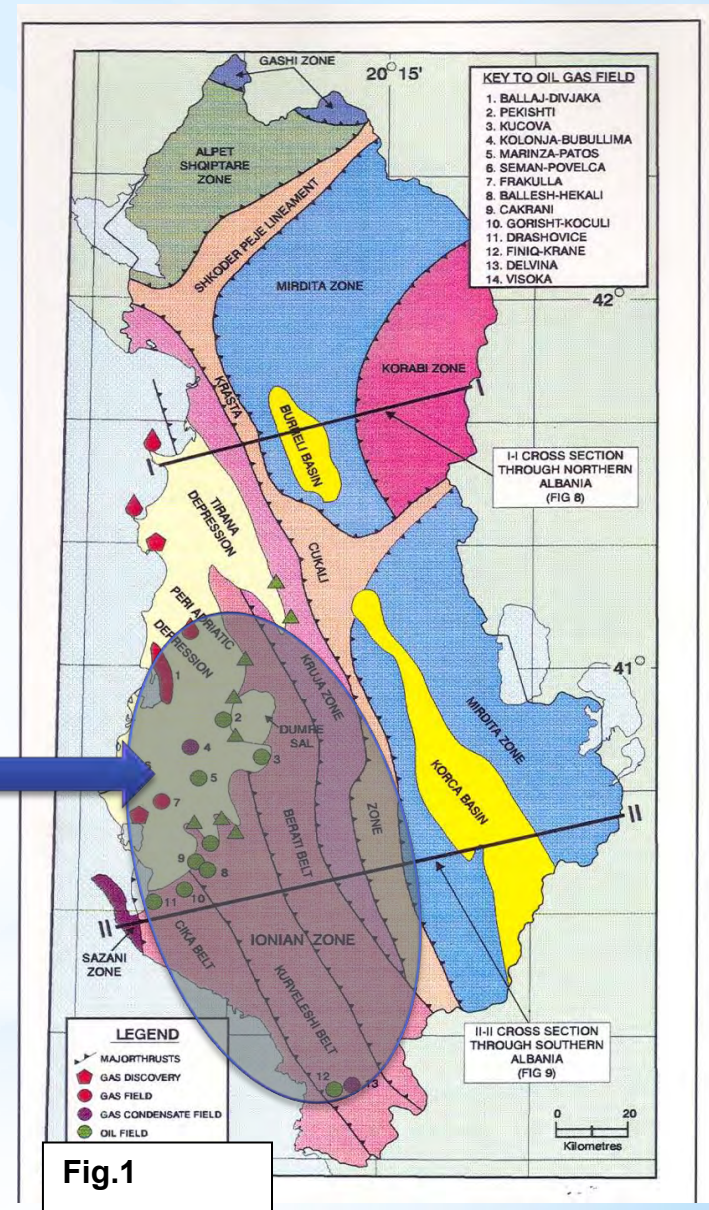
The External Albanides on the contrary are characterized by the lack of magmatism and by more regular structural models but which are associated with considerable thrusts.

From east to west, the External Albanides is divided into the following zones:

- The **Albanian Alps zone**,
- The **Krasta-Cukali zone**,
- the **Kruja platformic zone**
- the **Ionian trough**
- and
- the **Sazani platformic zone**

Northwards the overlying **Peri-Adriatic Depression (PAD)** masks the Ionian and, partly Kruja tectonic zones.

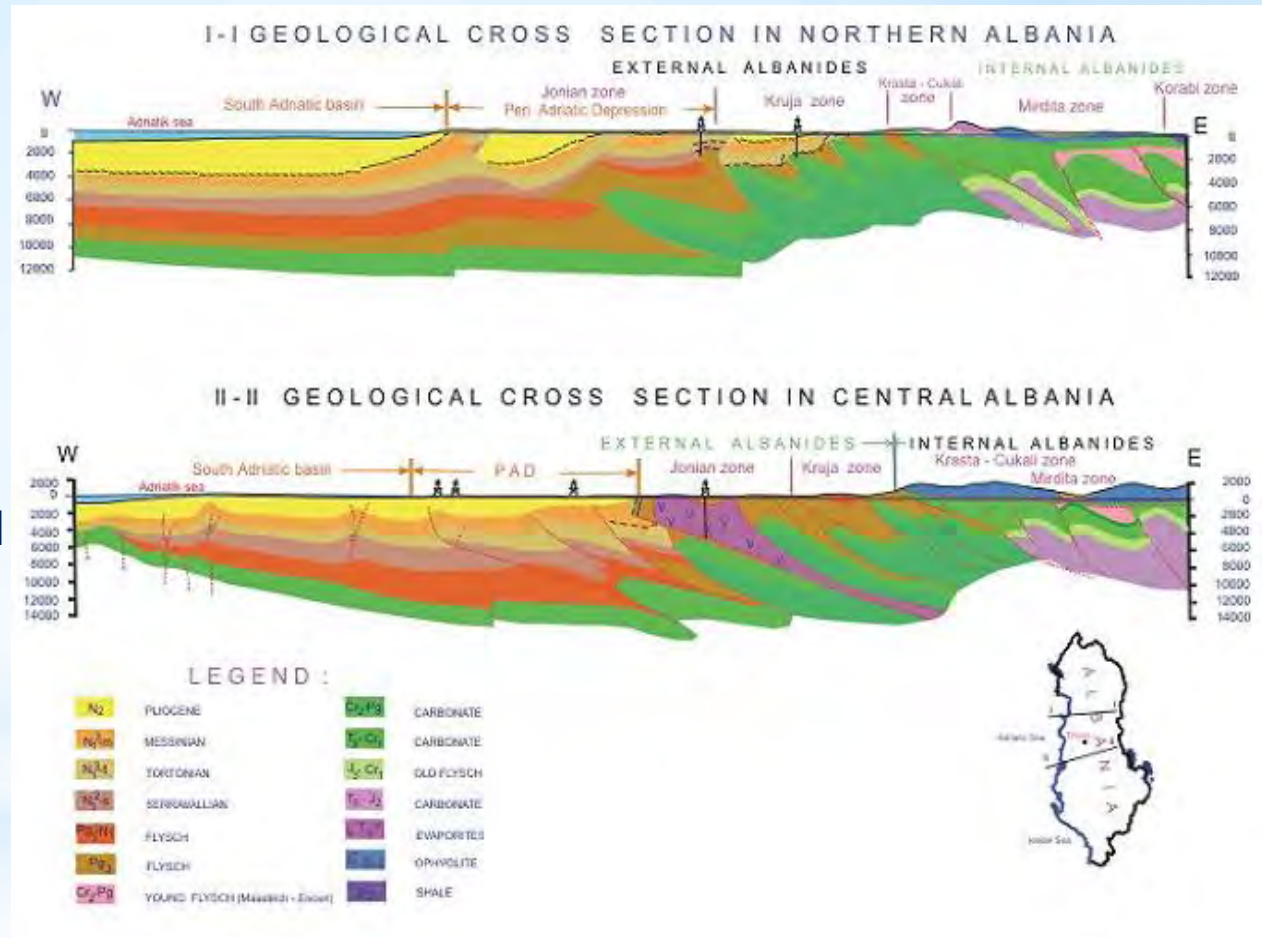
Westwards offshore, the Peri Adriatic Depression is unified with the South Adriatic Basin, which overlay the **Preapulian (Sazani zone)** and Apulia Platform.



The ⁶main structural-tectonic units in Albanides

II. REGIONAL GEOLOGICAL SETTING (4)

The relative movements of the Adriatic sub plate and the Euro Asiatic plate from Mesozoic to Tertiary mainly controlled tectonic evolution of the Albanides where some tectogenic phases have been recorded in the Albanides during the period of time.

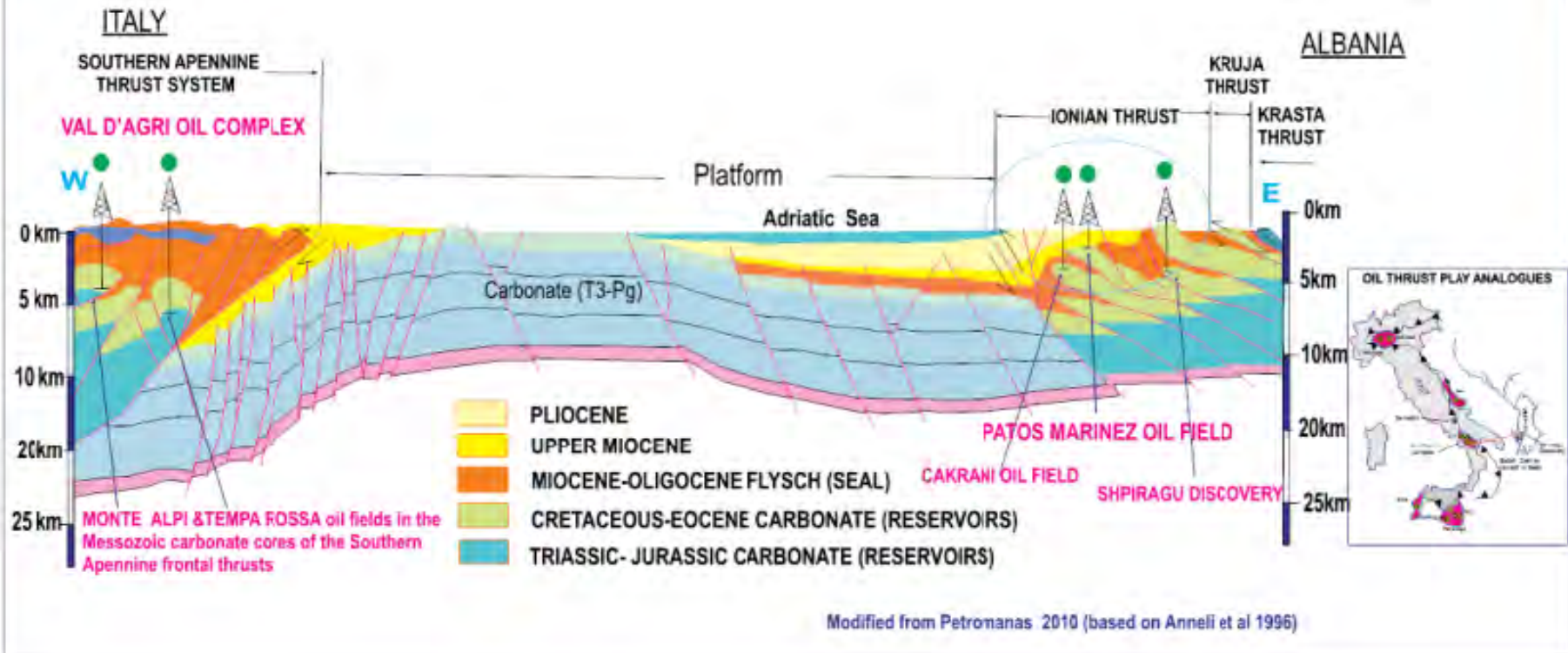


Geological – geophysical sections on the northern and central part of Albanides.

Geological Cross Section Italy-Albania



ANALOGUES OIL DISCOVERIES RELATED TO THRUST SYSTEMS (Albania and Southern Italy)



III. THE LEGAL AND INSTITUTIONAL FRAMEWORK

The development and regulation of the petroleum sector (upstream & downstream) is based on three main laws:

- **Law no.7746, dated 28.07.1993 “The Petroleum Law (Exploration and Production)”**, as amended, which is harmonized with the Directive 94/22/EC of the European Parliament and of the Council of 30 May 1994 on the conditions for granting and using authorizations for the exploration and production of hydrocarbons.
- **Law no.8450, dated 24.02.1999 “On refining, transportation and trading of oil, gas and their by-products”**, as amended. The provision of this law does not refer to a specific directive but is based on the legislation in force in some countries of EU (e.g. Greece) and in some directives as well.
- **Law 102/2015 “On natural gas sector”**. This law is fully in compliance with Directive 2009/73/EC of the European Parliament and of The Council of 13 July 2009 concerning common rules for the internal market in natural gas.

