



**ALBGAZ sh.a.**  
**COMBINED NATURAL GAS OPERATOR**  
**COMPLIANCE OFFICER**

No. \_\_\_\_\_ Prot

Tirana, on 22/12/2023

**ANNUAL COMPLIANCE REPORT**  
**2022**  
**the Natural Gas Sector by ALBGAZ Sh.a.**

ALBGAZ Sh.a  
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Ky raport është përgatitur në bazë të informacionit që është vënë në dispozicion nga Operatori i Sistemit të Transmetimit dhe Shpërndarjes së Gazit Natyror ALBGAZ Sh.a., Zyrtarit të Përputhshmërisë së Shoqërisë gjatë përmbushjes së përgjegjësisë së tij në vitin 2022.

Gazit Natyror”, të ndryshuar, si dhe vendimit të ERE Nr. 171, Datë 16.08.2022 mbi “Për miratimin e Programit të Përputhshmërisë së Operatorit të Sistemit të Transmetimit për Gazin Natyror, “ALBGAZ” sh.a”, raporti vjetor do të publikohet në dy gjuhë në faqen zyrtare të internetit të Operatorit të Sistemit të Transmisionit të Gazit - ALBGAZ Sh.a ([www.albgaz.al](http://www.albgaz.al)) brenda pesë ditëve nga paraqitja e tij në gjuhën shqipe Entit Rregullator të Energjisë (ERE). Raporti duhet të ketë përfunduar deri më 31 mars të çdo viti.

**Prepare:**

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## ABBREVIATIONS AND DEFINITIONS

**ALBGAZ sh.a** : Combined Operator of the Natural Gas Transmission and Distribution System .

**ALBPETROL sh.a**: Public research company for Oil and Gas Production

**YOUNG**: "The energy regulator"

**OSSH/DSO**: "Distribution System Operator"

**ALBGAZ/TSO**: "Transmission System Operator "

**ENTSO-G**: is the European Network of Gas Transmission Operators System (observer)

**MY**: Ministry of Infrastructure and Energy

**LNG**: "Liquefied Natural Gas"

**MEDREG**: Association of Energy and Natural Gas Regulators for the Mediterranean region

**ECRB**: Board of Energy Regulators of the Energy Community countries

**ACER**: Agency for the Cooperation of Energy Regulators for Europe .

**CEER**: Council of European Energy Regulators

**GRI SSE**: Regulators Initiative for the Gas Group for the South-South East Region

**IGU**: International Gas Union, we are full members

**OME**: Energy Observatory in the Mediterranean and Europe

**UfM** : Union for the Mediterranean

**ALPEX**: Albanian Energy Exchange.

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## ***THE FIRST PART***

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### **1. entry**

Compliance Officer, ALBGAZ SH.A.

YOUR5

## Annual Compliance Report – 2022

In support of Law No. 102/2015 "On the Natural Gas Sector", amended, (published in the Official Gazette No. 178, dated 15.10.2015), in accordance with the requirements of the Compliance Program, was approved by the Board of the Energy Regulatory Entity (ERE) ) by Decision No. 345, dated 21.12.2022 "On the approval of the Compliance Program of the Transmission System Operator for Natural Gas. Also in support of Article 21 of Directive 2009/72/EC dated July 13, 2009 "On common rules in the internal energy market repealing Directive 2003/54/EC" this report was drawn up. The annual report was drawn up based on the duties of the Compliance Officer, Mr. Elvis Ponari MBA, MSc (Official), approved by ERE Preliminary Decision No. 355, dated 28.12.2022 "On the preliminary approval of the Compliance Officer of Albgaz sh.a and decision no. 3 dated 01.02.2023 by the Supervisory Council of Albgaz sh.a "The appointment of the compliance officer of the Albgaz company Sh.a", This annual report of Compliance is drawn up for the fifth time as part of the legal powers of the activity of the Official of the company "ALBGAZ " sh.a. (ALBGAZ) regarding the implementation of the Compliance Program, has intended to present the mechanism for the implementation of this Program, the definition of the functional tasks and obligations of ALBGAZ employees in relation to this Program, relying on the monitoring and reporting of the implementation of this The program.

This annual compliance report presents the monitoring and progress of the process according to the Compliance Program approved for the first time in 2020 by the Supervisory Council of ALBGAZ with decision No. 18, dated 04.11.2020 on "approval of the compliance program of the system operator transmission for natural gas", approved in ERE by decision no. 263, dated 28.12.2020. "On the start of the procedure for the approval of the compliance program of the transmission system operator for natural gas, Albgaz sh.a " .

