

REPUBLIKA E SHQIPËRISË
MINISTRIA E ENERGJISË
DHE INDUSTRIË

PETROLEUM ACTIVITIES & INVESTING OPPORTUNITIES IN ALBANIA

**Oil Refining, Storage and Retail in SE Europe
30-31 March 2017,
Thesaloniki**

GENERAL INFORMATION OF ALBANIA

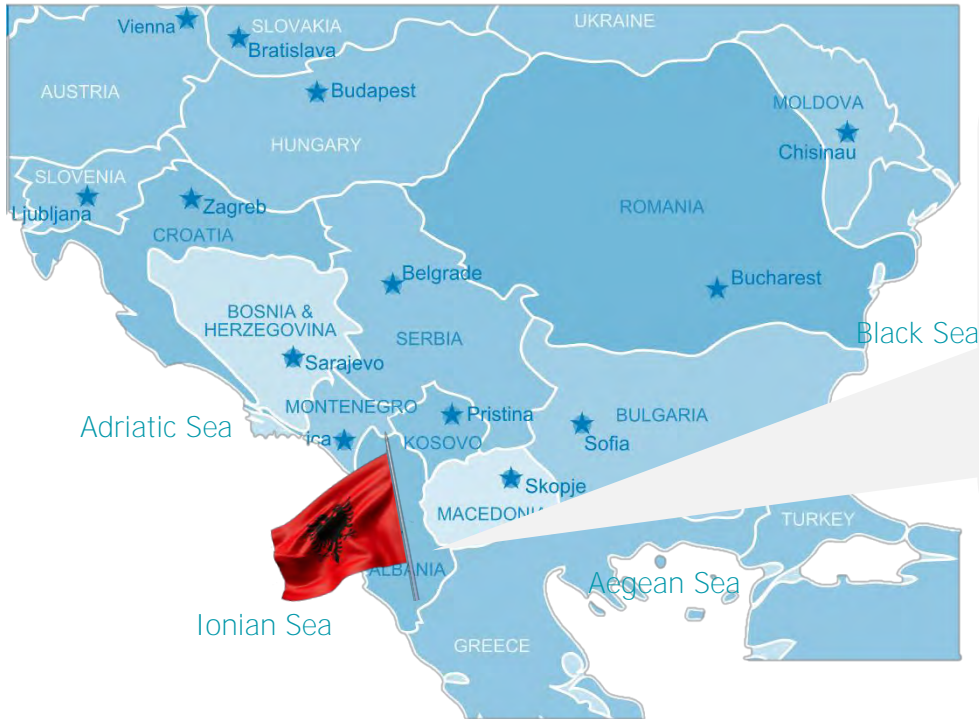
LEGAL AND INSTITUTIONAL FRAMEWORK IN PETROLEUM ACTIVITIES.

CURRENT SITUATION IN PETROLEUM INDUSTRY IN ALBANIA

THE POSSIBILITIES TO INVEST IN PETROLEUM SECTOR IN ALBANIA

I.1 REGIONAL SETTING

Albania is located on the west side of the Balkans in the Southeast of Europe



Capital:	TIRANA
Currency:	Albanian lek (ALL)
language:	Albanian
Government:	Parliamentary Republic
Population:	2,821,977
Area:	28,748 km ²

Albania, by land, is bordered by 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.

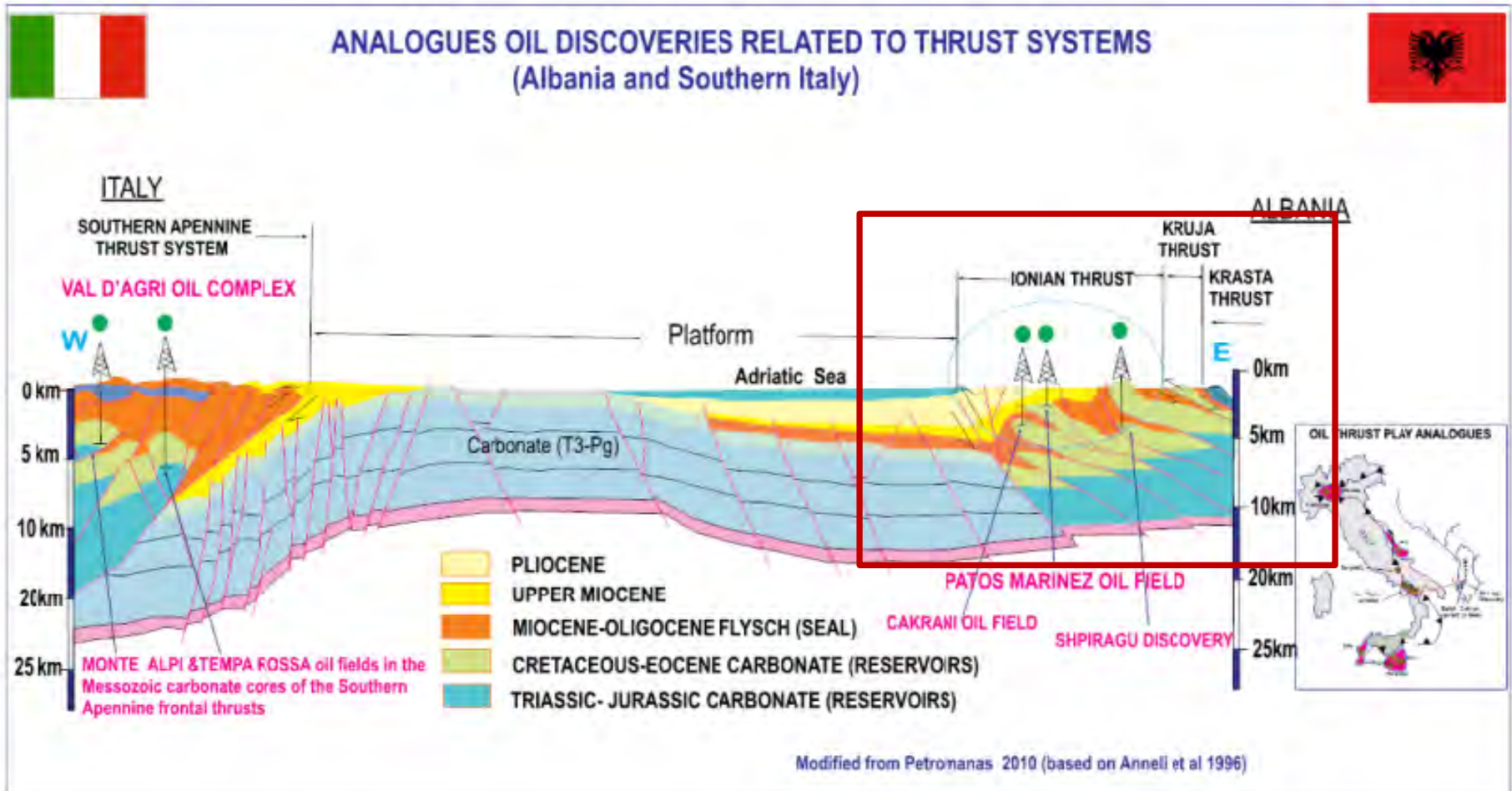
1.2 REGIONAL GEOLOGICAL SETTING

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.
(east part of country)
 - EXTERNAL ALBANIDES.
(west part of country)

I.3 GEOLOGICAL CROSS SECTION ITALY-ALBANIA



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II. LEGAL AND INSTITUTIONAL FRAMEWORK IN PETROLEUM ACTIVITIES.