Specific legal acts and secondary legislation regulate the activities in petroleum sector, such as:

- **technical norms and standards for facilities and installations in the petroleum sector according to international standard on exploration for oil and gas**
- **fiscal policies,**
- **production and trade of biofuels,**
- **regulating the relations for the construction and operation of relevant infrastructure,**
- **environmental issues**
- **etc..**

If you are interesting for more details, please look at these websites address:

<http://www.energja.gov.al> & <http://www.qbz.gov.al>

III. LEGAL AND INSTITUTIONAL FRAMEWORK ON UPSTREAM

(exploration and production - UPSTREAM)

- **Law no.7746, dated 28.07.1993 “The Petroleum (Exploration and Production)”**, as amended, created space and a higher security for foreign investors in the exploration and production petroleum activities.

The law recognizes that all petroleum reserves in their natural condition in strata lying, the jurisdiction of Albania, are **the exclusive property of the Albanian State**.

The Petroleum law expressly permits to the Ministry of Energy to enter into Petroleum Agreement with any company which has **technical and financial capacity** for exploration and production in a area, which has to be approved **by the Council of Ministers**. This procedures is transparent and competitive according **to EU Directive 94/22/EC**.

Existing Petroleum Agreement are **“Production Sharing Agreement”** , for the exploration phase as well as for exploitation phase

Contractors are granted exclusive rights for:

- **The exploration period**, it is up to 5 years and can be prolonged up to 7 years.
- **The exploitation (production) period**, it is twenty-five years, which can be prolonged. This happened if the Contractor declares a commercial discovery during the exploration period

This law provides so called “stability clause” which guarantees the contractors that any *new provisions or changes or amendments to Albanian laws or regulations* should not negatively impact to the economics terms of the Petroleum Agreement.

The Petroleum law contains other important provisions for **protection of the environment**, social rights of the communities in the area where an exploration and production activity is authorized.

The main Fiscal Terms of Petroleum Agreement

The Contractor is subject **to tax on profit**, according to the Law No.7811, date 12.04.1994, "On approval of Decree No.782, date 22.2.1994 "On the fiscal system in the hydrocarbons sector (Exploration-Production)". **This tax is at the rate of 50% of the realized profit.**

The Royalty according to the Law No. 9975, date 28.07.2008 "On the National Taxes". **This tax is at the rate of 10% of petroleum sales revenues.**

The supply of goods and services performed by contractors and subcontractors, certified by the National Agency of Natural Resources, are **exempted from all taxes** for petroleum operation during **explorations period** only.

Albania share production it depends on every Petroleum Agreement and is manage by so call R factor. R" Factor (the ratio of CONTRACTOR's cumulative revenue from the Effective Date until the end of the preceding Calendar Year to the CONTRACTOR's cumulative expenditures).

Cost Recovery limit of the available petroleum, it depends on every Petroleum Agreement

Signature Bonus – it is not constant but depends on each Petroleum Agreement

Training Bonus it is not constant but depends on each Petroleum Agreement

Production Bonus it is not constant but depends on each Petroleum Agreement and varies from quantity of productions

Ministry of Energy and Industry has review the 7746 law, which is under approved procedures.

The goal is to improve and reflect the **latest developments of exploration activities and production of petroleum**, but also taking in consideration the **World Bank's assistance** for that purpose.

The draft reflects new technical concepts on petroleum activities by **reviewing and adding the definitions.**

It is set the **new procedures** that must be followed for enter into Petroleum Agreement which has to be open, transparent and competitive according to **EU Directive 94/22/EC** .

The stability clause is foreseen to be limited in time **up to 12 years** after first year of production.

In the draft is conducted clearer separation of the time limits involved in the **Exploration and Appraisal Periods** (max 7 years for exploration and 3 years for appraisal).

The draft law establish the **Scientific Petroleum Institute** (formerly the Albania Institute of Oil and Gas), which will allow the increase of technical and scientific competence of Albanian Party in the hydrocarbon industry in general and especially in the exploration and production petroleum activities.

III. LEGAL AND INSTITUTIONAL FRAMEWORK.

In case when the Petroleum Agreements are for existing oil and gas fields with The Albpetrol, National Oil Company , the contractor , beside the taxes mentioned in previous slides, has some more duties that should give to Albpetrol, which are:

- **Pre-existing production.** It is calculated based on the average of 6 months of production, before awarding the oilfield by the contractors. It is at the **rate of 65 to 75 %** of average production .
- **Albpetrol' share** is calculated upon the current production. The rate of the share depend on the R factor (when $R < 1 = 1-2 \%$, when $1 < R < 1.5 = 2\%$ and max to 4%).

The pre-existing production and the share of Albpetrol is taken either in nature or cash.

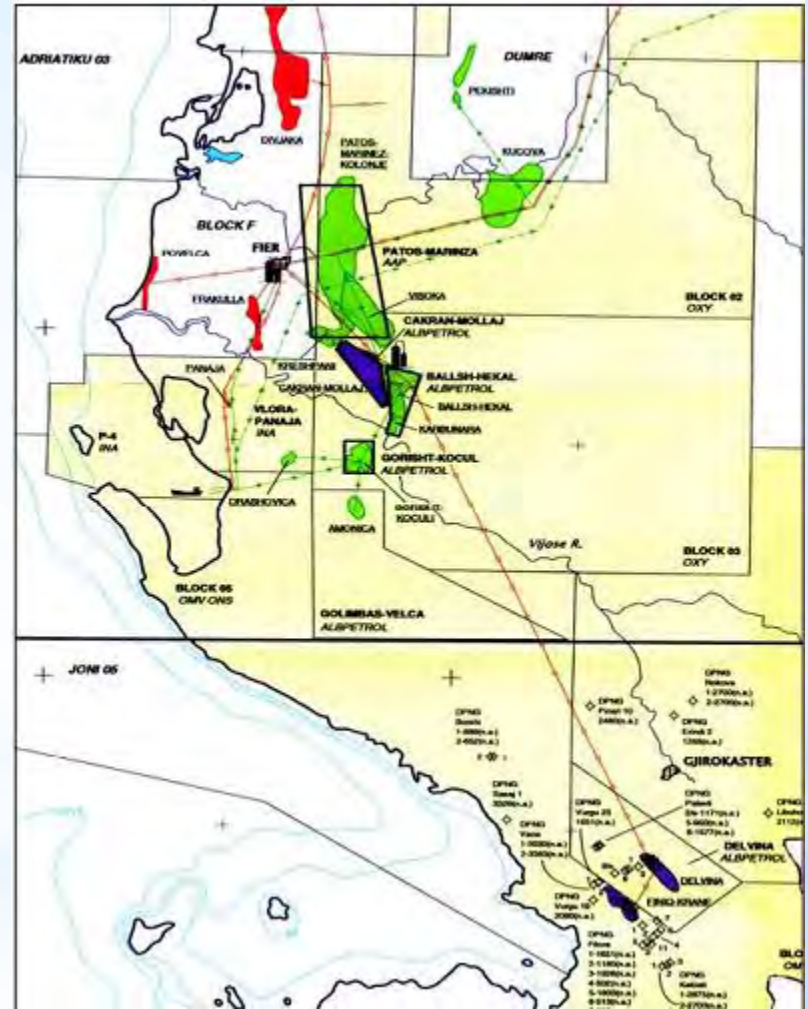
IV. Existing Oil and Gas Fields In Albania

Albania was established as a Hydrocarbon bearing province as early as Roman times, when **heavy oil and asphalts of Selenica mine** were used for lamps.

In 1918 the first oil discovery was made in Oligocene flysch in Drashovica.

In 1927, 1928 respectively **Kucova and Patosi oil fields** related to Messinian clastic reservoirs were discovered.

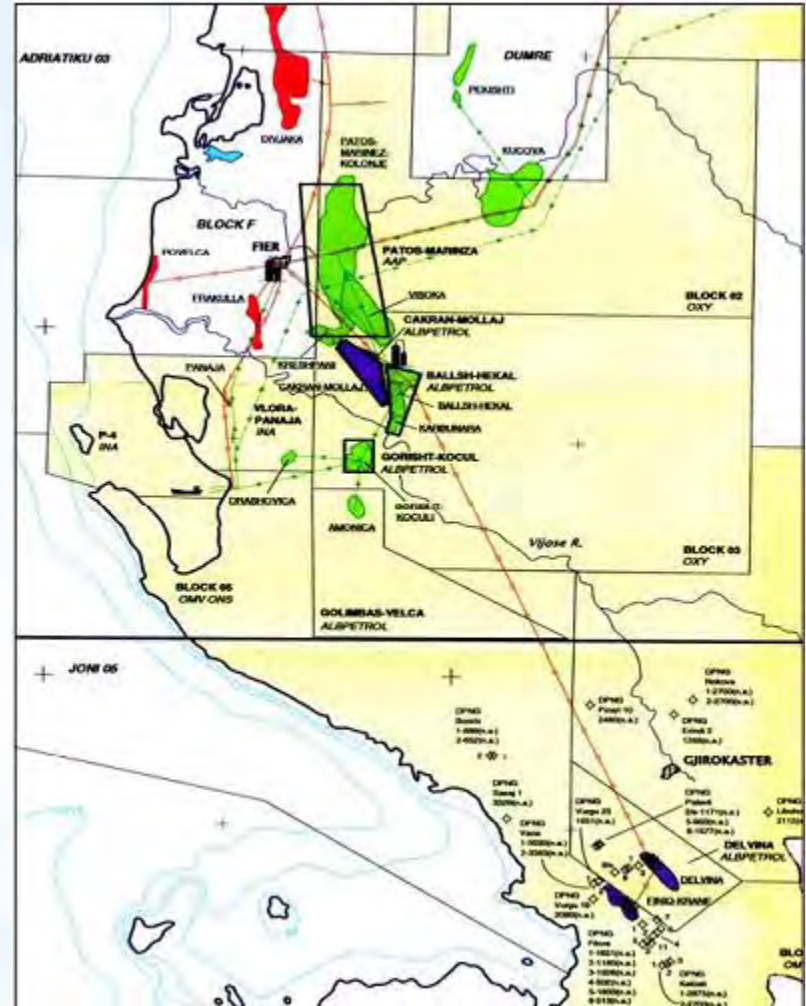
Marinza as the biggest oil field in Albania related to Messinian-Tortonian clastics reservoirs was discovered in 1957.