*The program issues an annual report, which is based on ensuring the avoidance of ALBGAZ's discriminatory behavior towards other natural gas market participants and network users, the independence of ALBGAZ, the confidentiality of all information managed by ALBGAZ, and the transparency of procedures . followed by her during the period 1.1.2022 - 31.12.2022.*

*The official confirmed that ALBGAZ is in accordance with industry standards , laws, rules and regulations defined by ERE. During 2022, the official analyzed the company according to the Program and exercised his duty so that the Program was implemented by the company. Also throughout 2022, the official has taken care that the company respects international regulations. To meet any compliance requirements, the Official together with ALBGAZ have collaborated to create regulations, guidelines, training, presentations, and processes actively so that the company and its staff are as compliant as possible with the Program.*

## 2. Friends

ALBGAZ is a joint-stock company with 100% of the shares owned by the state with the sole shareholder being the Ministry of Infrastructure and Energy (MIE), established by Decision No. 848, dated 7.12.2016 of the Council of Ministers, "On the establishment of the company "ALBGAZ" sh.a. The headquarters of the company is located in the city of Tirana. The company also has a representative office in the city of Fier.

ALBGAZ is certified by ERE as a **combined gas transmitter and distributor** with ERE Board Decision no. 179, dated 8.11.2017 "On the certification of the company as a Combined Natural Gas Operator". With decision no. 187, dated 10.11.2017, is licensed as a company in the activity of natural gas **distribution** , and decision no. 188, dated 10.11.2017, is licensed as a company in

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the activity of natural gas **transmission** . During the year 2022, ERE with Decision no. 13 dated 26.01.2022 "On the request of the company " Albgaz " sh.a. for postponement of the deadline for the final decision of the Board of ERE, for the licensing of the company " Albgaz " sh.a. , in the activity of operating natural gas storage spaces".

In support of Article 16, of Law no. 43/2015, "On the electricity sector", amended, Article 59, of Law no. 102/2015, "On the natural gas sector", amended; article 53, point 3, of law no. 44/2015, "Code of Administrative Procedures of the Republic of Albania", as well as Article 15 of the Regulation on the Organization, Operation and Procedures of ERE, approved by the decision of the board of the Energy Regulatory Entity (ERE) no. 96, dated 17.06.2016;, the Board of ERE, in its meeting dated 26.01.2022, examined the relationship with no. 128/1 prot ., dated 21.01.2022, prepared by the Technical Directorates, subject "On the request of the company "ALBGAZ " sh.a. for the postponement of the final decision-making deadline of the ERE board for the licensing of the company "ALBGAZ" sh.a. , in the activity of operating natural gas storage spaces. Currently, the main object of ALBGAZ's activity as a combined operator is to offer transportation and distribution of natural gas through the transmission and distribution network, and in the future also offer the activity of underground storage of natural gas and the liquefied natural gas plant.

In conclusion, the ERE Board decided as follows: To accept the request of the company " Albgaz " sh.a. for the postponement of the procedural decision - making deadline for licensing the company in the activity of operating Natural Gas storage spaces until 20.12.2022.

The company "ALBGAZ " sh.a. must report to ERE every three months from the approval of this decision, on the progress of the process for completing the missing documentation.

Decision no. 14 dated 26.01.2022 "On a change in the decision of the ERE Board no. 187 dated 10.11.2017, "for the licensing of the company " Albgaz " sh.a. in the activity of distribution of Natural Gas" (amended).

The company "ALBGAZ" sh.a. , with letter no. 93 prot ., dated 21.06.2021, recorded in ERE with no. 764 prot ., dated 21.06.2021, has announced that it has been provided with a "Preliminary EIA Decision", a document deposited in ERE and necessary for the application for equipment with an Environmental Permit, which remains in the process to be obtained during the year 2022.

Regarding the condition related to the " Certificate of Insurance", the company "ALBGAZ" sh.a. announced that the relevant payment is foreseen in its budget for 2022 and will be closed throughout this year.

The company requested the postponement of the deadline for fulfilling the condition related to the deposit of the " Certificate of Insurance" in ERE, on a date with the condition set for the deposit of "Environmental Permits and Authorizations" in ERE, that is, on 20.01. 2022.