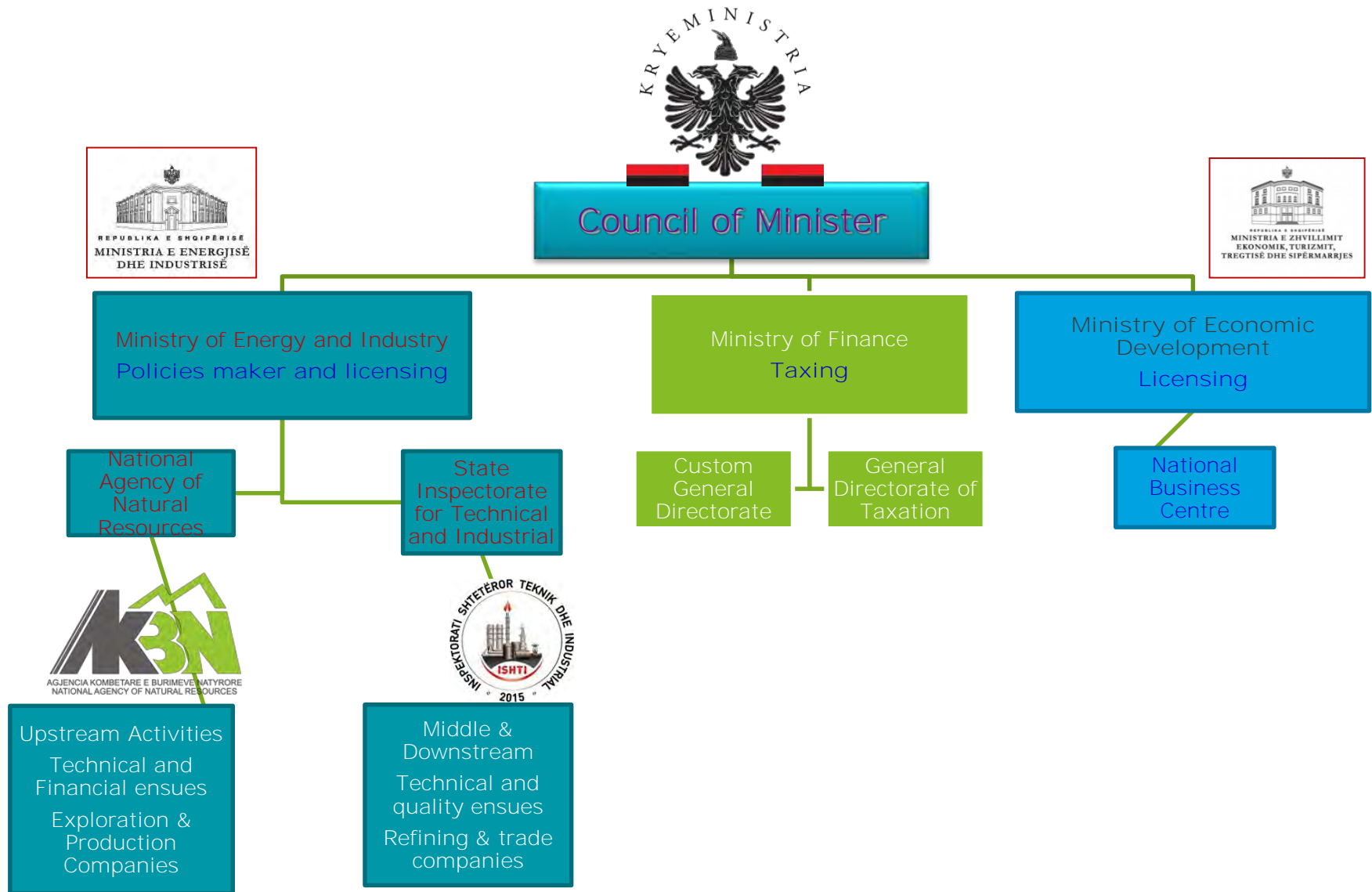
The development and regulation of the petroleum sector is based on these three main laws:

- **Law no.7746/1993 “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.8450/1999”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 enforced 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.

The institutional framework dealing with the petroleum sector in Albania is composed of the following institutions:



II.1. LEGAL AND INSTITUTIONAL FRAMEWORK ON UPSTREAM

(exploration and production)

Law no.7746/1993 "On Petroleum (Exploration and Production)", as amended, created space and a higher security for foreign investors in the petroleum exploration and production.

- The law recognizes that all petroleum reserves in their natural condition, in strata lying, are **the exclusive property of the Albanian State**.
- The Petroleum law expressly permits the Ministry of Energy to enter into Petroleum Agreement with any company which has the **technical and financial capacity to** explore and produce petroleum. The Petroleum Agreement has to be approved **by the Council of Ministers**. These procedures are conducted accordingly **to the 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**, up to 5 years and can be prolonged up to 7 years,
- **The Appraisal Period**, up to 3 years, only If the Contractor declares discovery during the exploration period,
- **The exploitation (production) period**, up to twenty-five years, which can be prolonged, If the Contractor declares a commercial discovery during the appraisal 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 the economical terms of the Petroleum Agreement**. The stability clause are limited in time up to 12 years after the first year of production. There are some limitations to this clause such as national security and international obligation of the Republic of Albania, to name a few.

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

II.1 The main Fiscal Terms of Petroleum Agreement

(exploration and production)

- The Contractor is subject **to tax on profit**, according to the Law No.7811/1994, "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. 9975/2008 "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 production share** it depends on every Petroleum Agreement and is managed by so called 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** depends on every Petroleum Agreement
- **Training Bonus** depends on every Petroleum Agreement.

II.2 LEGAL AND INSTITUTIONAL FRAMEWORK ON MIDDLE & DOWNSTREAM

The provision of [Law no.8450, /1999 “On refining, transportation and trading of oil, gas and their by-products”](#), (amended) establishes the market model for middle stream and downstream. This law defines:

- In order to be able to perform the activities by the economic entities the basic activities have to get the respectively licence, such as:
 - Refining crude oil,
 - Plants processing oil by-products,
 - Wholesale trading companies of oil and its products,(import/export deposits),
 - Retail Companies of the products of oil, (petrol station and units selling fuels),
- The imposing obligation is to maintain the Emergency Oil Stocks by Refineries, and the wholesale trade companies. The amount of oil stocks have to be 90 days of average daily sales during the previous year.
 - The Law is foreseen to be amended to fully transpose the Council Directive 2009/119/EC of 14 September 2009 imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products. This one is obligation from the Energy Community Secretariat, where Republic of Albania is a member.
- Establishment of the Responsible State Inspectorate (SITI). A specialized state body, for the control of legal **entities'** so that their activity is exercised in accordance with the provisions of this law.
- Sanctions for entities whose activity violate the provisions of this law.
 - in case that **doesn't** form a criminal offence, but an administrative violation ,is condemned by different penalties

II.2 MARKET MODEL

Based on the Law no.8450, /1999 "On refining, transportation and trading of oil, gas and their by-products"



Crude oil
Refining



Plants
processing



wholesale Trade
Companies



Retail Companies
(petrol station...)