IV. Existing Oil and Gas Fields In Albania

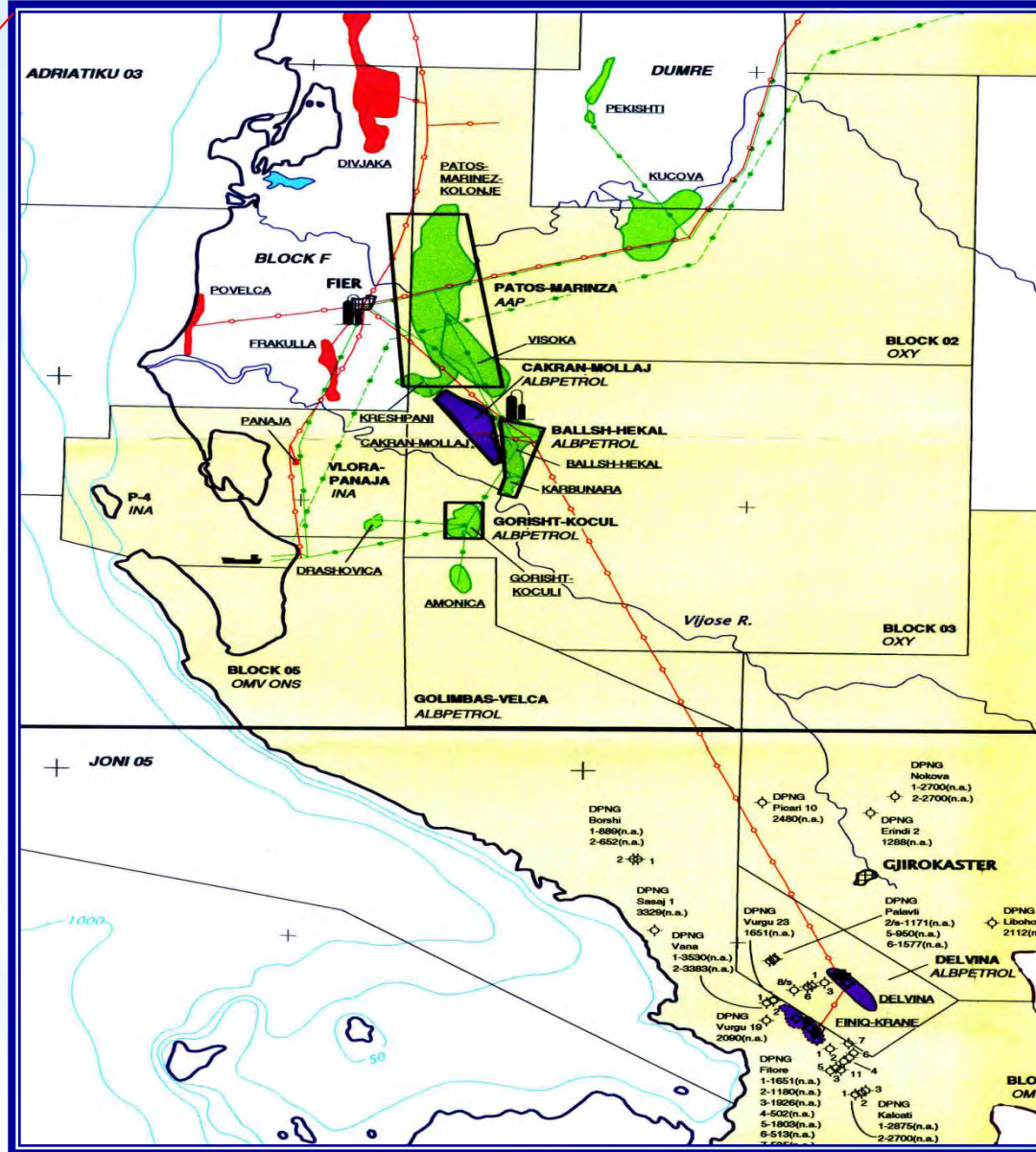
Visoka, as the first oil field related to carbonate reservoirs, discovered in 1963, was followed by other discoveries such as: **Gorishti** (1965), **Ballshi** (1966), **Finiq-Krane** (1974), **Cakran-Mollaj** (1977), **Amonica** (1980) and **Delvina** (1987).

With the first Gas discovery (1963) in the Tortonian sandstone layers of **Divjaka**, other gas fields respectively: **Frakulla** (1972), **Ballaj** 1983, **Povelca** and **Panaja** gas fields in 1987 and **Durresi** (1988) were discovered.



Oil and Gas Fields in Albania

IV. Existing Oil and Gas Fields In Albania



The location of main oil and gas field in Albania

IV. Existing Oil and Gas Fields In Albania

FIELD	DISCOVER Y YEAR	RESERVOIR TYPE	RESERVOIR DEPTH (m)	O/G GRAVITY (API)	SULPHUR CONTENT (%)
Drashovica	1918	Oligoc.flysch	100-200	Oil <10°	?
Patos	1927	Mess-clastics	Surf. To 1200	Oil (12-24°API)	2.5-6
Kucova	1928	Mess-clastics	Surf. To 1500	Oil (13-16°API)	4
Marinza	1957	Mess-clastics	1200-1800	Oil (12-35°API)	4-6
Visoka	1963	Cret/Eoc.Carb	800-1000	Oil (5-16°API)	5-6
Gorisht-Kocul	1965	Cret/Eoc.Carb	1000-2500	Oil (17°API)	6
Ballsh-Hekal	1966	Cret/Eoc.Carb	1000-3000	Oil (12-24°API)	5.7-8.4
Cakrran-Mollaj	1977	Cret/Eoc.Carb	3000-4500	Oil (14-37°API) Cond, 52°API	0.9
Finiq-Krane	1973	Cret/Eoc.Carb	800-2000	Oil (<10°API)	3.7-4.3
Delvina	1989	Cret/Eoc.Carb	2800-3400	Oil (31°API) Cond, 53°API	0.7
Divjaka	1963	Tort/clastics	2400-3000	Gas & Condens	Na
Ballaj-Kryevidh	1983	Plioc/clastics	300-1700	Gas	Na
Frakulla	1965	Mess/clastics	300-2500	Gas	Na
Povelca	1987	Mess/clastics	1800-3500	Gas & condens	Na
Panaja	1988	Mess/clastics	2500	Gas	Na
Ad-4 (offshore)	1994	Mess/clastics	2500-3100	Biogenic Gas & Cond, 54.3°API	Na
Sqepuri	2001	Cret/Eoc.Carb	4950	Oil (37°API)	2,3

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A summary of the Exploration History in Albania

HYDROCARBON OCCURRENCES IN ALBANIA (OIL & GAS FIELDS)

PATOS-MARINEZ

LOCATION : SW of PAD

SIZE : 300 km²

RESERVOIR :

AGE: Upper Miocene Sandstones

Series: BUBULLIMA, MARINZA-1 (6layers),
MARINZA-2 (2layers),

DRIZA (6layers), GORANI

Depth: 100-1850m

Net Pay: 15-28m

Average Porosity: 12-36%

Permeability: 350-800md

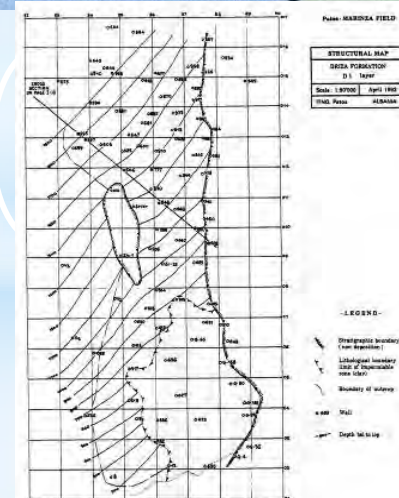
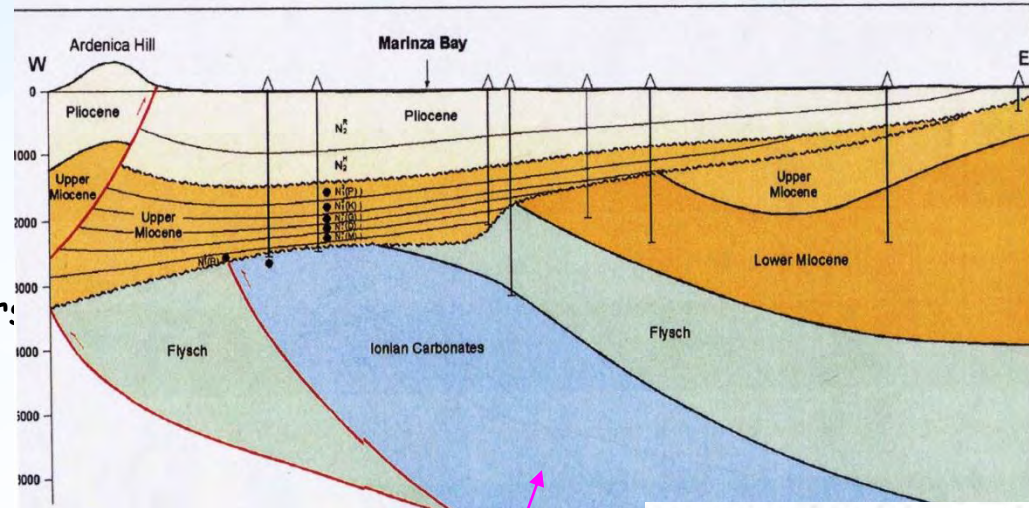
Oil Gravity: 9-36°API

Oil RESERVES

Init.Geol.OIP: 195 MMbblo

Init.Recov.Gas: 5,4x10⁹ Nm³

W-E Geological Cross Section – Marinza Field, Onshore Albania



HYDROCARBON OCCURRENCES IN ALBANIA (OIL & GAS FIELDS)

KUCOVA

LOCATION : East of PAD

ARREZA Oil FIELD

LOCATION : West of Kucova

RESERVOIR :

AGE: Upper Miocene Sandstones
named :DRIZA,GORANI,KUCOVA

POLOVINA Suites in Kucova
and ARREZA-1,ARREZA-2

in Arreza

Depth: 150-1400m

Net Pay: 5-35m

Average Porosity: 23-27%

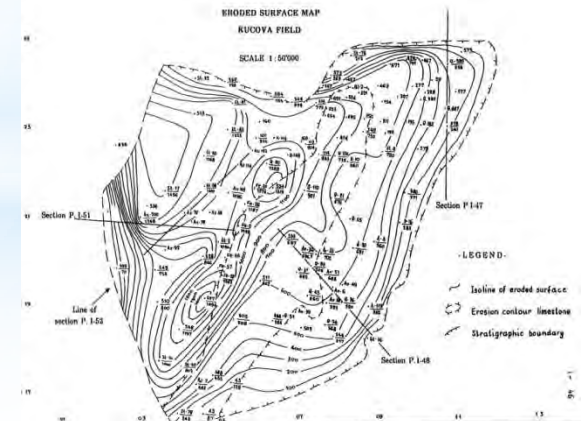
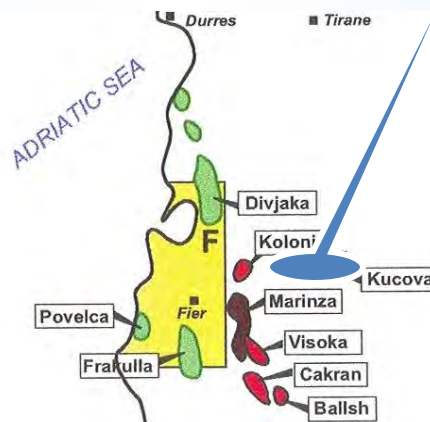
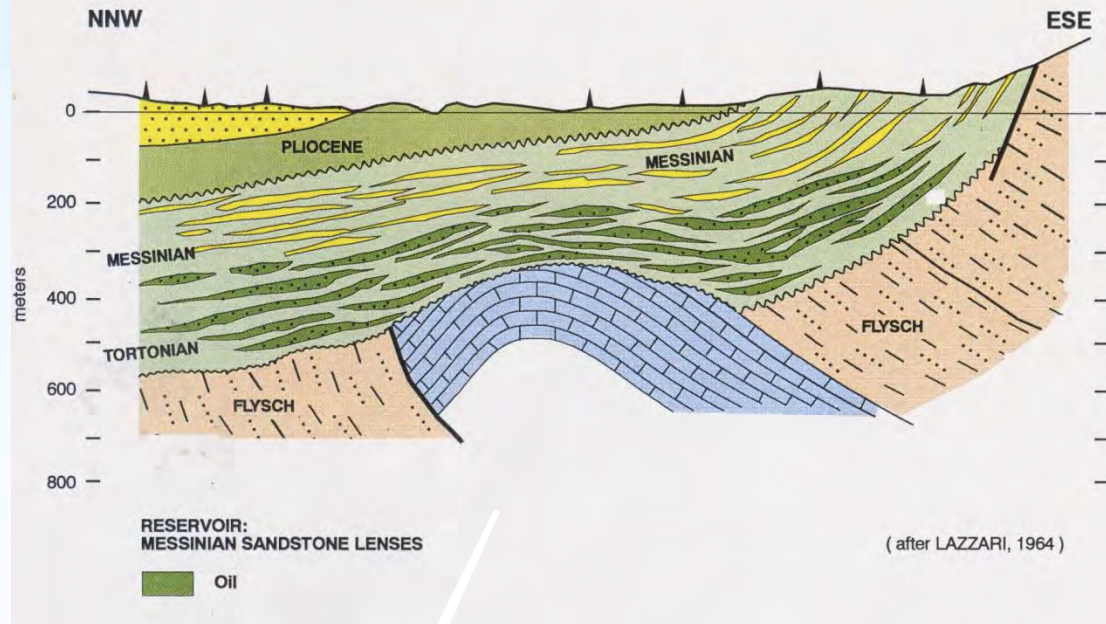
Permeability: 70-500md

