

Honorable Mr. Ambassador,

Dear Organizers of this Workshop,

Dear Investors and Senior Executives of the Electricity and Energy Sector,

Ladies and Gentlemen,

I have the honor to greet you on behalf of Mr. **Damian Gjikhuri**, the Minister of Energy & Industry and the Albanian government; at the same time to congratulate you for this Workshop, organized today regarding one of the most important issues, such as that of the hydro-resources of our country and the generation of electricity.

Firstly, I would like to give an overview of the potential, the existing facilities and conditions that our country and the Albanian state offers for this important sector and industry.

The geo-physical structure of Albania offers numerous opportunities for operation and vitalization of the renewable energy sector. The hydro-resources of our country contain large energy reserves, which they contribute greatly to the development of the economy.

The main eight (8) rivers of the country, namely Drini, Buna, Vjosa, Semani, Mati, Shkumbini, Ishmi and Erzeni, are formed from about 152 smaller streams and rivers, creating a very good resource base for hydro-electricity. We are in the list of the top countries regarding the amount of water/capita use in Europe, which is proved by the fact that the amount of water/ capita/annually reaches over 13'000 m³, where 64% of the amount of water derives from within the country.

Based on this fact, our country has started using hydro-energy from 1952 with Selita HPP. After that other plants have been built, notably the HPPs of Ulza, Shkopeti, 2 Bistrice's, and later on, the biggest 3 HPPs of the country, which are: Vau i Dejes, Fierza and Komani. Meanwhile after 1990s, we have seen the construction of numerous HPPs, but mainly those with low generation capacity.

Meantime, the electricity in Albania is 100% generated by hydro. The domestic generation, that from HPPs supplies about 60% of the energy demand of the country. The rest of the amount is imported.

Drini is the main river in Albania regarding hydropower potential. This cascade is carrying the main load of power generation in Albania being responsible for about 80-90% of the total electricity generation.

Until now the following HPP's have been built and are fully operational :

1. Vau i Dejes, with installed capacity of 250 MW;
2. Komani, with installed capacity of 600 MW;
3. Fierza, with installed capacity of 500 MW;
4. and Ashta, with installed capacity of 48 MW.

- The up-stream part of this river, a place named Black Drin River, is not yet exploited. Meanwhile the Albanian government has favoured a proposal for Katundi i Ri, which is a part of the overall exploitation scheme of Black Drin.
- The same happens with Vjosa River, which is the second most important river of the country regarding the hydropower perspective. It derives from the Pindos Mountains of Greece and enters Albanian territory near the place called Three Bridges (Tre Urat) in Permet. This river passes through all Albania and flows to Adriatic Sea in the zone between Vlora and Fier. From the research already undertaken, a capacity of 365 MW can be installed in this river, but as Prime Minister Mr. Rama also emphasized in a public speech given in 2015, just for the HPP construction in the Vjosa river stream, despite the fact that it is significant for the hydropower and from an economic perspective, the construction may cause environmental damage and it could threaten the wild and diverse natural environment.

“...., we have another plan for Vjosa, the Plan of the Natural Park. Of course we cannot undo the HPPs on construction, but from Kalivaçi and upstream, we will not give permission to build any HPP. “

- For this reason the Ministry of Energy and Industry is considering the proposal for the construction of Poçem HPP, down the Kalivaçi HPP, which based on the Study Report, should have an installed capacity of 57 MW, but in practice the proposal tabled for this HPP is 99.5 MW. As you see, this amounts to a great support for the development of the economy of the country.
- But there are also smaller rivers coming from mountains with significant water reserves and hydropower potential such as: Valbona, Curraj, Cemi, Fani i Madh & Fani i Vogel, Kiri, Gjadri, Erzeni, Osumi, Devolli, Smokthina, Benca etc. Although the feeds of these rivers are relatively small, they have high H, which makes their hydropower potential to be significant for our country. These resources make Albania a rich country in water reserves and hydropower potential, which can be exploited and add significant value for the development of the country. Annually, the total river flow to the sea amounts to about 39 billion m³ of water.
- Despite this fact, I must emphasize that Albania has until now used only 35% of its total hydro-potential, where the total reserves are calculated to be about 3.500 MWs.

Dear Participants!

The last reports by international institutions such as IMF, the World Bank and other well-known agencies such as “Standard & Poors” and “Moody’s” have considered the reform in the electro-energy sector as being very successful. The development and modernization of the energy sector which aims in providing security of energy resources to the consumers, is one of the main objectives of the Albanian government, both for a sustainable social and economic development and for European integration.

From an Albanian government perspective, this objective can be achieved by realizing the entire number of reforms in this sector, achieve generation and transmission capacity increase, but also strengthen the coordination and cooperation in the region. The long-term objective is to create an Integrated European Regional Market so that each country in the region and beyond, will be able to enjoy more benefits. We believe that ensuring the supply of energy to all consumers, especially the optimization of energy resource utilisation,

depends more and more on the development of the regional energy infrastructure and networks. This happens because:

- in the various countries of South-East Europe different energy sources exist,
- there are limited generation and transmission capacities,
- there are different levels of energy market development, monopolies and often dominant positions, that often create barriers for serious and faster improvements of this sector in the region's countries.

I would like to emphasize that what unites, without any distinction, all institutions monitoring the energy reform, is the fact that the steps undertaken so far have created a positive effect in public finances, freeing up the state budget from the burden of this sector and contributing towards the creation of liquidity needed in the entire sector.