CONCESSION
LICENCE approved
by the Council of
Minister

- 30 years with the right of repetition
- Deliver products to
 - Export
 - Processing Plants
 - Wholesale companies

Processing License
approved by the
Minister of Energy

- 15 years with the right of repetition
- Deliver products to
 - Export
 - Wholesale companies

License wholesale
trade getting form
National Business
Centre

- No time limited
- Deliver products to
 - Export
 - Retail companies

License getting
from local
government/
Minister of Transport
in case the petrol
station is located by
the highway.

- 5 years with the right of repetition
- Deliver products to
 - Enduser

II.2 The main Fiscal Terms of oil products

1. Excise Tax :

- diesel and gasoline 37 lek/liter **(0. 27 € /liter)**
- Liquid Petroleum Gas 8 lek/liter **(0. 07 € /liter)**
(only for transport use)
- Bitumen 5 lek/kg **(0.04 € /kg)**

2. Circulation Tax :

- diesel and gasoline 27 lek/liter **(0. 2 € /liter)**

3. Carbon Tax :

- diesel 3 lek/liter **(0. 02 € /liter)**
- gasoline 1.5 lek/liter **(0. 01 € /liter)**
- Heating Oil 3 lek/liter **(0. 02 € /liter)**

4. Marker

0.614 lek/liter **(0. 005 € /liter)**

5. VAT for all

20 %

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III. CURRENT SITUATION IN PETROLEUM INDUSTRY IN ALBANIA.

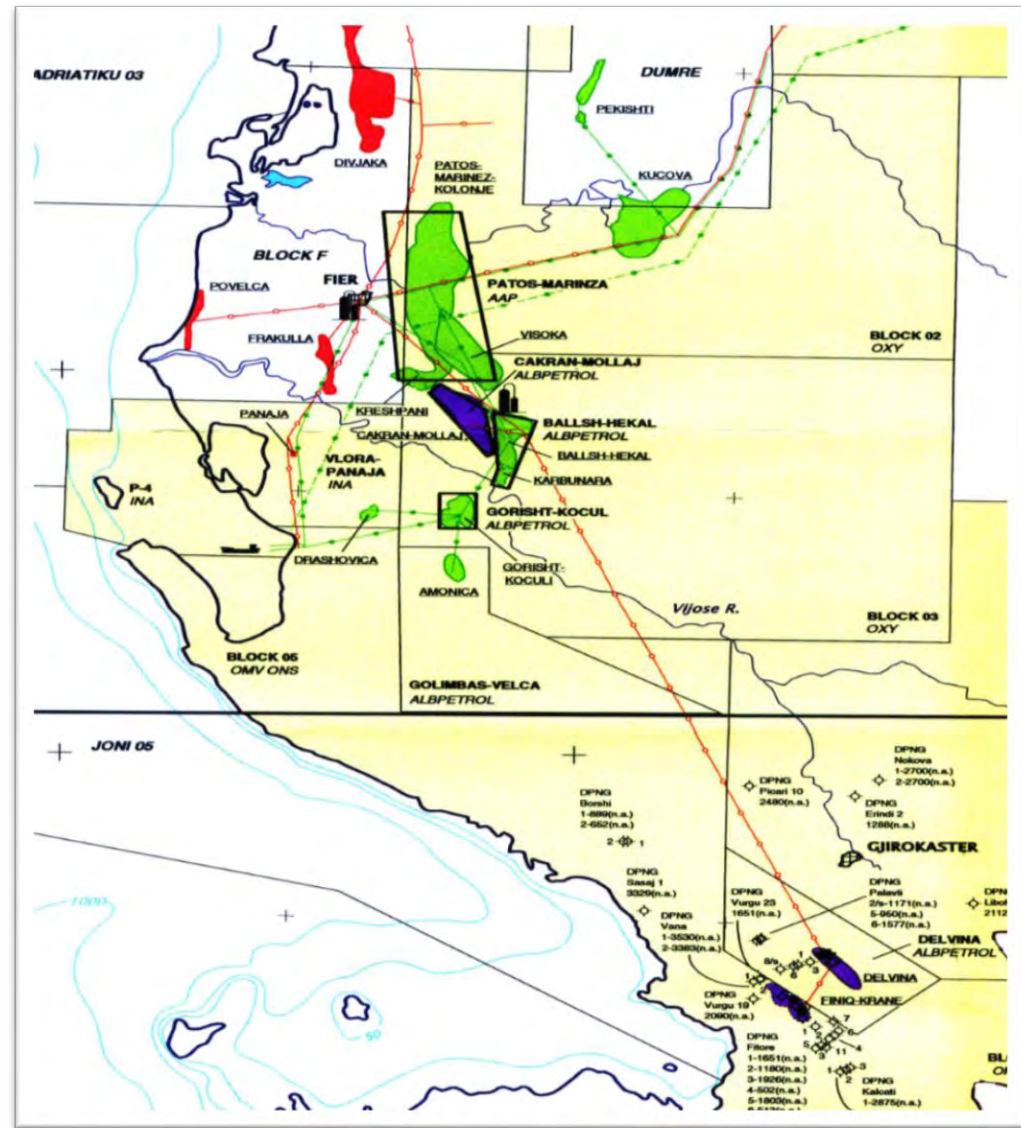
III. 1 Existing Oil and Gas Fields In Albania

A summary of the Exploration History 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