Oil Gravity: 12-22°API

Oil RESERVES

Init.Geol.OIP: 81,2 MMbblo

Init.Recov.Gas : $4,6 \times 10^9$ Nm³



HYDROCARBON OCCURRENCES IN ALBANIA (OIL & GAS FIELDS)

VISOKA OIL FIELD

LOCATION : 13km SW Fieri

SIZE: 28,3km²

RESERVOIR

AGE: Cr-Pg2 limestones

Depth: 800-1700m

Gross thick: 200-300m

Matx Porosity: 3,5-4,5%

Tot Porosity: 5-6%

Permeability: 200md

Oil Gravity: 5-16°API

Oil RESERVES

Init.Geol.OIP: 198,5 MMbblo

Init.Recov.Oil : 47,6 MMbblo

Oil Produced : 37,8MMbblo

Rem.Geol OIP: 160,7 mmbblo

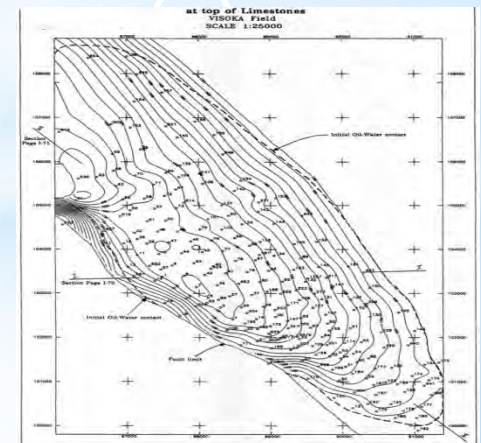
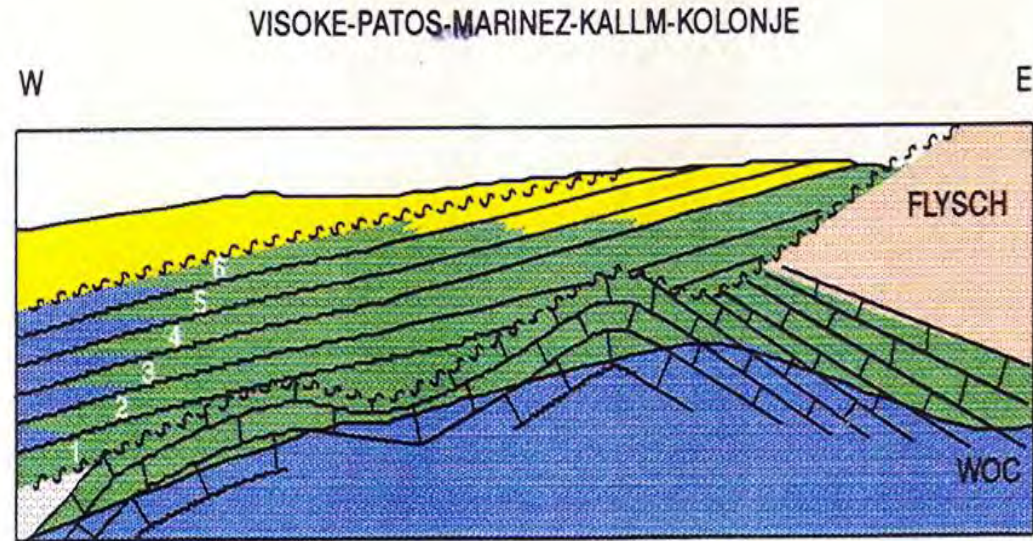
Rem Recov Oil: 9,8 mmbblo

Oil Recov.Fact.: 19%

Gas RESERVES

Gas Produced : 203x10⁶Nm³

Rem Recov Gas: 36x10⁶Nm³



HYDROCARBON OCCURRENCES IN ALBANIA

(OIL & GAS FIELDS)

BALLSH-HEKAL

LOCATION : 29km SE Fieri SIZE
: 13km²

RESERVOIR

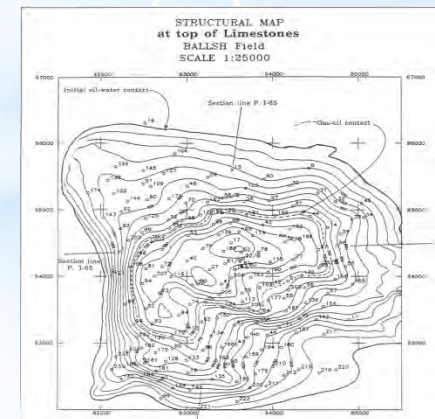
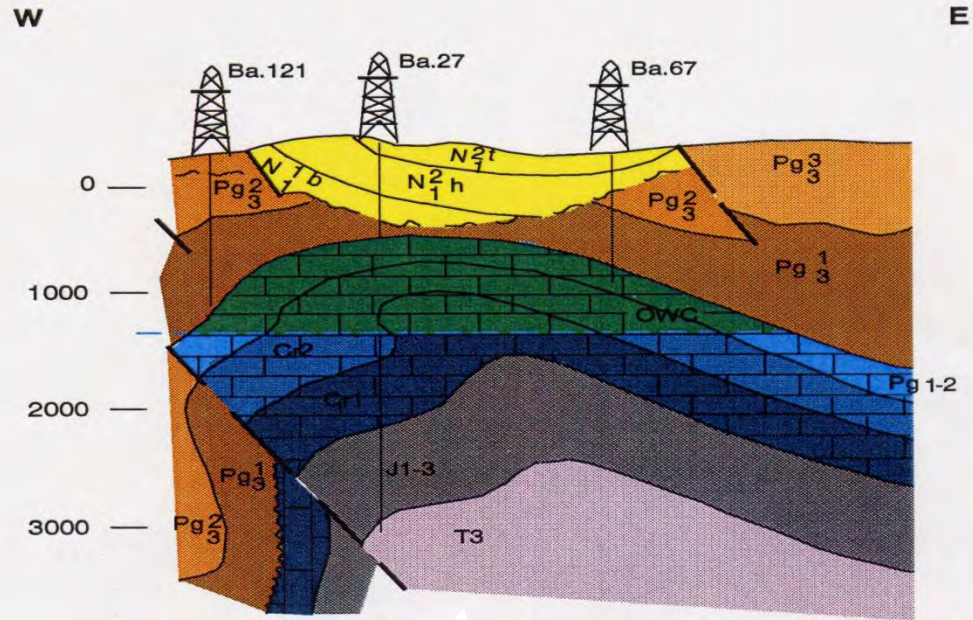
AGE : Cr-Pg2 limestones
Depth: 450-1700m
Gross thick: 350m
Matx Porosity: 0,62%
Tot Porosity: 2,2%
Permeability: 40-300md
Oil Gravity: 13^oAPI

Oil RESERVES

Init.Geol.OIP: 134,9 MMbblo
Init.Recov.Oil : 44,5 MMbblo
Oil Produced : 33,4MMbblo
Rem.Geol OIP: 101,2 mmbblo
Rem Recov Oil: 10,8 mmbblo
Oil Recov.Fact.: 25,8%

Gas RESERVES

Init.Recov.Gas : 239x10⁶Nm³
Gas Produced : 203x10⁶Nm³
Rem Recov Gas: 36x10⁶Nm³



HYDROCARBON OCCURRENCES IN ALBANIA (OIL & GAS FIELDS)

CAKRRAN-MOLLAJ

LOCATION : 6 km West of Ballshi town

SIZE : 10,7 km²

RESERVOIR

AGE : Cr-Pg₂ limestones

Depth: 2650-3700 m

Gross thick: 400-800m

Matx Porosity: 1 %

Tot Porosity: 2,4 %

Permeability: 2-600 md

Oil Gravity: 12-37°API

Oil RESERVES

Init.Geol.OIP: 113 MMbblo

Init.Recov.Oil : 56,9 MMbblo

Oil Produced : 23,3 MMbblo

Rem.Geol OIP: 89,6 MMbblo

Rem Recov Oil: 33,6 MMbblo

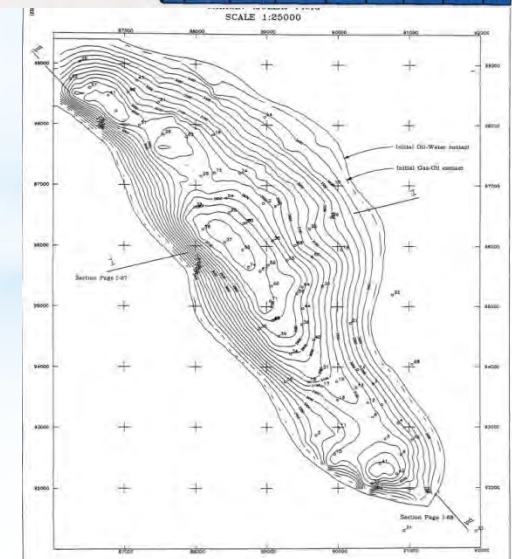
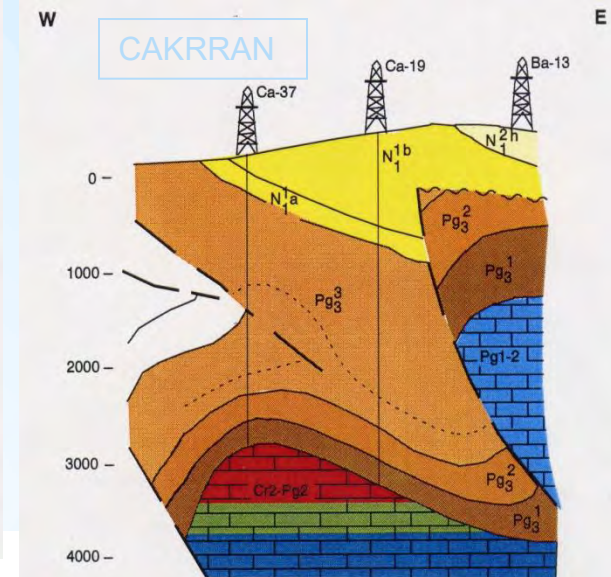
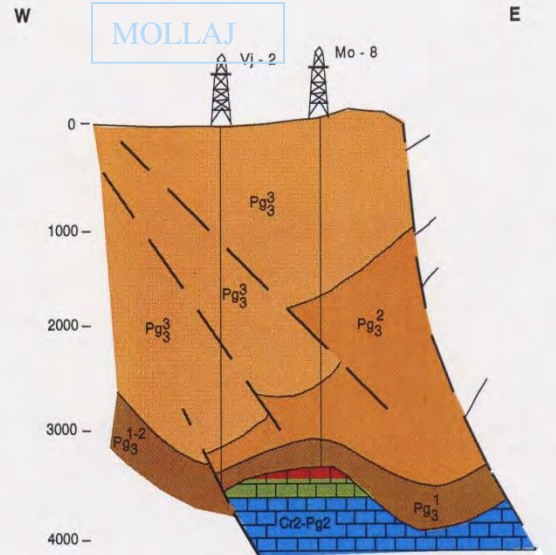
Oil Recov.Fact.: 20,6 %

Gas RESERVES

Init.Recov.Gas : $8 \times 10^9 \text{Nm}^3$

Gas Produced : $6,3 \times 10^9 \text{Nm}^3$

Rem Recov Gas: $1,6 \times 10^9 \text{Nm}^3$



HYDROCARBON OCCURRENCES IN ALBANIA (OIL & GAS FIELDS)

GORISHT-KOCUL

LOCATION :