In the law no. 44.2015, "Code of Administrative Procedures of the Republic of Albania", in article 53, point 3, it is quoted that: "The procedural deadline set by the law or bylaws can be extended only if this is expressly provided for by the law or bylaw, while the deadline of designated by the public body can be extended with a justified request of the interested party, presented before the end of the term."

For the above, the ERE Board approved the following:

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To license the company " Albgaz " sh.a. in the Natural Gas distribution activity, for a 30-year term, with the condition that within 12.21.2022, he will deposit the environmental permits and authorizations and the insurance certificate in ERE.

Decision no. 15 dated 26.01.2022 "On a change in the decision of the ERE Board no. 187 dated 10.11.2017, "for the licensing of the company " Albgaz " sh.a. in the activity of transmission of Natural Gas" (amended).

In support of Article 16, of Law no. 43/2015, "On the electricity sector", amended, Article 59, of Law no. 102/2015, "On the natural gas sector", amended; article 53, point 3, of law no. 44/2015, "Code of Administrative Procedures of the Republic of Albania", as well as Article 15 of the Regulation on the Organization, Operation and Procedures of ERE, approved by the decision of the board of the Energy Regulatory Entity (ERE) no. 96, dated 17.06.2016; the Board of ERE, in its meeting dated 26.01.2022, examined the relationship with no. 128/2 prot ., dated 21.01.2022, prepared by the Directorate of Licensing , Authorizations and Supervision and the Directorate of Natural Gas, subject "On a change in the decision of the ERE board no. 187, dated 10.11.2017, "On the licensing of the company "ALBGAZ" sh.a. in the activity of transmission of Natural Gas, amended " for the approval of the amendment of point 1, of the decision of the board of ERE no. 187, dated 10.11.2017, (amended), Company "ALBGAZ" sh.a. requested the postponement of the deadline for fulfilling the condition related to the deposit in ERE of the " Certificate of Insurance", to a date with that of the condition established for the deposit in ERE of "Environmental Permits and Authorizations".

Regarding the postponement of procedural deadlines by the public body, law no. 44/2015, in the "Code of Administrative Procedures of the Republic of Albania", in article 53, point 3, it is mentioned that: "The procedural deadline set by the law or by-laws can be extended only if this is expressly provided for by the law or by-laws, while the deadline set by the public body can be extended with a justified request of the interested party, presented before the end of the deadline."

For the above, the ERE Board decided as follows:

1. To approve the amendment of point 1 of the decision of the ERE board no. 188, dated 10.11.2017, amended as follows:

To license the company " Albgaz " sh.a. in the activity of Natural Gas transmission, for a 30-year term, with the condition that within 21.12.2022, he will deposit the permits and authorizations in ERE

environmental and insurance certificate "

Decision no. 17, dated 26.01.2022 "On a change in the decision of the ERE board no. 179, dated 08.11.2017, "On the certification of the company" combined natural gas operator " Albgaz " sh.a ", (amended).

In support of Article 16, of Law no. 43/2015, "On the electricity sector", amended, Article 59, of Law no. 102/2015, "On the Natural Gas sector", amended; article 53, point 3, of law no. 44/2015, "Code of Administrative Procedures of the Republic of Albania", as well as Article 15 of the Regulation on the Organization, Operation and Procedures of ERE, approved by the decision of the board of the Energy Regulatory Entity (ERE) no. 96, dated 17.06.2016; ; the board of ERE in its meeting dated 26.01.2022, after examining the relationship with no. 128 prot ., dated 21.01.2022 prepared by the Directorate of Licensing, Authorizations and Supervision and the



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Directorate of Natural Gas, "On a change in the decision of the ERE board no. 179, dated 08.11.2017, "On the certification of the company "Combined natural gas operator" Albgaz sh.a. ", as amended", the ERE Board concluded that:

As for the condition related to the submission to ERE every fiscal year of information on the independence of financial auditors established by the Board of ERE, with decision no. 152, dated 30.06.2021, the company " Albgaz " sh.a. submitted the respective documentation and as such this condition is considered fulfilled/updated for the year 2020 and point 5.1 of decision no. 179/2017 remains unchanged.