III. 1 Existing Oil and Gas Fields In Albania

The location of main oil and gas fields in Albania



III. 1 Existing Oil and Gas Fields In Albania

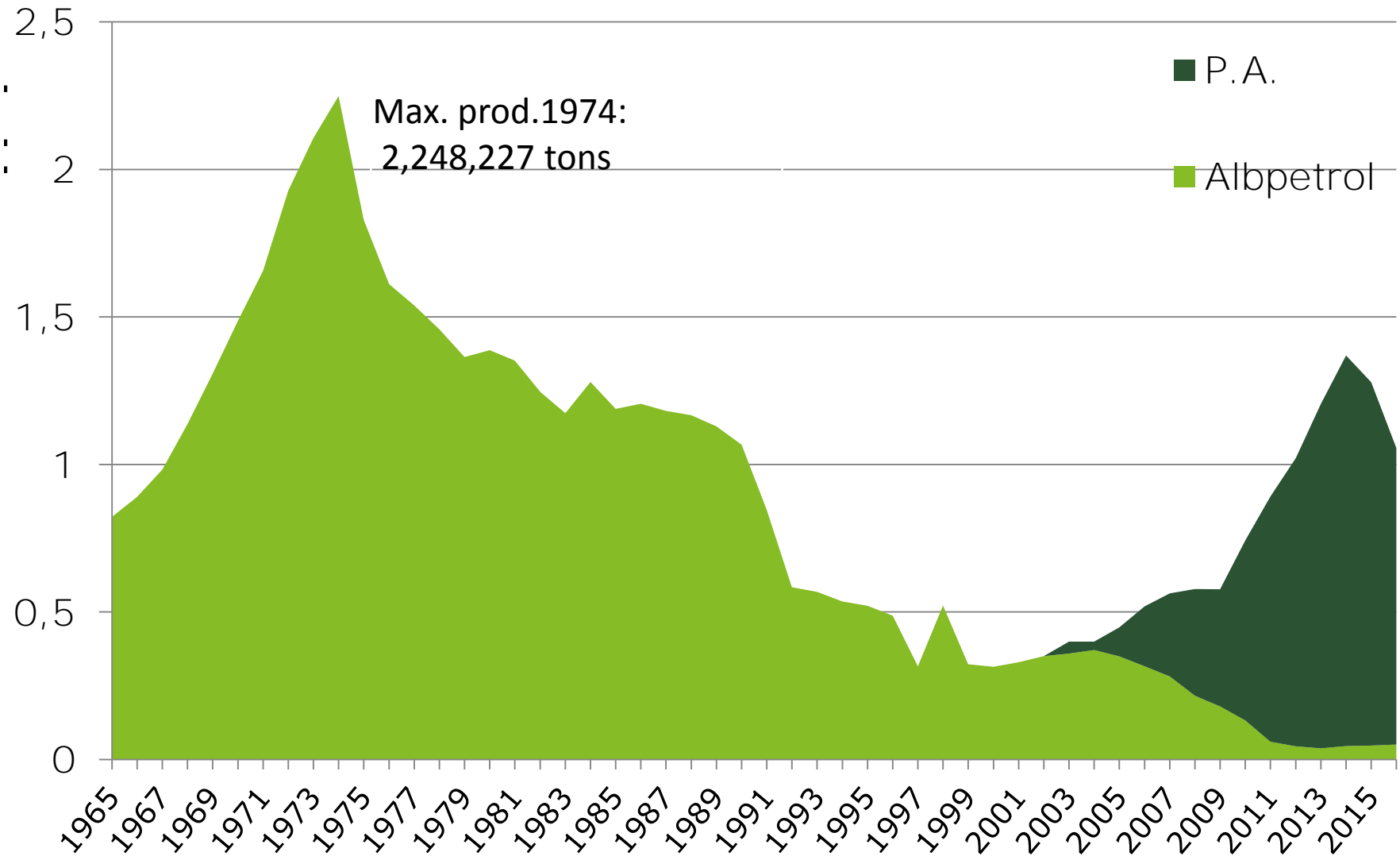
The existing oil and gas fields are in operation by Albpetrol or through the Petroleum Agreement, with Albpetrol (currently state company).

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 oilfield Ballsh-Hekal.
- Delvina Gas Company. **On limestone gas condensate field Delvinë.**
- Sherwood International Petroleum Inc. On the Kucove oilfield.
- Transoil Inc. On the Visoke oilfield.
- Phoenix Petroleum. On the oilfields Drashovice, Finiq-Krane, Pekisht-Murris and **gasfields Divjake, Ballaj, Pocolçe, Panaja and Frakull.**
- The others, Gorisht-Kocul, Cakran-Mollaj and Amonica oil fields are operating by Albpetrol Sh.A.

III.1 DOMESTIC CRUDE OIL PRODUCTION

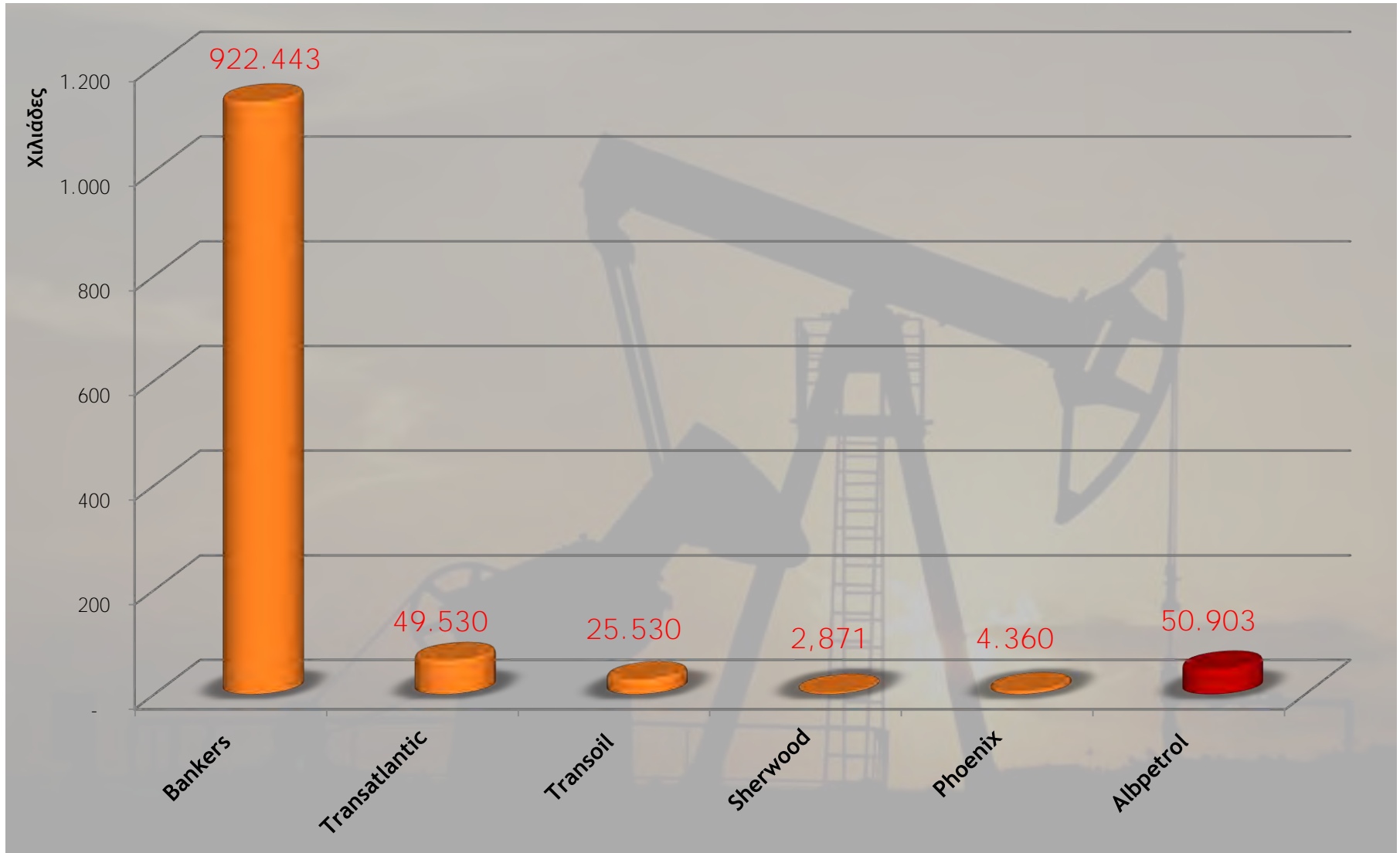
for 2016 the production is 1, 055, 809Tons