The judicial and legal reform in the **electro-energy sector** brought the approval of:

- the Law for the Electricity Sector
- the Model of the Electricity Market
- The Law for Renewable Energy Sources
- The Law for Energy Efficiency, which is of special significance

In the framework of the above reforms, the level of losses has been reduced at the record level of 31%, from 45% in 2013.

In 2015 the Electricity Distribution Operator collected approx. **42% more** money from electricity sales as compared to two years before.

The result was in 2013 that for each 100 ALL of energy injected in the network, 45% was lost and stolen and 20% of the invoiced electricity sales was not collected. So, it means that in 100 ALL thrown in the network, only 35 ALL were collected. This picture is totally different now, as a result of the reforms undertaken by the government for the recovery of the energy sector.

These indicators and the determination to restore the rule of law in the consumption of electricity are the reason why the international institutions have re-gained their confidence towards the Albanian government showing their readiness to support the electricity sector reform. Today, most of the new investment projects are being guaranteed with support from donors. Until yesterday, this couldn't be even contemplated because the sector was immersed in a mountain of debt, without any light at the end of the tunnel.

Meanwhile Albania has undertaken legal reforms in the electricity- energy sector giving it a significant lead in the region. We are implementing a totally new model by re-organizing the electricity market and by supporting and creating the conditions for each initiative of regional market cooperation, including the creation of an Energy Exchange.

The government has undertaken a structural reform, which firstly guarantees the public companies to exercise their activity independently, in accordance with the legal responsibilities and functional tasks they have, but also to become real commercial companies.

Tariff and regulatory reform was made possible by creating the conditions for opening up and the functioning of a liberated (competitive) market. Support with the necessary infrastructure has been a priority, while investments are increasing the assurance of security of supply in the country and help improve the quality of supply to consumers. The investments in electricity metering will help restore further, normal market operation and will also create the opportunity for opening up the market.

At the end of this year we will start the operation of the new interconnection line of 400 kV between Albania and Kosovo. This creates the possibility to optimize both the two systems in Albania and Kosovo. This option makes possible the functioning of both systems in an optimized manner. In terms of the electricity load that the two systems cover and from the perspective of financial effects, they help bring a reduction of generation costs, because of the (low) Kosovo lignit coal cost and the optimal exploitation of water reserves in Albania. In this way, in case of new developments, especially those concerning the performance of the TAP project, and the building of the 400 kV interconnection line, new capacities for HPPs and TPPs should be indentified in both our countries; to be built and electricity

amounts to be used in our countries for domestic production and optimisation of our resources.

Also the finances are guaranteed so that next year we will see the start of construction of the interconnection line between Albania and Macedonia. These investments require an extra guarantee from domestic and foreign investors acting in an open market, liberated and competitive. The fact should be emphasized that only some days ago we inaugurated the Dispatch Center, the brain of the electricity-energy system of Albania. Based on this investment, realised during our governance period, our country became member of ENSO-E, which is part of the EU. This is an indicator that our energy system is now a member of the European Union because of these investments.

In such an environment, the opportunity of each private producer to trade its energy becomes more guaranteed. Meanwhile, from next month we will start the liberalization of the market, starting with some businesses that will buy their energy in the open market. Albania has previous experience with some big companies which are now happy from being disconnected from the Distribution Operator. Within 2018 the objective of having 30% of the energy market liberated will have been achieved.

The consolidation of the sector, opening of the market and implementation of the reform, based on European Directives, will enable the increase of investments in renewable resources, including wind and solar energy, but in limited amounts. Last year our government approved the National Plan for Renewables, including the addition of 50 MWa capacity for solar power and 30 Mwe for wind power. They may seem small amounts, but we should not repeat the mistakes done by other countries or even by Albania itself before, by giving licenses in an uncontrolled way. Our country is also rich in oil, gas, coal, wood, bitumen resources and has high hydro-electricity potential, contributing in different ways and satisfying the energy demand of the country for energy.

Based on the South Corridor for gas, Albania is now becoming a key point for European energy security. There are many opportunities open, even for diversification of the energy portfolio in Albania, but also for the diversification of the energy resources in the region. Regarding gas, I can say that it is important for Albania for many reasons. If we want to give value to our hydro portfolio, I mean our big basins and energy reserves, we should give value

in having a stable energy source like gas. The effects of climate phenomena are not good for the flow of our rivers, since they could contribute to a lack of energy. Having an extra resource for power generation using gas, such as the golden case of Vlora Thermo Power Plant, would serve positively in the energy balance of the country. This project contributes towards the energy security of the European Union and the energy security of the other South-East European countries, some of them members of NATO, and even candidate members of European Union.

Albania is also part of another pipeline project, that of Ionian-Adriatic Pipeline (IAP) that will connect Albania, Montenegro, Bosnia & Hercegovina and Croatia. The efforts to promote this very important project for the Balkans are intensified. The Albanian and Kosovo governments are working to complete a feasibility study for branching TAP into Kosovo.

Over the next few months Albania will complete the master plan for gas and then the feasibility study. These important documents will serve us for the process of gasification of the country. Building the distribution network would maximize the benefits of our country from the diversification of energy resources.

Ladies and Gentlemen,

The main objective of the Albanian Government is to attract serious investors in the electricity energy sector emphasizing that:

-There are concrete fields and opportunities that could contribute to the increase of the commercial transactions between our countries,

- Also there are significant resources for building new electricity power generation plants.
- And, also increase the power generation capacity and electricity transmission lines to support the future needs of the country, even export it. These are the priorities of the Albanian Government.

By guaranteeing the cooperation and support of the Albanian Government and related institutions, I wish you good luck and success in your business.

Thank you