For the condition related to inter-institutional cooperation for the implementation of changes in the legal framework, Article 11 and 46 (10), of the Law on the Natural Gas Sector and the transfer of powers to the Ministry of Economy, the company " Albgaz " sh.a. informs that he has been in constant written and verbal communication with MIE in order to fulfill this condition. Also " Albgaz " sh.a. informs that it is close to reaching a solution accepted by the parties, and therefore requests from ERE the postponement of the deadline set in decision no. 152/2021, until 20.11.2022.

The board of ERE decided: - "To change point 5.2 of the decision of the board of ERE no. 179, date

08.11.2017 , (amended), as follows: "...5.2 The company " Albgaz " sh.a. to take measures to submit to ERE by 20.11.2022 the documentary evidence for inter-institutional cooperation for the implementation of changes in the legal framework, article 11 and article 46, point 10, of the law "On the Natural Gas Sector", as amended and the transfer of powers to the Ministry of Economy and Finance.

### 3. Overview of the Energy Sector in our country for the year 2022

In the natural gas sector, during 2022, ERE has approved several by-laws which will play a role in the expected developments of the transmission and distribution network, as well as the necessary by-laws for the LNG Terminal (Gas Liquid Methane) as well as other acts for the underground Storage of natural gas, in the salts of the area of Dumre.

ERE is collaborating with other public authorities to develop the regulatory framework that will lead to the construction of the 30 km pipeline from the Terminal in Vlora to the meeting point with TAP in Topoja , Fier, which we believe will create the possibility of speeding up the repair of the Vlora TPP and putting it into operation. The 30 km long pipeline from Vlora to Fier will create the possibility that, in addition to fulfilling our needs, gas can also be injected into the TAP network for the needs of the Region.

At the same time, ERE is cooperating with the Regulatory Body of Italy and Greece for the improvement of TAP by-laws such as: TAP Network Code, Market Test of 2022 that will continue for 2023, which will bring an increase in the transport capacity of gas from 10 billion m<sup>3</sup>gas to a larger amount.

For the year 2022, TAP has transmitted about 12 billion m<sup>3</sup> of gas /year. This creates the opportunity for our country to have available sufficient amounts of gas through the points in Fier and Kuçovo.

ERE will also continue the work to identify the need and requirements for gas as well as the study analysis on gas users in the countries of the region and the expectations for the Albanian market. For this

study and evaluation of the foreseen scenarios, ERE will be based on the strategic document "For the approval of the national energy strategy for the period 2018 - 2033", approved with the VKM no. 480 dated 31.07.2018, and in VKM no. 87, dated 14.02.2018 "On the approval of the development plan of the natural gas sector in Albania and the identification of priority projects".

In November 2022, ALPEX formalized the start of the training period through the trading platform for training purposes with the aim of guaranteeing a safe start of the Albanian Energy Exchange. This training will last until the end of March 2023 enabling ALPEX in the role of Market Operator as well as other potential members of the market to participate in a trading environment to benefit from the appropriate knowledge related to how to bidding in the organized market as well as the result of this process in a real environment.

On February 1, 2022, ALPEX has been accepted as an Associate Member in the Association of European Energy Exchanges (EUROPEX), which is an important organization in policy making in the field of gas trading.

### **Market analysis for natural gas**

In the strategic objectives of ERE, as well as from the revised calendar of measures, approved by the decision of the board of ERE no. 20, dated 04.02.2022, the analysis of the market for natural gas, is divided into several points:

- (i) Identification of the need and requirements for gas. Study analysis on gas users in the countries of the region and expectations for the Albanian market.**
- (ii) The study of scenarios to enable the supply of gas to the Albanian consumer, family or non-family.**
- (iii) Study of the policies of prices, tariffs.**
- (iv) Evaluation of the existing gas network in Albania and giving recommendations for its possible integration into the future national gas system.**

Regarding the evaluation of the existing gas network in Albania and the provision of recommendations for its possible integration into the future national gas system, ERE has undertaken several initiatives related to its correspondence with the two main operators of the gas sector natural in Albania. Combined operator Albgaaz sh.a., and TAP AG which is a Transmission System Operator (OST) and an Independent Transmission Operator (OPT), enabling interested transporters of natural gas in Albania, to transport gas providing quality service and safe in accordance with the safety standards in force.

TAP contributes to Europe's energy security and works with national and international operational and safety standards and as of December 31, 2020, has transported over 15 bcm of natural gas to Europe.