III.1 Crude Oil production by the Companies

Year 2016

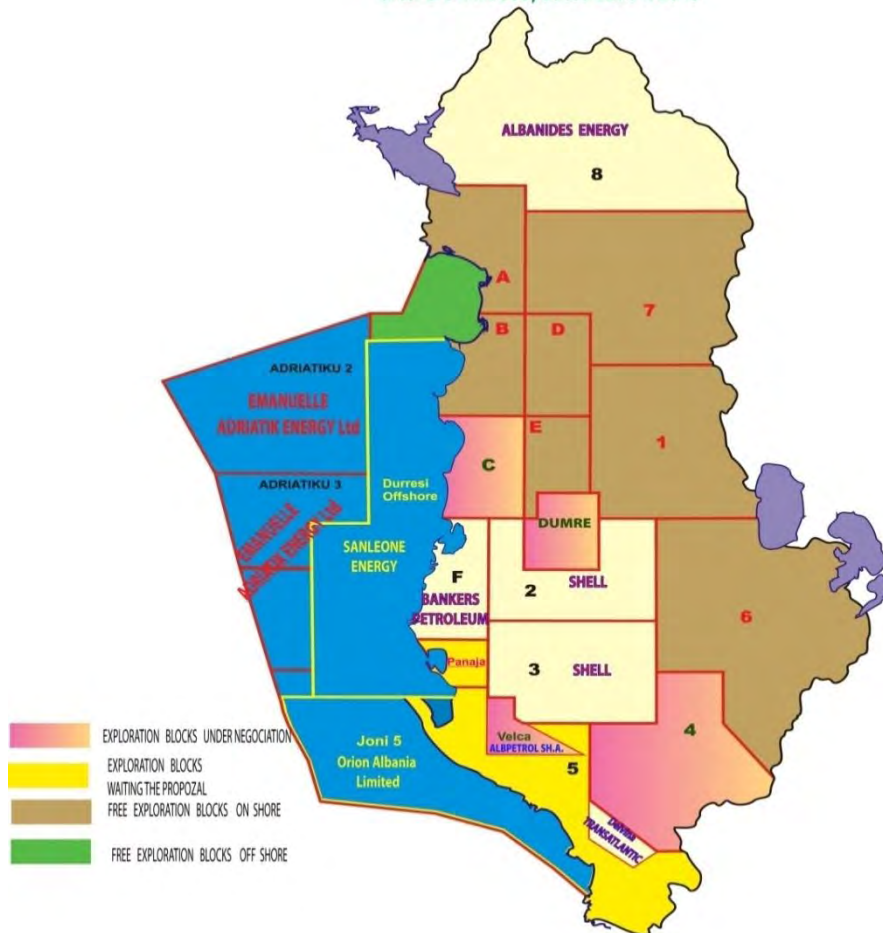
ton



III. 2 EXPLORATION BLOCKS IN ALBANIA

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

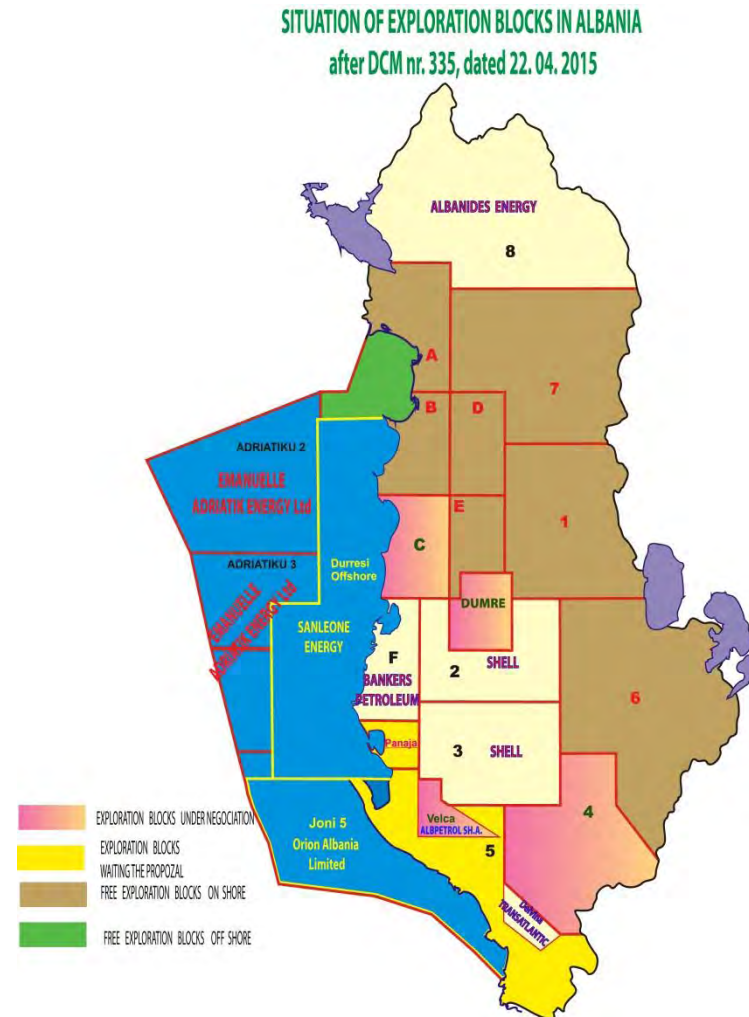
SITUATION OF EXPLORATION BLOCKS IN ALBANIA
after DCM nr. 335, dated 22. 04. 2015



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

III. 2 EXPLORATION BLOCKS IN ALBANIA

- Immediately after the amendment of the Petroleum Law and Agreement of Albpetrol, MEI started on 12 May 2015 the competitive procedures for awarding the 13 free blocks to interested companies (see the map).
- 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 2016 the winning company for **Block “Velca” (Pennine Petroleum Corporation)**, which is administration by Albpetrol. The Petroleum Agreement is signed and it is in process for approved by the Council Of Ministers.
- MEI announced on April 2016 the winning company for **Block “C” (Zenith Energy LTD)**
- The deadline for the application of blocks Panaja and 5 was 30 October 2016, while for the rest of blocks in applied the Open Door Policy.