20 km East of VLORA town

SIZE: 8,6 km²

RESERVOIR

AGE : Cr₂-Pg₂ limestones

Depth: 400-1250 m

Gross thick: 350-400m

Matx Porosity: 1,08 %

Tot Porosity: 2-2,98 %

Permeability: 300 md

Oil Gravity: 13-16^oAPI

RESERVES

Init.Geol.OIP: 213,5 MMbblo

Init.Recov.Oil : 102,7 MMbblo

Oil Produced : 79,9 MMbblo

Rem.Geol OIP: 89,6 MMbblo

Rem Recov Oil: 22,7 MMbblo

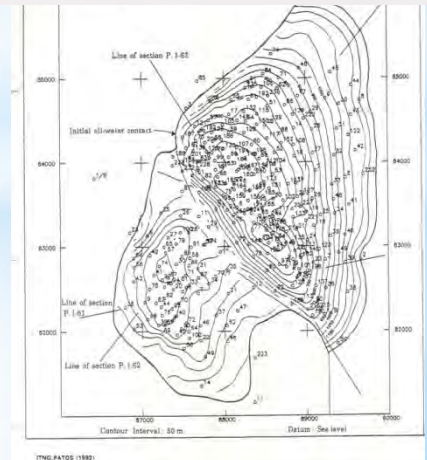
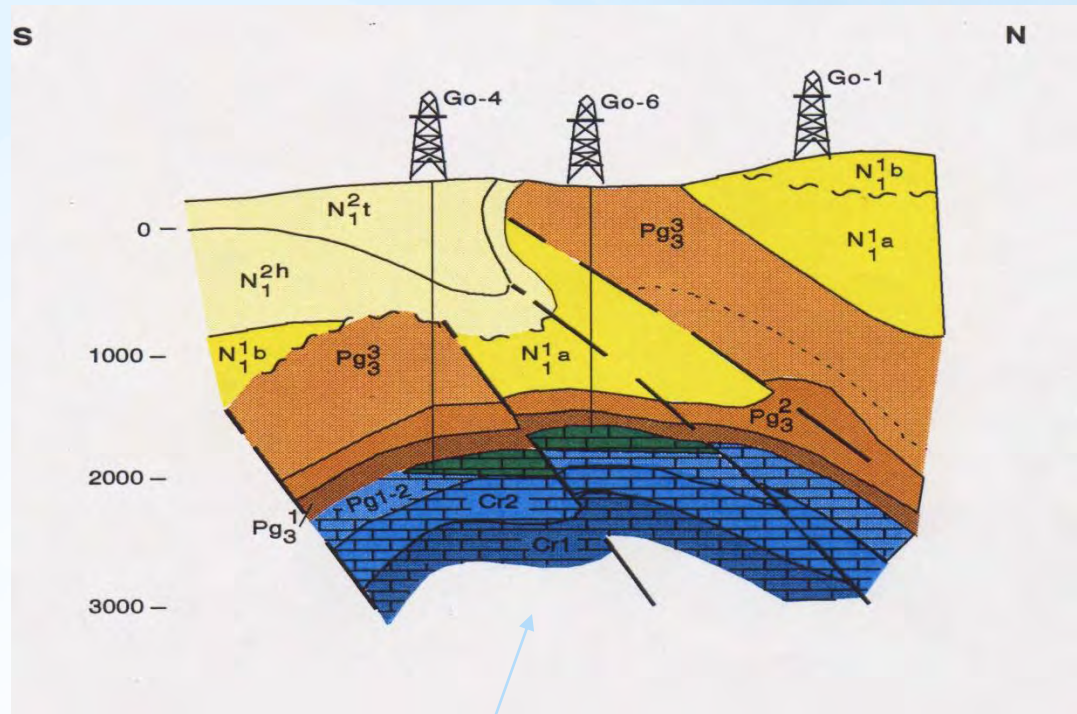
Oil Recov.Fact.: 37,3 %

Gas RESERVES

Init.Recov.Gas : 594x10⁶Nm³

Gas Produced : 501x10⁶Nm³

Rem Recov Gas: 92,7x10⁶Nm³



Gorish
t

HYDROCARBON OCCURRENCES IN ALBANIA (OIL & GAS FIELDS)

DELVINA OIL FIELD

LOCATION :

RESERVOIR:

Cr₂-Pg₂ limestones

Depth:

2800-3500 m

Matx Porosity:

1-6 %

Frac Porosity:

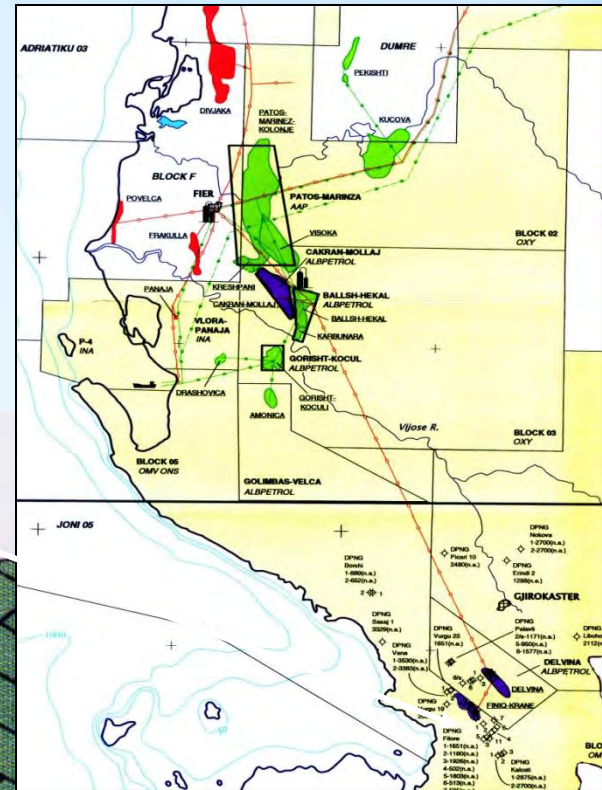
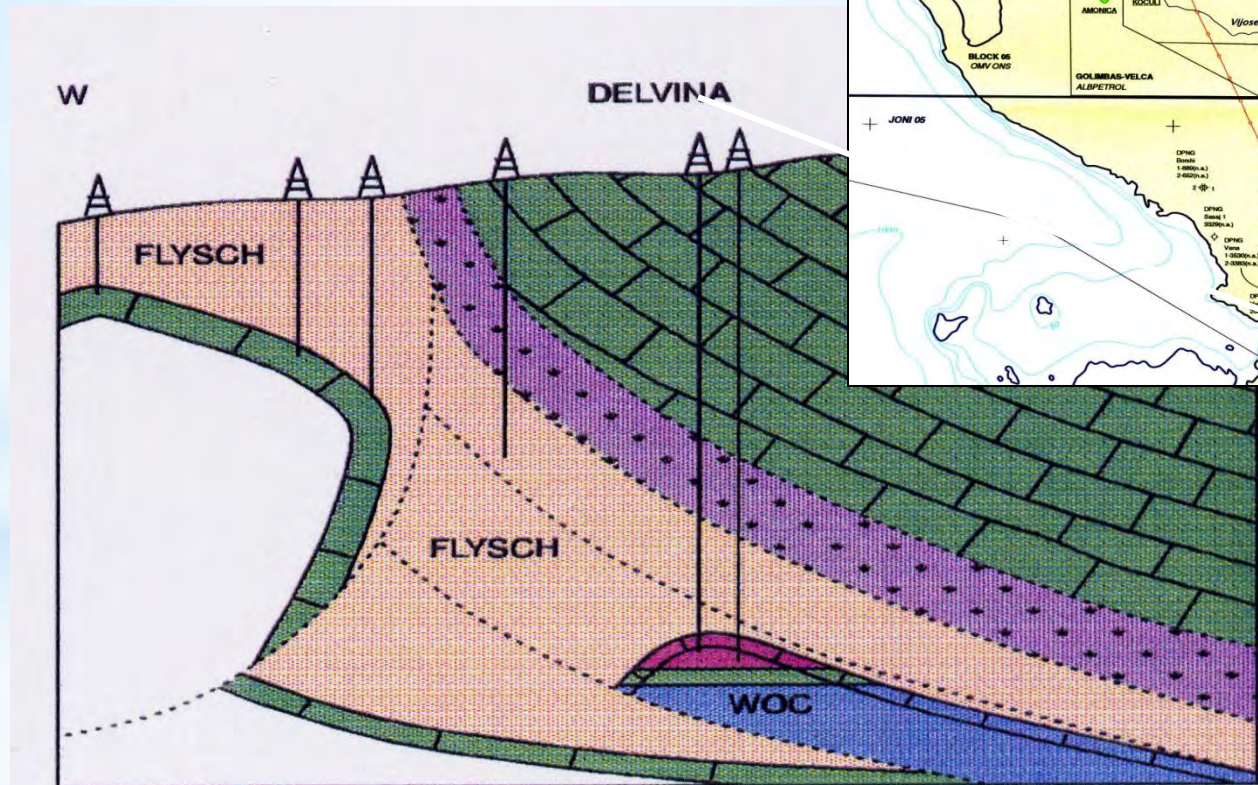
0.1 %

Permeability:

0,2 md

Oil Gravity:

26-62,5°API



IV. Existing Oil and Gas Fields In Albania

Actually situation

The existing oil and gas fields are in operation through the Petroleum Agreement, with Albpetrol (actually state company).

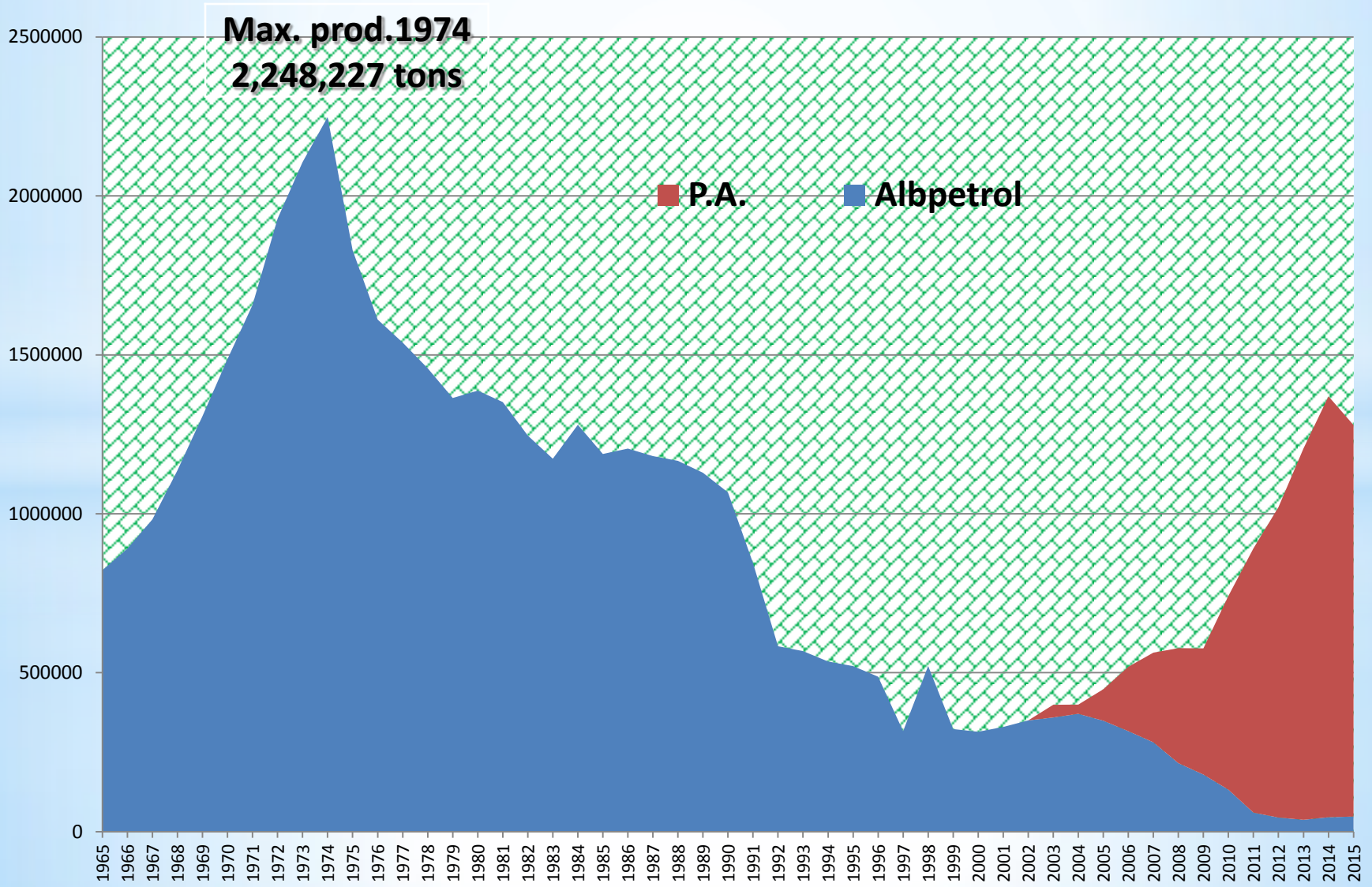
According to the Petroleum Agreements the development and production in these oil and gas fields are performed 100% by the following companies:

- **Bankers-Petroleum ALBANIA.** On the Patos- Marinza oilfield.
- **Transatlantic Ltd(ex - Stream Oil).** On limestone oilfields, Ballsh-Hekal, Cakran-Mollaj, Gorisht-Kocul and gas condensate field Delvinë.
- **Sherwood International Petroleum Inc.** On the Kucove oilfield.
- **Transoil Inc.** On the Visoke oilfield.
- **Phoenix Petroleum.** On the oilfields Amonice, Drashovice, Finiq-Krane, Pekisht-Murris and gasfields Divjake, Ballaj, Pocolçe, Panaja and Frakull.

