PETROLEUM ACTIVITIES IN ALBANIA & THE INVEST OPPORTUNITIES

"9th South East Europe Energy Dialogue" International Conference, Thessaloniki, June 29-30, 2016
I. REGIONAL SETTING OF ALBANIA

II. REGIONAL GEOLOGICAL SETTING

III. LEGAL AND INSTITUTIONAL FRAMEWORK IN UPSTREAM and DOWNSTREAM ACTIVITIES

IV. EXISTING OIL AND GAS FIELDS IN ALBANIA

V. EVALUATION OF EXPLORATION OPPORTUNITIES IN ALBANIA

VI. OTHERS POSSIBILITY TO INVEST IN PETROLEUM SECTOR IN ALBANIA
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.**
- **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 thee 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 (intermountainous) basins respectively: Burreli Basin in the north and Korca Basin in the southeastern part of Albania, overlie transgressively the Mirdita zone and partially the Krasta-Cukali zone.
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 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.
**III. THE LEGAL AND INSTITUTIONAL FRAMEWORK**

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


- **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.


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.energjia.gov.al](http://www.energjia.gov.al) & [http://www.qbz.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 an 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 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.
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.
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.
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

<table>
<thead>
<tr>
<th>FIELD</th>
<th>DISCOVERY YEAR</th>
<th>RESERVOIR TYPE</th>
<th>RESERVOIR DEPTH (m)</th>
<th>O/G GRAVITY (API)</th>
<th>SULPHUR CONTENT (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drashovica</td>
<td>1918</td>
<td>Oligoc. flysch</td>
<td>100-200</td>
<td>Oil &lt; 10°</td>
<td>?</td>
</tr>
<tr>
<td>Patos</td>
<td>1927</td>
<td>Mess. clastics</td>
<td>Surf. To 1200</td>
<td>Oil (12-24°API)</td>
<td>2.5-6</td>
</tr>
<tr>
<td>Kucova</td>
<td>1928</td>
<td>Mess. clastics</td>
<td>Surf. To 1500</td>
<td>Oil (13-16°API)</td>
<td>4</td>
</tr>
<tr>
<td>Marinza</td>
<td>1957</td>
<td>Mess. clastics</td>
<td>1200-1800</td>
<td>Oil (12-35°API)</td>
<td>4-6</td>
</tr>
<tr>
<td>Visoka</td>
<td>1963</td>
<td>Cret./Eoc. Carb</td>
<td>800-1000</td>
<td>Oil (5-16°API)</td>
<td>5-6</td>
</tr>
<tr>
<td>Gorisht-Kocul</td>
<td>1965</td>
<td>Cret./Eoc. Carb</td>
<td>1000-2500</td>
<td>Oil (17°API)</td>
<td>6</td>
</tr>
<tr>
<td>Ballsh-Hekal</td>
<td>1966</td>
<td>Cret./Eoc. Carb</td>
<td>1000-3000</td>
<td>Oil (12-24°API)</td>
<td>5.7-8.4</td>
</tr>
<tr>
<td>Cakrran-Mollaj</td>
<td>1977</td>
<td>Cret./Eoc. Carb</td>
<td>3000-4500</td>
<td>Oil (14-37°API)</td>
<td>0.9</td>
</tr>
<tr>
<td>Finiq-Krane</td>
<td>1973</td>
<td>Cret./Eoc. Carb</td>
<td>800-2000</td>
<td>Oil (&lt; 10°API)</td>
<td>3.7-4.3</td>
</tr>
<tr>
<td>Delvina</td>
<td>1989</td>
<td>Cret./Eoc. Carb</td>
<td>2800-3400</td>
<td>Oil (31°API)</td>
<td>0.7</td>
</tr>
<tr>
<td>Divjaka</td>
<td>1963</td>
<td>Tort/clastics</td>
<td>2400-3000</td>
<td>Gas &amp; Condens</td>
<td>Na</td>
</tr>
<tr>
<td>Ballaj-Kryevidh</td>
<td>1983</td>
<td>Plioc/clastics</td>
<td>300-1700</td>
<td>Gas</td>
<td>Na</td>
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<tr>
<td>Frakulla</td>
<td>1965</td>
<td>Mess/clastics</td>
<td>300-2500</td>
<td>Gas</td>
<td>Na</td>
</tr>
<tr>
<td>Povelca</td>
<td>1987</td>
<td>Mess/clastics</td>
<td>1800-3500</td>
<td>Gas &amp; Condens</td>
<td>Na</td>
</tr>
<tr>
<td>Panaja</td>
<td>1988</td>
<td>Mess/clastics</td>
<td>2500</td>
<td>Gas</td>
<td>Na</td>
</tr>
<tr>
<td>Ad-4 (offshore)</td>
<td>1994</td>
<td>Mess/clastics</td>
<td>2500-3100</td>
<td>Biogenic Gas &amp; Cond, 54.3°API</td>
<td>Na</td>
</tr>
<tr>
<td>Sqqepuri</td>
<td>2001</td>
<td>Cret./Eoc. Carb</td>
<td>4950</td>
<td>Oil (37°API)</td>
<td>2.3</td>
</tr>
</tbody>
</table>
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 (6 layers),
MARINZA-2 (2 layers),
DRIZA (6 layers), GORANI

Depth: 100-1850m
Net Pay: 15-28m
Average Porosity: 12-36%
Permeability: 350-800 md
Oil Gravity: 9-36°API

Oil RESERVES
Init. Geol. OIP: 195 MMbblo
Init. Recov. Gas: 5.4 x 10⁹ Nm³
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: 4,6x10⁹ 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:** 130 API

**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
CAKRAN-MOLLAJ

LOCATION: 6 km West of Ballshi town
SIZE: 10.7 km²

RESERVOIR
AGE: Cr-Pg2 limestones
Depth: 2650-3700 m
Gross thick: 400-800 m
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: 8x10⁹ Nm³
Gas Produced: 6.3x10⁹ Nm³
Rem Recov Gas: 1.6x10⁹ Nm³
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: 350-400 m
Matx Porosity: 1.08 %
Tot Porosity: 2-2.98 %
Permeability: 300 md
Oil Gravity: 13-16°API

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: 594x10⁶ Nm³
Gas Produced: 501x10⁶ Nm³
Rem Recov Gas: 92.7x10⁶ Nm³
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
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 condesate 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, Pocelçe, 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

Max. prod. 1974
2,248,227 tons
Crude Oil production by the Companies

Year 2015

Bankers: 1,131,625 ton
Transatlantic: 64,180 ton
Transoil: 27,190 ton
Sherwood: 2,688 ton
Phoenix: 5,895 ton
Albpetrol: 47,559 ton
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

Year 2014 – about 21.000 barrels/day
Year 2015 – about 19 300 barrels/day
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 km\(^2\) 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. (Australian)

The Albanian offshore was completely unexplored with a total absence of data. Total investment 147 Milion USD

V. EVALUATION OF EXPLORATION OPPORTUNITIES IN ALBANIA

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.
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 million 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 km$^2$.

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 CCCIDENTAL of Albania in the year 2001, after the first drilling (Shpiragu-1well) 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).
SHELL is performed 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 qualities 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 Molishtit well.

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

In order to appraisal 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.
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.
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 Ballesh Refinery and some in Fier .Refinery. The table below summarizes the crude oil processed.

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery quantities</td>
<td>208 989 ton</td>
<td>106 929 ton</td>
<td>62 225 ton</td>
<td>300 000 ton</td>
</tr>
</tbody>
</table>

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
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)
THANK YOU
FOR YOUR ATTENTION!

For any further information you are welcome to visit www.energjia.gov.al

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