III.3. The export/import routes of oil and by-products



Romano PORT



- The port is located 6.5 km north of the city of Durrës,
- The capacity of the ships is from 1.000 to 25.000 tonnes
- Length of the port with 1100 ml unloading 11.7 m in depth
- The terminal can process maximum capacity shipping and proper operation of 9.000 tons of LPG and 16.000 tons of oil per day.
- Oil deposits are not predicting the activity of Romano Port.
- use of a port for discharge crude oil, fuel and LPG
- Transport system of products consists of 8 labeled lines

Provisions Decisions Laws According to law 9298 dated 28.10.2004 for the approval of several additions and changes in the concession form "BOT",

In relation with port taxes and fees: Romano Port Company proposed tariffs of the service in the Port of Oil and fuel products and they was approved, by Authorized State Body

Pipelines and transportation of raw materials to distribution station

Transport system of products consists of 8 labeled lines:

- LPG Line
- Oil Line
- Gasoline Line
- Water supply for fire protection line
- Nitrogen for cleaning pipelines Line
- Air supply line
- Line able to send gas to LPG for the evacuation of polluted water
- Solar Line

The distribution station(Main Manifold)

In this manifold are set up measurement apparatuses for products, the system of pumps sending this products in the secondary manifold, Automatic command system for connection / disconnection

Security services are under the level security number 1

Automated Service

Automated and Physical Monitoring System

Automated safety against fire

Automated control of system commanded by distance



Porto Romano Energy & Industrial Park



Vlora PORT

La Petrolifera Italo Albanese Sh.A. (PIA) operates coastal terminal and Port VLORA-1



- The port is located 4 km north of the city of Vlora,
- The capacity of the ships is from 1.000 to 25.000 tones
- Length of the port with 260 ml unloading 8.5 m in depth
- The terminal can process maximum capacity shipping and proper operation of 9.000 tones of LPG and 16.000 tones of oil per day.
- use of a port for discharge crude oil, fuel and LPG
- Transport system of products consists of 8 labeled lines

Terminal of ARMO sh.a.

- It is located in the Vlora Bay
- The depth of the terminal is 13 m.
- Distanca pipeline into the sea is 3400 m,
- The capacity of the ships is up to 5000 tons

PIA terminal fills a lack of infrastructures and allows Customers to supply both the Albanian market and the neighboring Countries through the European Corridor VIII (rail plus road) also taking advantage of the favorable location of the Bay of Vlora, located at the entrance of the Adriatic Sea and very close to the main Italian and Greek refineries (distances from Vlora in nautical miles: 125 to Taranto, 275 to Falconara, 290 to Augusta / Priolo / Milazzo, 340 to Gela, 480 to Corinth, 570 to Sarroch).

Terminal of Shengjin Port



- It is located in northern Albania,
- The depth of the terminal is 5.2 m.
- Distanca pipeline into the sea is 2800 m,
- The capacity of the ships is up to 5000 tons

Shengjinit Porti has strategically position not only for the supply of economic operators in the north of the country but as well it is the main hub for the provision of Kosovo

III.4. Crude Oil Refining

Albania have in operate four Refining

1. Ballshi Refining

- It is constructed in 1978
- The project capacity is 1 000 000 crud oil per year.
- The main products are diesel, heating oil, diluent, according to EU standart and gosoline (virgine nafta) with pour quality

2. Fieri Refining

- It is constructed in 1968
- The project capacity is 500 000 crud oil per year.
- The main products are diluent, and Bitumen according to EU standart.

3. AM-OIL Refining

- It is constructed in 2009
- The project capacity is 200 000 crud oil per year.
- The main products are 65% Bitumen and 30 % semi product according to EU standart.

Am-Oil Company is in search for a serious business partner to innovate the projects in oil production industry.

4. Elbasan RBH Beline

- It is constructed in 2016
- The project capacity is 200 000 crud oil per year.
- The main products are heating oil and Bitumen according to EU standart.

III.5. Storage Capacity of Albania

According to Albania Legal framework the minimum Storage Capacities have to be:



Refinery and Plants processing, over 3000 m³



Wholesale trading companies, over 3000m³



Retail Companies (not more than 90 M³ for products and 10 M³ per LPG per petrol station).

1. Coastal storage capacity – Total 430.000 m³

- Romano Port 300000 m³ (oil products) and 20500 m³ (LPG)
- Petrolifera Italo Albanese Port 72800 m³ (crude oil, gasoline, gasoil, jet oil and LPG)
- Armo Port 35 000 m³ (oil products)
- Shengjini Port 22500 m³ (oil products)

2. Refinery storage capacity - Total 283.000 m³

- Armo Refineries 270 000 m³ (crude oil, gasoline, gasoil, jet oil and LPG),
- RBH Belina 9000 m³ (crude oil, bitumen, diluent, gasoline)
- Am-Oil 10000 m³ (crude oil, bitumen, diluent, gasoline)

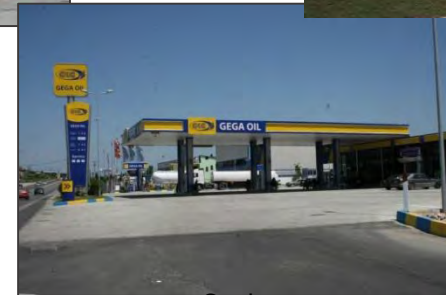
3. Wholesale storage capacity (in country) – Total 100.000 m³

4. Retail storage capacity – Total gasoline & diesel 75 000 m³ , LPG 25000 m³

III.6 Wholesale trade companies and Petrol Stations

In Albania are licensed, 148 companies of wholesale trade :

- 59 companies that conduct their activity for trading with oil wholesale, traditional fuels and liquid fuels. Main are Kastrati Sh.A. BolvOil Sh.A. Europetrol Durres Albania Sh.A., Genklaudis Sh.A. etc
- 27 companies that develop activities for trading with LPG wholesale. The most importat is A&V-GAS Sh.A.
- 62 companies that operate for trading lubricating oils.