The Secretariat of the Energy Community in the summary report regarding the gas market in Albania emphasizes that it is necessary to establish a functional infrastructure as well as the

creation of the foundations of a functional internal gas market in TAP contributes to the energy security of Europe and our country.

According to the report, after the operationalization of the Trans Adriatic Pipeline (TAP AG), Albania is officially connected to the gas markets. Albania has become a transit country , as TAP has started commercial operations and is conducting a market test for the expansion of its capacities. Recently, Albania has promoted an LNG-based source of supply for its long-abandoned Vlora gas-fired power plant (TPP) project. At the same time, it is intended to create an LNG transit route to Italy via TAP. However, there is no progress in the development of gas infrastructure. Gas Pipeline Albania - Kosovo (ALKOGAP) is a project of Interest to the Energy Community (PECI). The Ion Adriatic Pipeline (IAP) is also a project of mutual interest (PMI).

The company " Albgaz " sh.a. is the public authority that is responsible for the transmission, distribution and storage of natural gas in the Republic of Albania and administers about 500 km of main gas transport pipelines built 40 years ago, with already outdated technology , where corrosion protection measures are minimal.

The gas pipeline network is distributed throughout the western part of Albania and ends at the ORC in Ballsh. The domestic gas network infrastructure in Albania has a greater extent than the oil infrastructure. The gas fields stretch from Durres to Delvina, thus creating an opportunity for consumers to connect to the network. The limited domestic gas infrastructure in some countries is out of order and major rehabilitation works are needed.

During the year 2022, in implementation of the Order respectively with no. 54/2022, the working group was established, with the object "Monitoring of the company " Albgaz " sh.a. for the implementation of the investment plan for 2021". The monitoring report showed that the company had difficulties in fulfilling this objective and it was concluded that the 10-year development plan of the network is under review by a consulting company which is expected to come out with a final version at the end of 2022 until the beginning of of 2023.

were also held with representatives of the Combined Operator " Albgaz " sh.a. and consultants , where the issues in the preparation of the document were discussed: The investment plan for the last 10 years of the company " Albgaz " sh.a. related to the investment plan in the transmission and distribution network of Albgaz .

During the year 2022, ERE had constant correspondence with the staff of the company " Albgaz " sh.a. , for the pursuit of the objective of creating a complete and adequate network with the requirements and conditions established by the intergovernmental agreement documents , with the aim of 5-folding the length of the pipelines and its connection with the international gas network in the region, which remains one of the main challenges for 2023 as well.

During 2023, correspondence and cooperation with the company " Albgaz " sh.a. will continue . for the completion of the assigned task resulting from the conclusions of the ERE monitoring report, for the evidence of the assets on the ground and their condition, as well as for the projects and agreements related to the creation and/or improvement of the Natural Gas infrastructure.

## 4. Licensing in Natural Gas activities

During 2022, ERE did not carry out licensing processes and there were no license modifications in the natural gas sector.

### 5. Compliance Program

The monitoring of the fulfillment of these obligations is based on the four basic principles ( **separation and independence , access and distribution of information, exclusion of discriminatory behavior and regular implementation of the program** ) of the compliance program approved by the Energy Regulatory Authority (Board) by Decision No. 171, Date 16.08.2022 on "For the approval of the Compliance Program of the Transmission System Operator for Natural Gas, "ALBGAZ" sh.a ", examines how the activity of ALBGAZ should be governed according to the standards set by the legislation in force.

The Board of ERE, with decision no. 345, dated 21.12.2022, on some changes in the decision of the ere board no. 171, dated 16.08.2021, "for the approval of the compliance program of the transmission system operator for natural gas, " albgaz " sh.a. ", as amended, decided the final approval of the Compliance Program of the Transmission System Operator for Gas Natural, "ALBGAZ" sh.a. , leaving the task for "ALBGAZ" sha to implement the obligations arising from the legal and by-laws in force, regarding: the relations of the shareholders of the company "ALBGAZ" sha with companies engaged with the production and/or supply of natural gas and electricity, or those that have any commercial interest (item 5 of the Compliance Program of "ALBGAZ" sha) separation and independence of public bodies that are authorized to represent the rights of state shares on the one hand and companies engaged in production and supply on the other hand (item 6 of the Compliance Program of "ALBGAZ" sha).

This annual compliance report presents the monitoring and progress of the process under the Compliance Program.

The following regulatory requirements and principles should be considered a priority for ALBGAZ, and each of its structures is obliged to realize and seek compliance with these requirements and principles.