DOMESTIC CRUDE OIL PRODUCTION

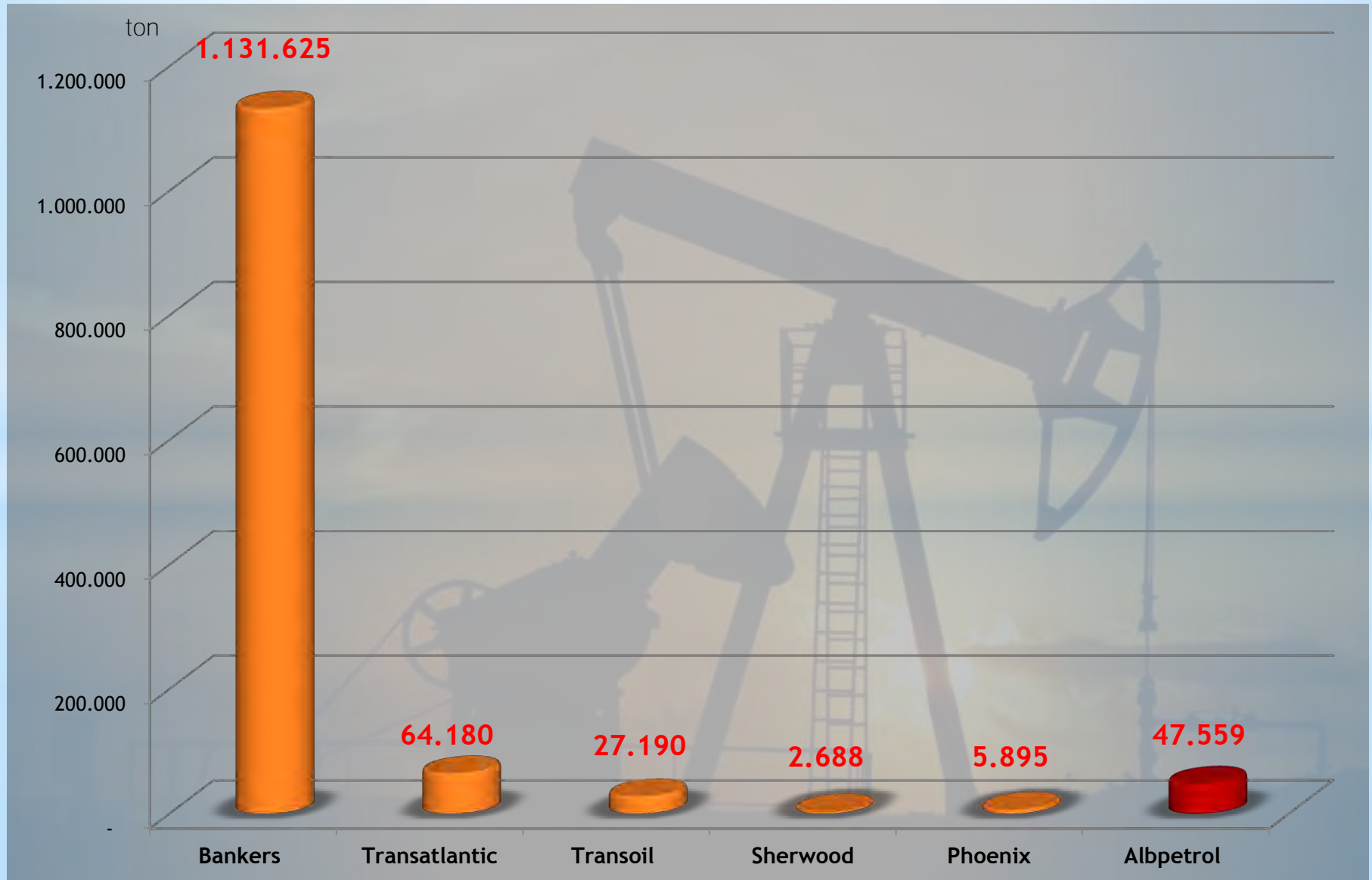
for 2015 the production was 1, 279, 136 Tons

in land consumption of by-production was about 1 million Tons



Crude Oil production by the Companies

Year 2015

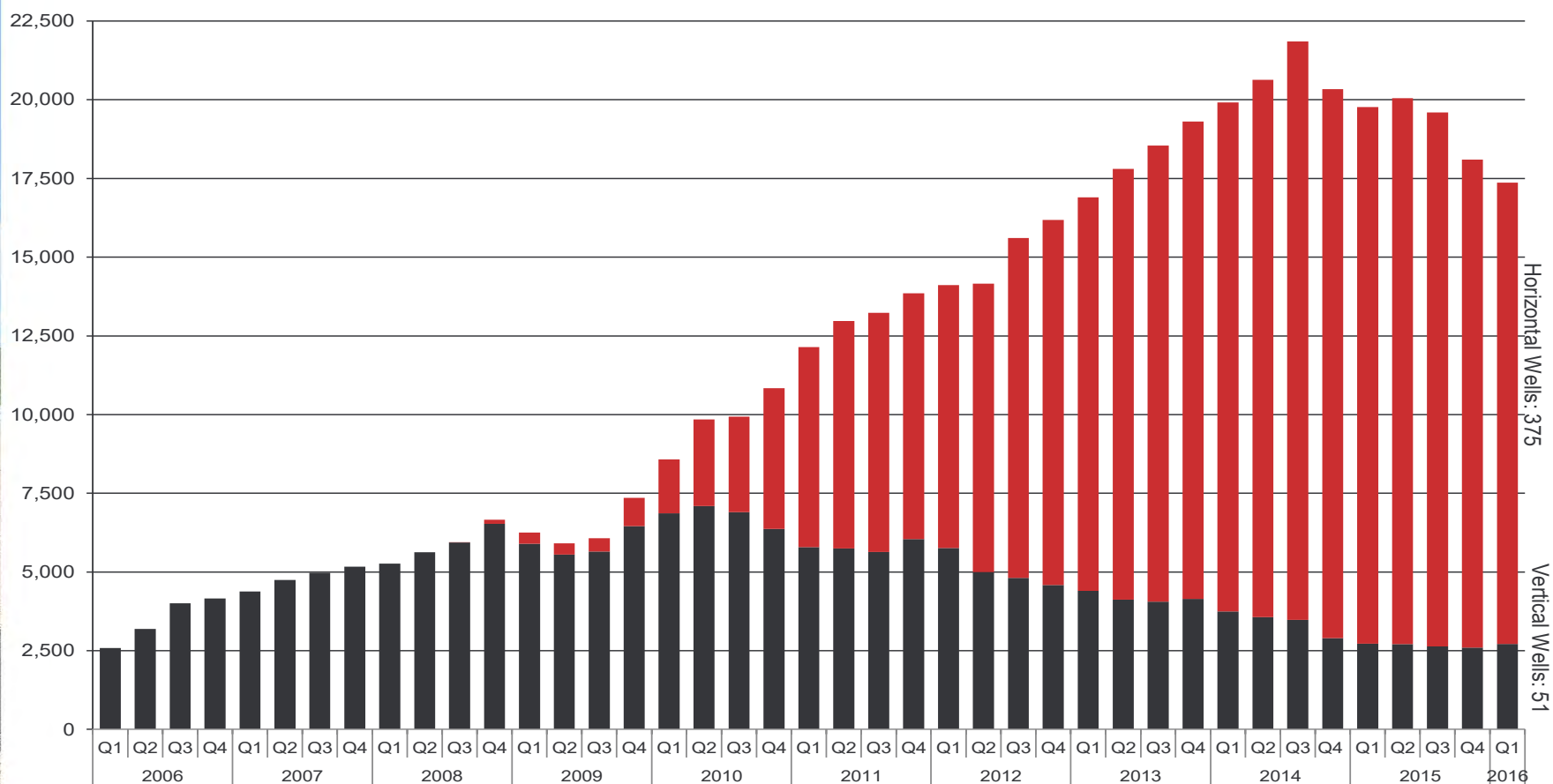


Bankers-Petroleum ALBANIA. On the Patos- Marinza oilfield

Year 2014 - about 21.000 barrels/day

Year 2015 - about 19 300 barrels/day

AVERAGE QUARTERLY PRODUCTION



V. EVALUATION OF EXPLORATION OPPORTUNITIES IN ALBANIA

First Offshore Bidding Round -1990

In the offshore bidding round, the Albanian offshore was divided in 5 blocks with a total surface area of 11763 km² which were offered to the international oil companies. At the end of the round, 5 Petroleum Sharing Agreements were signed for 5 blocks offered, respectively.

Block Rodoni-1 to DEMINEX Co.
(German) and OMW Co. (Austrian)

Block Adriatiku-2 to AGIP Co. (Italian)

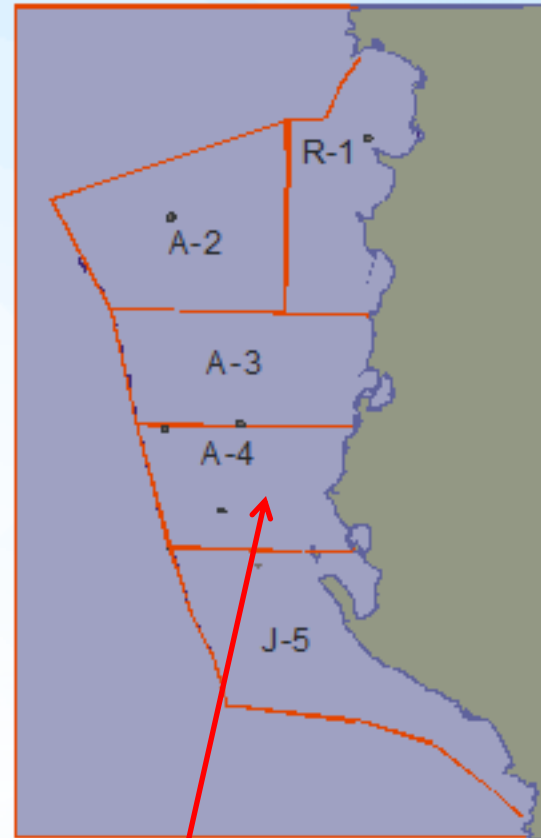
Block Adriatiku-3 to Occidental Co.
(American)

Block Adrialtiku-4 to CHEVRON Co.
(American)

Block Joni-5 to HAMILTON OIL Co.
(Australiane)

The Albanian offshore was completely unexplored with a total absence of data.