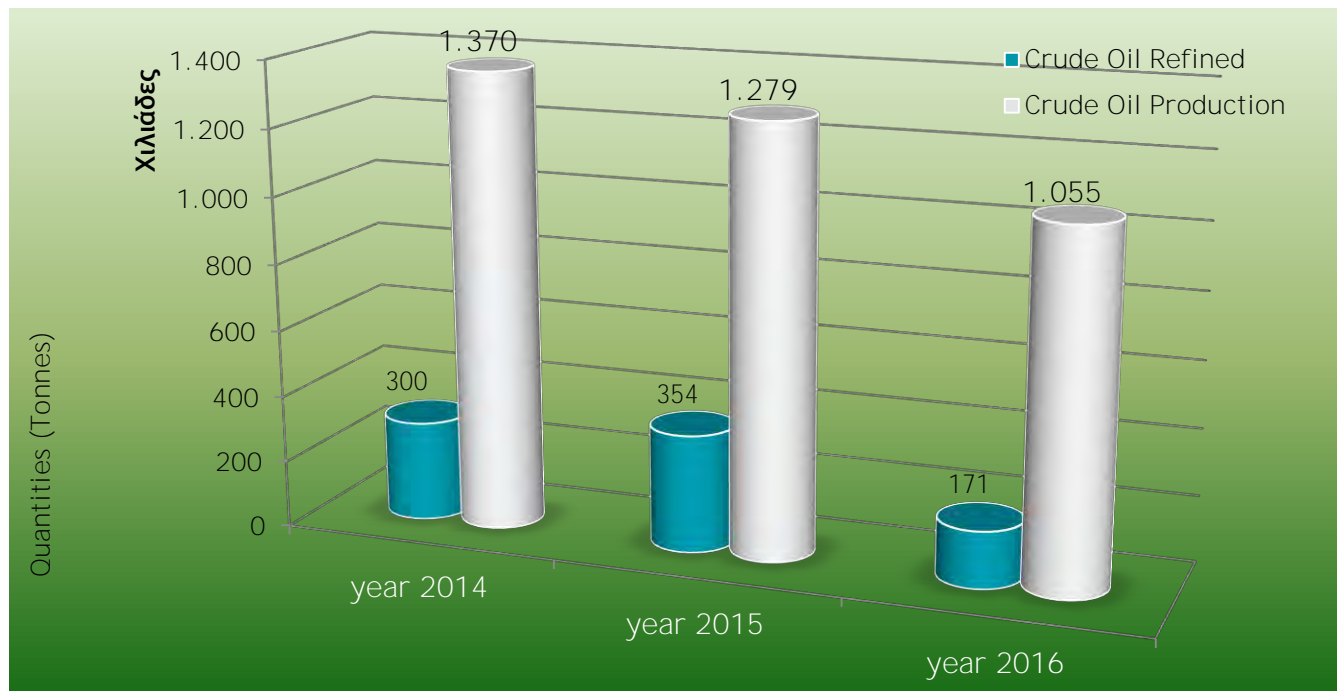


Throughout the country were built in 1068 gas stations, most of them contemporary. In Albania are in operated one gas station per 2680 inhabitants or 3.83 gas stations per 100 km². We think that the number of stations is high in relations with the population and the European average.

During 2016 Albania has impote from the EU, the Mediterranean and Black Sea market following quantities of by-products:

Gosoline 95/98 octane	134 830 tonnes
Diesel 10 ppm	708 393 tonnes
Biodiesel	10 000 tonnes (import fame)
LPG	126 571 tonnes
Lubricants	7374 tons
Kerosene Life	7752 tonnes

A part of oil products has become re-export (nor more dhe 10%) to the regional market and the crude oil production versus crude oil refined is as follow. Why????!!



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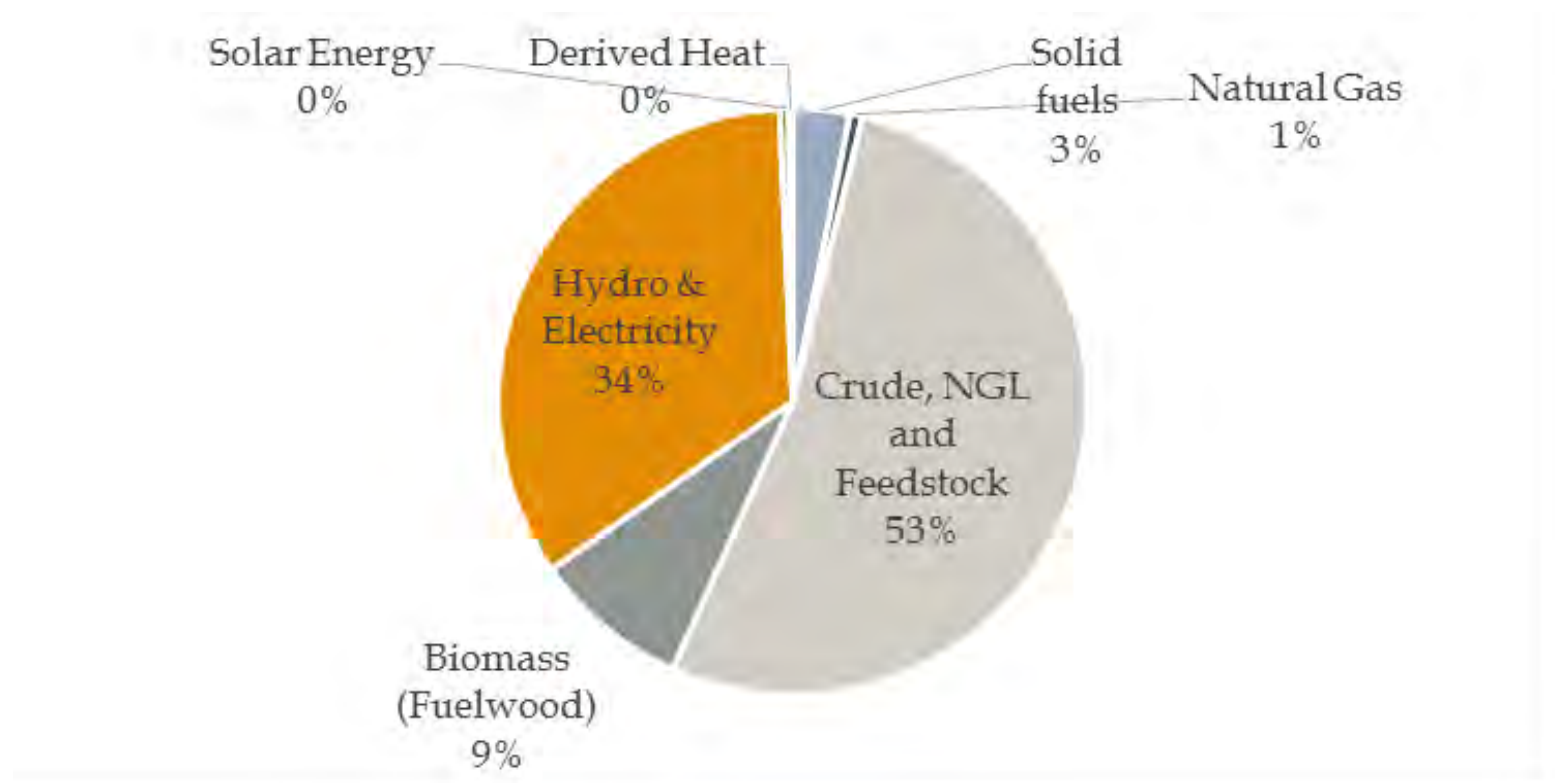
IV. THE POSSIBILITIES TO INVEST IN PETROLEUM SECTOR IN ALBANIA.

THE STRATEGY FOR OIL ACTIVITIES IN ALBANIA

- Diversification of petroleum energy sources
- Increase of refining capacities, since most of crude oil is exported.
- Increase the storage capacity and restructuring the petrol station.