#### A. Separation and independence

##### 1. Sharing

After the investigation was completed, it was observed:

According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter **no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023"**

- **ALBGAZ meets the requirements of program** as it develops its activity separately from other activities that are not related to the transmission of natural gas in accordance with Article 36 of Law no. 102/2015 for the Natural Gas Sector. Albgaz sh.a. , in fulfillment of findings referring to point 5 and 6, of Chapter II, of the Compliance Program (Legal status and corporate structure of OST) and point 15, of Chapter III, which concerns the division of ownership and independence of OST, Albgaz Ltd. has informed the Energy Regulatory Authority that it has taken all the measures and we are currently in the process of extensive consultation with all actors involved or influential in decision-making.
- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated

21.12.2022, and ALBGAZ letter **no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023"** has ensured and guaranteed the proper division of ALBGAZ, taking measures so that the same person or the same appointed persons, members of the supervisory council, the management board or the bodies that legally represent ALBGAZ do not have the right to simultaneously exercise direct or indirect control over the decision-making of the entity that carries out natural gas production or supply activities, as well as to be members of the supervisory council, management board or other bodies that represent the licensee next to the licensees that carry out the activity of production or supply of natural gas and the activity of ALBGAZ or the transmission network.

## 2. Management independence

After the investigation was completed, it was observed:

According to the terms and requirements of the paragraphs of the Compliance Program approved by According to the terms and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter **no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023"**

- taking measures to achieve the independence of the leaders. Regarding the independence of ALBGAZ managers, such as the Members of the Supervisory Board , the Administrator, the presidents and the leading personnel (heads of structural units), are independent from the vertically integrated companies or any part thereof. For this purpose, the following requirements have been implemented:
- The managers of Albgaz s.a. are not professionally connected to vertically integrated companies or any part thereof.
- The managers of Albgaz s.a. have no interest in or receive financial benefits directly or indirectly from vertically integrated companies or any part thereof.
- Salaries of managers in Albgaz s.a. are set based on predetermined elements related to Albgaz 's performance sh.a. , as specified in the employment contract and/or in the employment instructions.
- Transfer of Albgaz executives s.a. to vertically integrated companies or any part of them, and vice versa, it is envisaged to be done according to the transparent conditions clearly established in the Albgaz Statute s.a. and will be followed regularly, and none of these transfers can be predetermined from the beginning.
- The managers of Albgaz s.a. do not hold shares of vertically integrated companies or any part thereof, and have no potential conflicts of interest related to these shares.

## 3. Decision-Making Independence

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ has total functional and decision-making independence** . ALBGAZ based on Law no. 102/2015 on the Natural Gas Sector, as well as other legal acts and the Transmission Network Code, is responsible for granting

access to third parties, including the collection of access obligations and congestion obligations, for the operation, maintenance and development of the transmission system as well as to ensure a long-term possibility of the transmission system to meet reasonable demands through investment planning. With the development of the transmission system, ALBGAZ is responsible for the planning (including the authorization procedure), construction and authorization of the new gas infrastructure. ALBGAZ is independent in planning investments related to the transmission system according to the requirements of Law 102/2015 and other legal acts in force, and must comply with the approved ten-year plan for the development of the transmission network and be monitored by The energy regulator. ALBGAZ keeps available the required financial, technical, physical and human resources to perform the duties of the natural gas transmission system operator.

During 2022, for the natural gas sector, the Board of the Energy Regulatory Entity (ERE) approved the following Decisions:

With Decision no. 13, dated 26.01.2022, the Board of ERE decided to accept the request of the company "ALBGAZ" sh.a. for postponing the procedural decision-making deadline for licensing the company in the activity of operating natural gas storage areas until 20.12.2022.

With Decision no. 14, dated 26.01.2022, the Board of ERE decided to approve the amendment of point 1, of the decision of the Board of ERE no. 187, dated 10.11.2017, amended as follows: "To license the company " AlbgaZ " sh.a. in the activity of natural gas distribution, for a period of 30 years, with the condition that within the date 21.12.2022, he will deposit with ERE the Environmental Permits and Authorizations and the Insurance Certificate."

With Decision no. 15, dated 26.01.2022, the Board of ERE decided to approve the amendment of point 1, of the decision of the Board of ERE no. 188, dated 10.11.2017, amended as follows: "To license the company " AlbgaZ " sh.a. in the activity of natural gas transmission, for a period of 30 years, with the condition that within the date 21.12.2022, he will deposit with ERE the Environmental Permits and Authorizations and the Insurance Certificate."