Total investment 147 Milion USD



The A4-1x well drilled (1993 by AGIP and Chevron in offshore Albania (**Adriatiku-4**) proved to be as a light oil (condensate) and gas bearing in Messinian clastic reservoir.

V. EVALUATION OF EXPLORATION OPPORTUNITIES IN ALBANIA

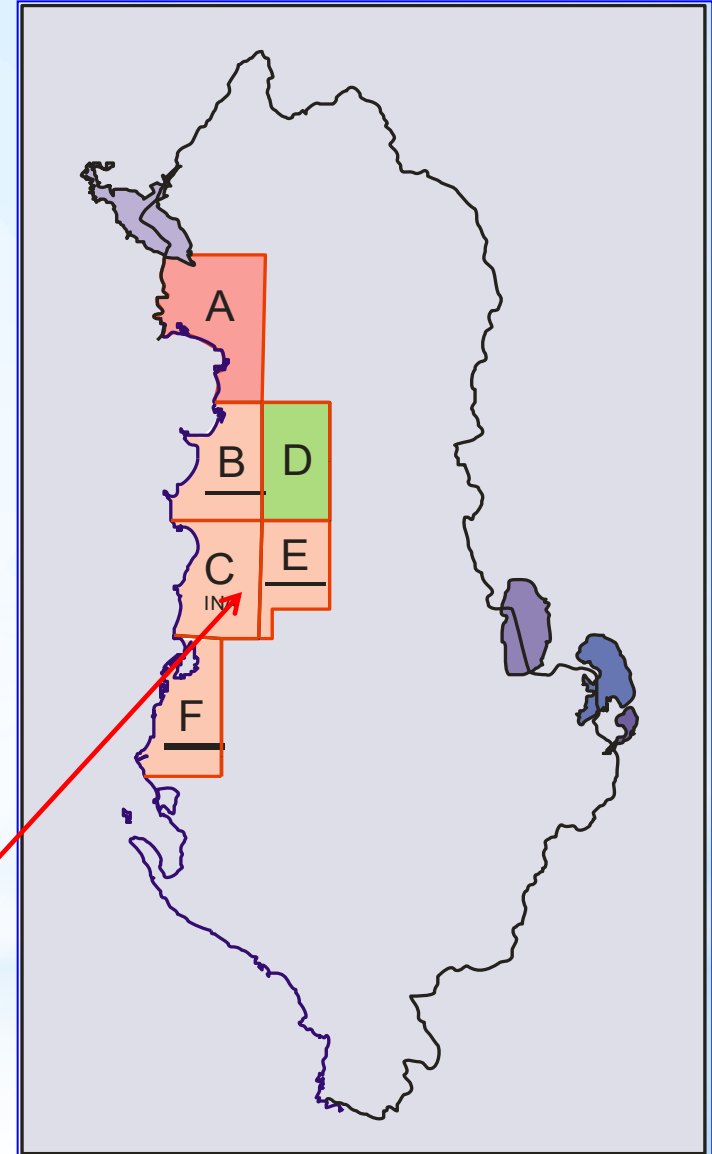
First round onshore (1992)

In 1992, the First Exploration Round for oil and gas onshore was opened for blocks A, B, C, D, E, and F, of a total surface area of 4200 km². This round was declared closed in 1994 with the signing of three exploration contracts with production sharing for four blocks as follow:

- **Blocks B and F** to SHELL (Dutch)
- **Block C** to Ina - Naftaplin (Croatian)
- **Block E** to COPAREX International (French)

The studies made in these blocks have identified a series of formations of interest for oil and gas exploration, of which only one well has been drilled by Ina-Naftaplin without the target being reached.

Total investment 45 milion USD



V. EVALUATION OF EXPLORATION OPPORTUNITIES IN ALBANIA

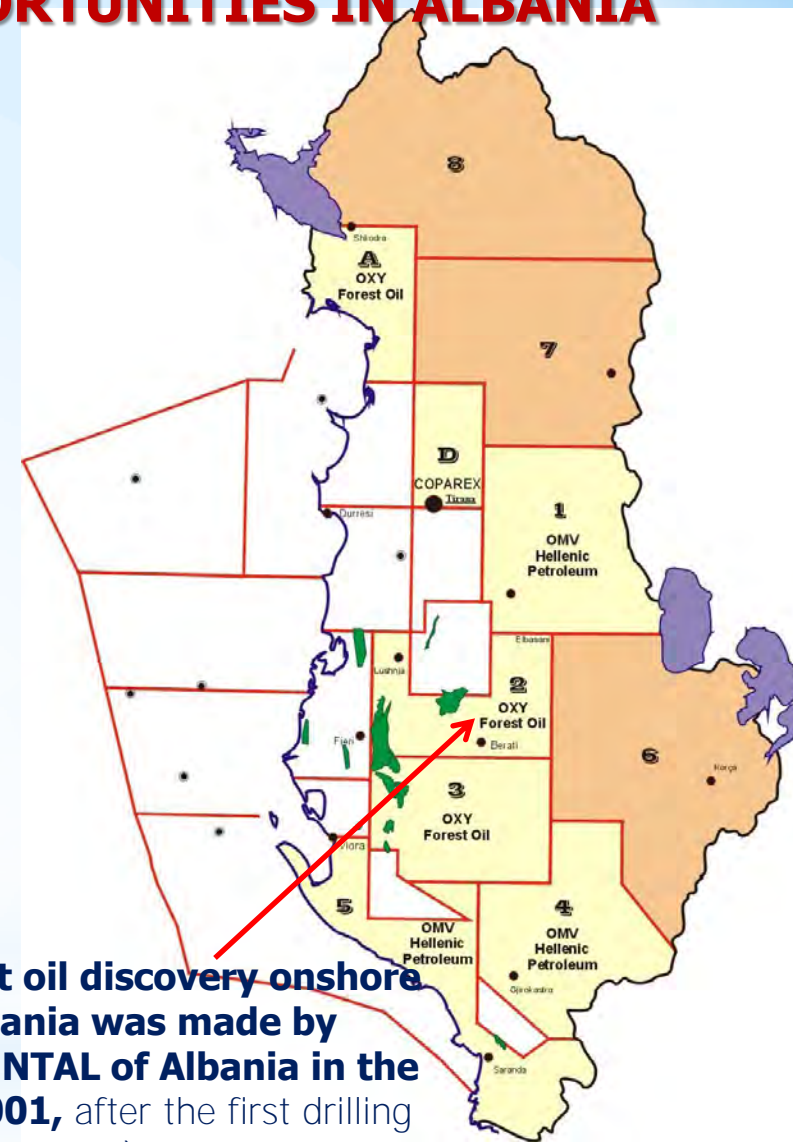
Second licensed round in Albania (onshore blocks , November 1995)

In following up the policy for the attraction of foreign investments in gas and oil exploration sector in Albania, in 1995, the Government of the Republic of Albania, through the National Petroleum Agency opened the Second Licencing Round for gas and oil exploration and production onshore, for a surface area of 22 400 km².

In conclusion, six agreements were signed in 1998, four of which are from the Second Round blocks and two blocks, A and D, from the First Round.

- Blocks A and 2, 3** to OXY (USA)
- Blocks D** to Coparex (France)
- Blocks 5 and 4** to OMW and Hellenic Petroleum
- Block 1** to Hellenic Petroleum

Total investment during this round were about 70 Million USD



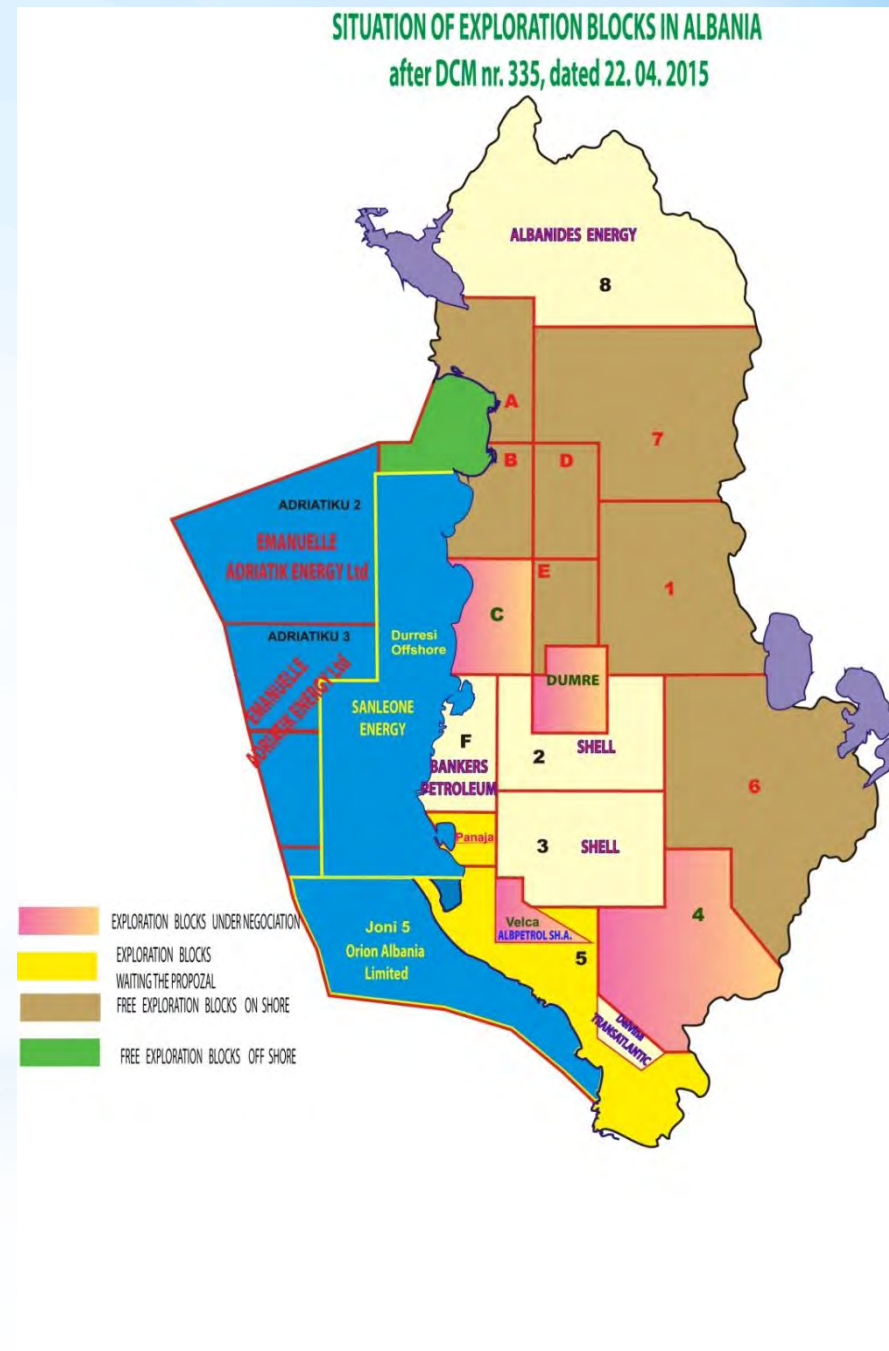
The first oil discovery onshore Albania was made by OXY in the year 2001, after the first drilling (Shpiragu-1 well) into the Sqepuri structure situated in Block 2 Area.