- 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
- Energy hub, due to proximity with Kosovo, Macedonia and Montenegro

Albania's Gross Inland Energy Consumption - 2014

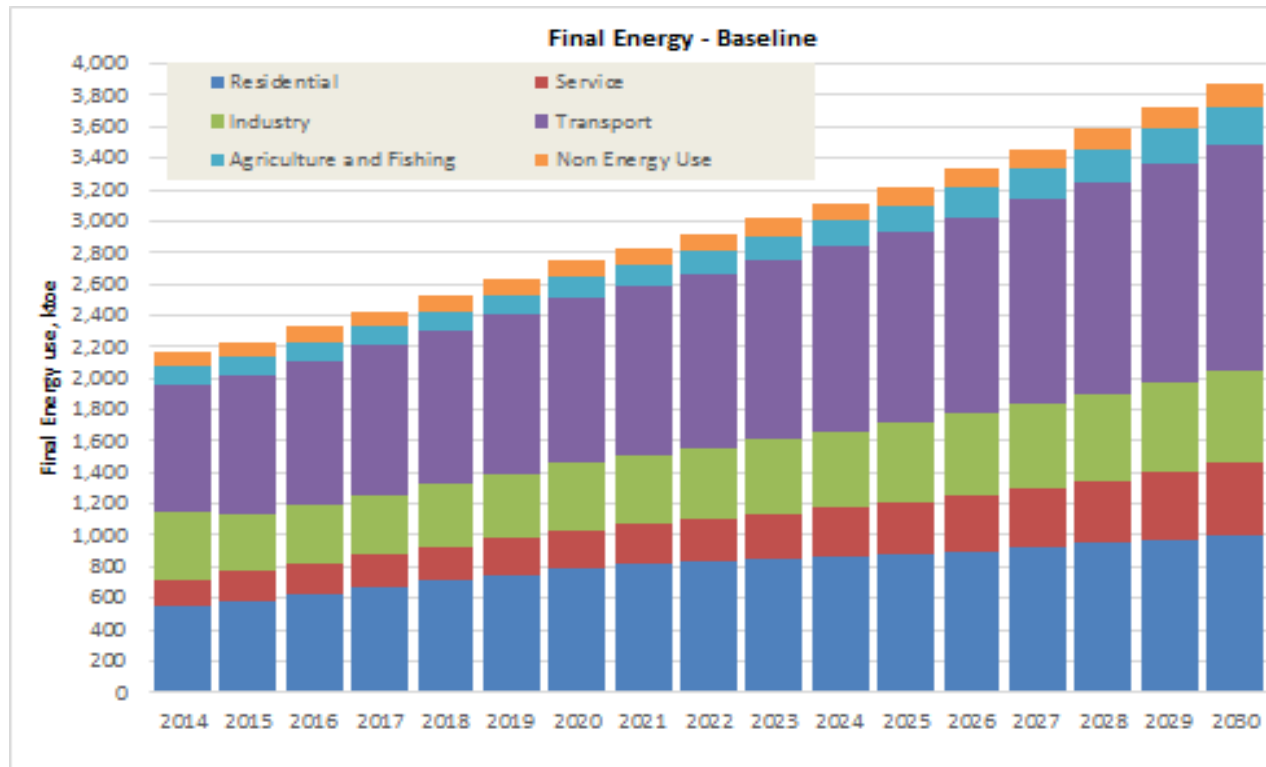


Albanian total primary energy production in 2014 was 2,041 ktoe and gross inland consumption was 2,346 ktoe while net imports were 894 ktoe

The high share of “Crude, NGL and Feedstock” is due to motor fuel consumption in the transport sector and is mainly used in road transport.

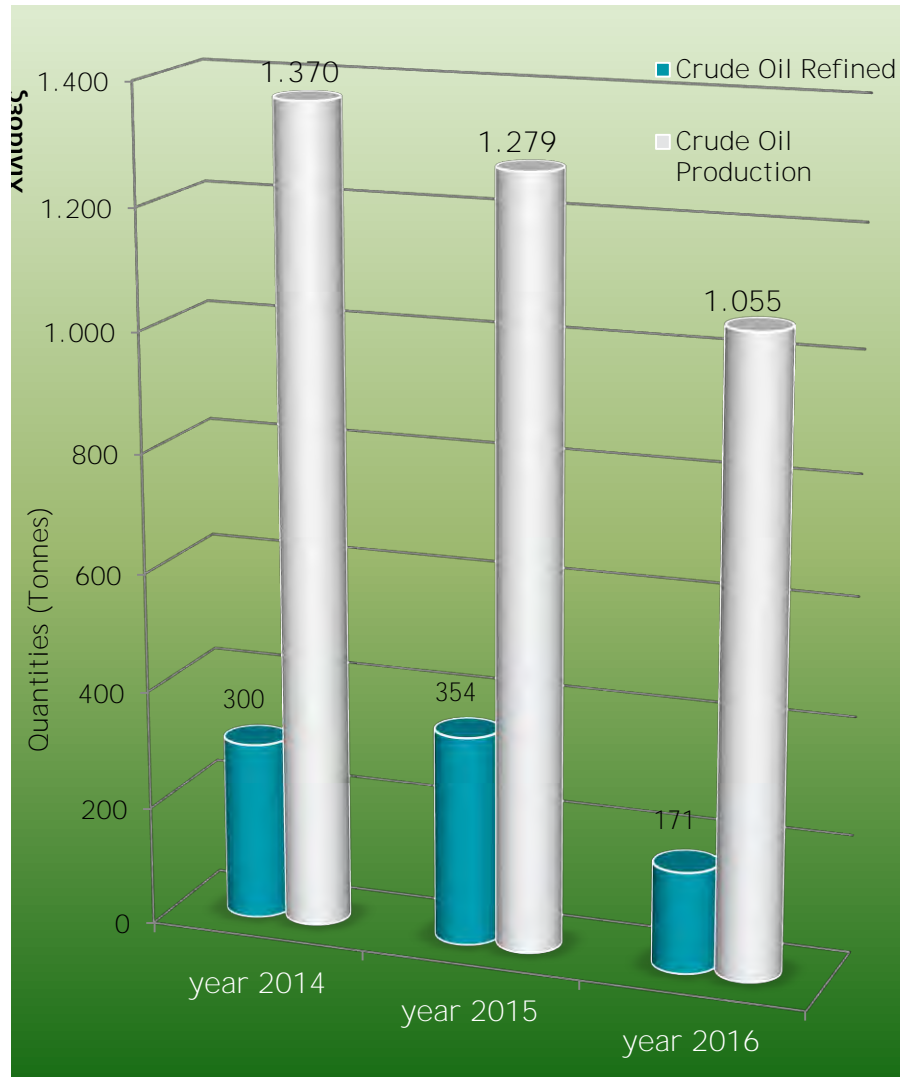
Baseline Final Energy Demand Forecast

- the final energy demand in the transport sector from 816 ktoe in 2014 to 1431 ktoe in 2030 (the contribution of the transport sector in the total energy demand will remain almost constant from 37.78% in 2014 to 37.54% in 2030,)
- the absolute consumption will increase almost about 60%).



This will happen because today in Albania has 12 cars per 100 residents far from EU situation. The number of cars increased by an average of 25,000 per years, which shows that Albania is a growing market for oil products according to national energy strategy.

IV. CONSTRUCTION OF A NEW MODERN REFINERY



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 a energy hub, due to cloused 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

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 neighboring countries
- 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

POSSIBLE SCENARIO FOR PRIVATIZATION / RESTRUCTURATION OF ALBPETROL COMPANY

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)

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

THANK YOU FOR YOUR ATTENTION !

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

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