With Decision no. 17, dated 26.01.2022, the ERE Board decided to approve changing point 5.2 of the ERE Board decision no. 179, dated 08.11.2017, amended as follows: 5.2 "ALBGAZ " sh.a. to take measures to submit to ERE by 20.11.2022 the documentary evidence for inter-institutional cooperation for the implementation of changes in the legal framework, article 11 and article 46, point 10, of the law "On the Natural Gas Sector" , as amended and the transfer of powers to the Ministry of Economy and Finance.

With Decision no. 326, dated 14.12.2022, the ERE Board decided to postpone the legal force of decision no. 206, dated 16.12.2019 of the board of ERE for the year 2023, until the approval of a tariff based on the findings of ERE for the company " AlbgaZ " sh.a. according to the provisions of the legislation in force.

With Decision no. 344, dated 21.12.2022, the ERE Board decided to suspend the decision-making of the ERE Board regarding the request of the company "ALBGAZ" sh.a. for the postponement of the procedural deadline for the decision-making of the board of ERE for the licensing of the company "ALBGAZ" sh.a. , in the activity of operating natural gas storage areas, until the completion of all the missing documentation.



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With Decision no. 345, dated 21.12.2022, the ERE Board decided to approve the Compliance Program of the Transmission System Operator for Natural Gas, "ALBGAZ " sh.a.

With Decision no. 352, dated 28.12.2022, the Board of ERE decided to license the company "ALBGAZ" sh.a. in the activity of natural gas distribution, for a period of 30 years, with the condition that within 30.04.2023, he will deposit the Insurance Certificate with ERE."

With Decision no. 353, dated 28.12.2022, the Board of ERE decided to license the company "Albgaz " sh.a. in the activity of natural gas transmission, for a period of 30 years, with the condition that within the date of 30.04.2023, he will deposit the Insurance Certificate in ERE.

With Decision no. 354, dated 28.12.2022, the Board of ERE decided to change point 5.2 of the decision of the Board of ERE no. 179, dated 08.11.2017, amended as follows: a. 5.2 The company "ALBGAZ " sh.a. to take measures to present to ERE by 20.11.2023 the documentary evidence for inter-institutional cooperation for the implementation of changes in the legal framework, article 11 and article 46, point 10, of the law "On the Natural Gas Sector", as amended and the transfer of powers to the Ministry of Finance and Economy.

Approval of the temporary natural gas transmission fee by the Albgaz company s.a. for the year 2023 Pursuant to article 17, letter "e", of Law no. 102/2015, "On the natural gas sector", as amended, it is determined that "ERE has the right to approve temporary transmission or distribution tariffs, in cases where transmission or distribution operators create delays in changing tariffs". In the absence of submitting an application for the revision of the Albgaz transmission fee s.a. for the year 2023, the presentation of the investment plan for the year 2023 as an important component of the calculation of the natural gas transmission fee for the year 2023, as well as in implementation of the directives of the Energy Community, since access to the network for users of the Transmission System must be guaranteed and this company must offer its services at rates regulated by ERE, the Board of ERE decided to postpone the legal force of decision no. 206, dated 16.12.2019 of the board of ERE for the year 2023, until the approval of a tariff based on the application of the company " Albgaz " sh.a. , where the update and compensation of the required income of the company Albgaz s.a. from the required temporary income will be made in support of the provisions of Article 17, point "e" of Law no. 102/2015 "On the natural gas sector", amended.

### B. Exclusion of discriminatory conduct

The conditions and procedures are defined in relation to the provision of Gas Transmission Services, to prevent any discriminatory treatment by ALBGAZ.

#### 1. Access to the broadcast system

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the Program** by taking measures to ensure equal and non-discriminatory access . In accordance with the

provisions of law no. 102/2015 "On the Natural Gas Sector" Albgaz company sh.a has drafted and sent for approval the " Compliance Program ", which is the last filter/guarantee to guarantee the precise implementation of the provisions provided for in law no. 102/2015 "On the Natural Gas Sector". Albgaz s.a. has taken all measures to ensure equal and non-discriminatory access to the broadcasting system.