V. EXPLORATION BLOCKS IN ALBANIA

Actually situation

Under operation for the exploration of oil and gas are the following Petroleum Agreements:

- Blocks 2-3 onshore, with the company SHELL.
- Durresi block offshore, with the company San Leon Energy.
- Joni 5 block offshore, with the company Orion Albania Limited.
- Block F onshore with the company Bankers-Petroleum.
- Blocks Adriatic 2-3-4 offshore, with the company Emanuel Adriatic Energy.
- Block 8 onshore with the company Albanides Energy

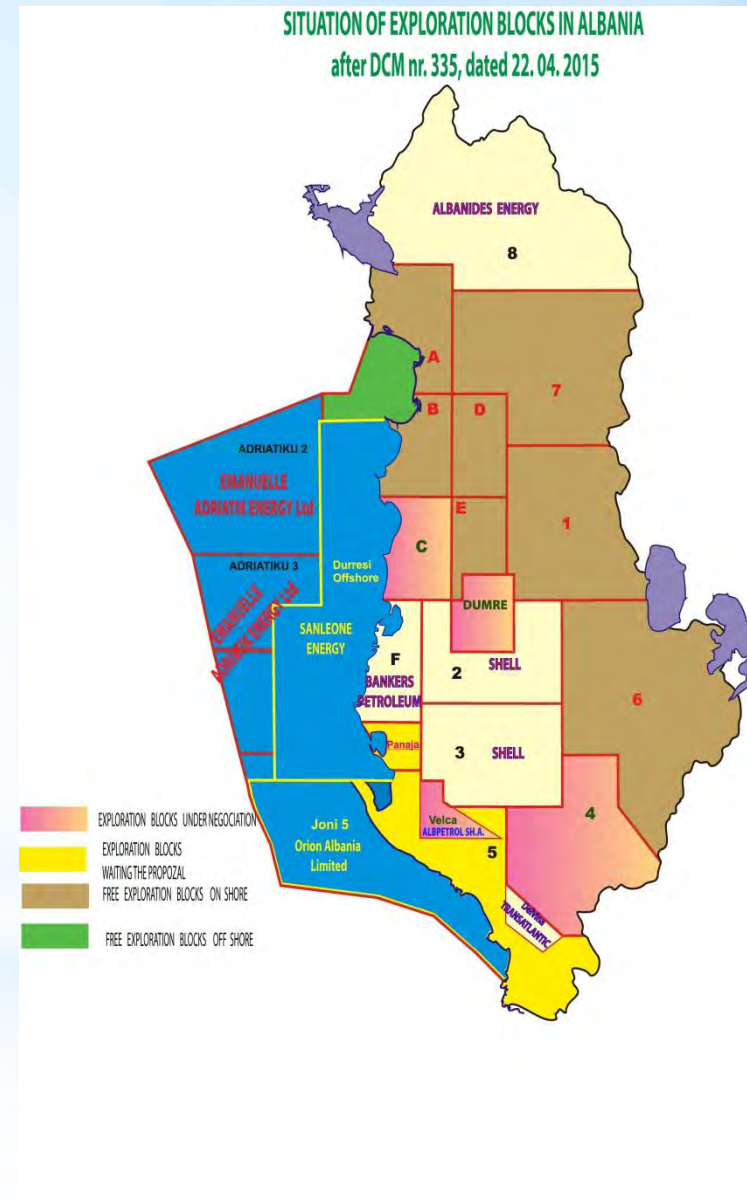


V. EXPLORATION BLOCKS IN ALBANIA

- Ministry of Energy & Industry (MEI) started on 12 May 2015 the competitive procedures for awarding the 13 free blocks to interested companies (see the map).
- The deadline for the application of blocks Panaja and 5 was 30 June 2016, while for the rest of free blocks in applied the Open Door Policy is apply.

Resultants

- On August 2015, MEI announced the winning companies for **Blocks 4 (SHELL)** and **Dumre (Navitas – Delek)**. The process is under negotiation.
- MEI announced on December 2015 the winning company for **Block “Velca” (Pennine Petroleum Corporation)**, which is administration by Albpetrol. The process is under negotiation.
- MEI announced on April 2016 the winning company for **Block “C” (Zenith Energy LTD)**



V. EXPLORATION BLOCKS IN ALBANIA (new event)

SHELL is performing the petroleum activities in blocks 2 and 3. The company has successfully fulfilled all PSA obligations.

At the end of the drilling and testing of the well, the company said, on 4 November 2013, it has made a discovery in the well Shpiragu-2. The oil is very good quality and a debit 800-1300 barrels / day and 45.000 to 50.000 m³ / day gas and accompanying low H₂S content.

SHELL, also performed the drilling Molishti-1 well, which gave information about the structural development of generation and increased prospects on that area.

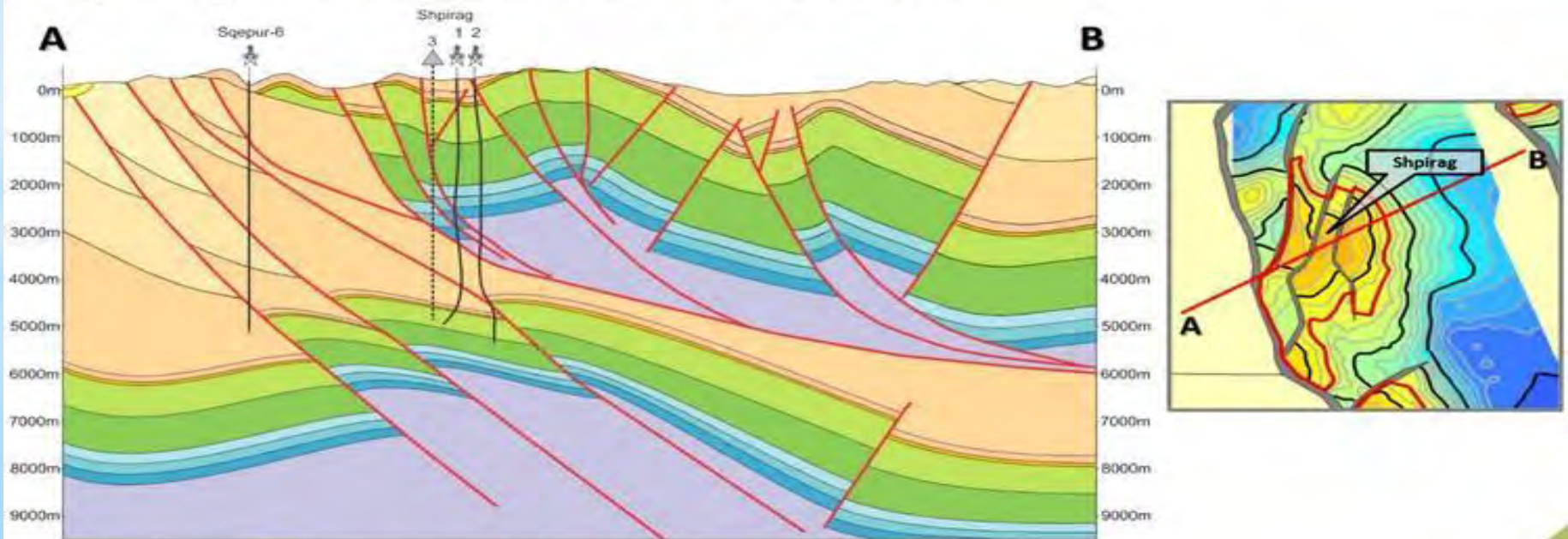
Seismic carried out in these blocks and their geological interpretation have added even more perspective area south of the Molishti well.

The investments made so far under this PSA are about 270 million USD.

In order to appraise the discovery by the Shpiragu-2 well a new well, Shpiragu-3, has started drilling on 05.06.2016.

The well has a projected depth 5643 m and due to geological complications posed areas, will last longer than one year (437 days) and its cost is projected about 72 million USD.

Shpirag Structural Cross-Section



IV. OTHERS POSSIBILITY TO INVEST IN PETROLEUM SECTOR IN ALBANIA

- THE STRATEGY FOR OIL ACTIVITIES IN ALBANIA

- **Restructuring** of the state owned oil company Albpetrol
- Increase crude oil production to over **2 million tons** the next years by:
 - **Efficient exploitation** of existing crude oil reserves
 - Use of **modern technologies** to increase of crude oil reserves
- **Auction** of free oil & gas blocks, based on competitive procedures
- Increase of **refining capacities**, since most of crude oil is exported
- **Energy hub**, due to proximity with Kosovo, Macedonia and Montenegro

IV. OTHERS POSSIBILITY TO INVEST IN PETROLEUM SECTOR IN ALBANIA

-THE STRATEGY FOR GAS ACTIVITIES IN ALBANIA

The GoA plan for the development of gas sector and market in the country addresses several aspects including legal, regulatory and institutional related to the construction operation and regulation of the gas infrastructure and gas supply of the country.

- Successful implementation of **TAP project** in Albania
- **Construction permit** approved in 2014 – First phase started in July 2015
- Finalizing the **Gas Master Plan** in June 2016 financed by WBIF grant
- Potential **interconnection** with Macedonia
- **Gas to Power** - Supply of TPP Vlore
- Supply of **big industrial customers**
- Construction of **downstream gas infrastructure**
- Construction of **Ionian Adriatic Pipeline (IAP)**
- Feasibility Study of the Albania – Kosovo Gas Pipeline
- Development of **underground gas storage**

IV. OTHERS POSSIBILITY TO INVEST IN PETROLEUM SECTOR IN ALBANIA

Main goals for Gasification of Albania

- **Linking Albania with the international gas network** according to the best option (Southern Gas Corridor and Energy Community Gas Ring)
- **Preparation of the necessary Albanian legislation for the gas sector** in compliance with European legal framework (Regulatory and Investment framework reliability)
- **Development of national gas resources**
- **Unbundling of the Albanian petroleum company "Albpetrol" and establishing the new gas transmission & distribution company.**
- **Restructuring the existing pipeline system** for gas transmission in Albania
- **Management of the Albanian gas market**
 - **Use of natural gas as an alternative energy source** and for the power generation with gas fired thermal power stations-
 - **Development of regional underground gas storage reservoirs and LNG Terminals projects.**

IV. OTHERS POSSIBILITY TO INVEST IN PETROLEUM SECTOR IN ALBANIA

CONSTRUCTION OF A NEW MODERN REFINERY

Currently in Albania operate two refineries in Ballsh and Fier respectively, which were privatized on 2008. We consider that this privatization is not successful.

Ballsh refinery is a deep conversion refinery built in **1978**, with an annual capacity of 1 million ton.

Fieri refinery is a simple topping refinery built in **1968**, with an annual capacity of 500,000 ton.

Both refineries need huge investments to strictly follow the European standards.

Crude oil is processed mainly in Balesh Refinery and some in Fier Refinery. The table below summarizes the crude oil processed.

Year	2011	2012	2013	2014
Refinery quantities	208 989 ton	106 929 ton	62 225 ton	300 000 ton

?

It is very clearly the Albania need to refinery domestic crude oil in country

Advantages of a new refinery

- Existing refineries have poor technology,
- Over 90% of the domestic crude oil is exported
- Fuel demand will constantly increase the next years
- Albania is became day after day the by-production hub, due to clause position with Kosovo, Macedonia and Montenegro
- The only modern refinery in the region with access to port facilities
- Potential new oil discovery by **SHELL** will provide light crude oil to the market
- Constant crude oil reserves in the country

According to Albania legal frame work to construction the refinery it is necessary to have :

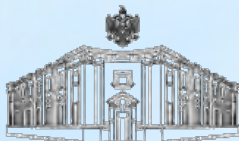
- **"Building license"** by the **National Council of Territory**
- **"Operation license"** by the **Council of Ministers**

POSSIBLE SCENARIO FOR PRIVATIZATION / RESTRUCTURATION OF ALBPETROL COMPANY

Applying the principle of PPP (**Public Private Partnership**), where Albpetrol can cooperate with foreign companies, which have the needed financial & technical capabilities.

Advantages

- Maximizing the public interest from the use of natural resources
- Realization of exploitation of existing oil & gas fields by Albpetrol
- Participation in the tender for the free exploration blocks
- Efficient Monitoring of the existing Petroleum Agreements
- Investments for modernization of the company according to international standards
- Taking the oil or gas fields in its administration in cases of revoking the Petroleum Agreements of the foreign companies (e.g. the Fontane Oil company left in 1998 the Cakran oilfield and was substituted by Albpetrol)



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