## 2. Competition and commercial relations

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the program** . As far as competition and relations are concerned commercial , during the year 2022 no violation or mismanagement of the commercial activity was reported, both in general and in connection with special cases . ALBGAZ's activities do not limit or affect fair competition in the natural gas market

## 3. Conflict of interest

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the Program** . In relation to conflicts of interest, throughout the year 2022, no violation or abuse of ALBGAZ company employees by Bilbilfryres or any other individual internal or external to the company has been signaled.

## C. ALBGAZ company's information policy

ALBGAZ has undertaken a series of actions to ensure information, confidentiality and transparency to the public by providing equal access to users to all the documentation it has as it is obliged to publish on the official website of the corporation, according to the regulatory framework that regulates its activity .

### 1. Provision of information

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the Program.**

### 2. Confidentiality of information



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After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the Program.**

### 3. Public information

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the Program .**

### D. Compliance Program Implementation

Compliance Program approved by ERE Board Decision No. 171, dated 16.08.2022, is created in such a way that it has the form of a regulation, or an instruction with mandatory commitments for all managers and employees, as well as authorized representatives of ALBGAZ, such as auditors , advisors, contractors, participants and network users as well as other third parties.

After the investigation was completed, it was observed:

- According to the conditions and requirements of the points of the Compliance Program approved by According to the conditions and requirements of the paragraphs of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 122/1 Prot date, 13.11.2023 "return of response letter no. 122 prot date, 17.10.2023": **ALBGAZ meets the requirements of the Program.**

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## SECOND PART

#### **4. Recommendations of the Compliance Officer**

In the 2022 report, ALBGAZ should take into account the following recommendations for improving the natural gas market.

1. Evaluation of the existing gas network in Albania and giving recommendations for its possible integration into the future national gas system.
2. Review of applications, cost analysis and approval of fees and prices of licensees in the natural gas sector for: Activity of transmission and distribution of natural gas.
3. Adding end customers.

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### ***THE THIRD PART***

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#### **6. The specific tasks left by ERE for 2023 and the objectives for the future in the natural gas sector.**

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Cooperation with the Energy Regulatory Entities of neighboring countries, Greece and Italy, as two EU member states, for the normal operation of TAP. Updating all by-laws, in accordance with the regulations and taking the joint decisions necessary for them, in accordance with Directive 2009/EU and Regulation 715/EU, Commission Regulation (EU) 2017/459 (CAM NC) and a number of other regulations related to transparency, discrimination of third parties and joint decision-making for this purpose.

Cooperation with TAP AG and the Regulatory Entities of Italy and Greece for the successful completion of the Market Testing that began in 2021 and continues throughout 2022 for the expansion of capacity from 10 billion m<sup>3</sup>/year to 20 billion m<sup>3</sup>/year. This testing is harmonized with the provisions of the Final Joint Opinion of the Energy Regulators on the Application of the Exemption of TAP AG dated 6 June 2013, issued by the Authorities under Directive 2009/73/EC, ('Final Joint Opinion') of the Tariff Code of TAP 6 with EU Regulation 2017/459 creating the network code on Capacity Allocation Mechanisms for gas transport systems ("CAM NC"). Cooperation with the Secretariat of the Energy Community for the transposition of the changes being carried out in Directive 2009/EU and Regulation 715/EU as well as other acts related to the sector of natural gas, biogas, biomethane, hydrogen, the use of liquefied gas with degrees small (small scale), the use of compressed methane gas (CNG), etc.

Cooperation with the Ministry of Lines (MEI) for the gas transmission and distribution network in Albania as well as the possibility of capacity reservation in Fier and in Kuçovo, Roskovec planned for entry and exit points.

Cooperation with MEI and Albgaz for the construction of the Fier-Vlora pipeline, the connection with the TAP pipeline and the possible terminal that will be built by Exxelarete. This will also serve for the introduction of methane gas into the pipeline network of TAP and IAP.

Cooperation with MEI and Albgaz for the construction of the IAP pipeline (Ionian Adriatic Pipeline) from the point of contact with TAP in Fier to Croatia:

Ionian-Adriatic pipeline, which will be connected to TAP at the connecting node in Fier, will cross about 170 km in Albanian territory, to continue further north through Montenegro, Bosnia-Herzegovina, and to end in Croatia where it connects to the Croatian broadcasting system, Plinacro. The capacity will be designed to transmit up to 5 bcm. The technical parameters are: 32" (pole) for the diameter, 75-85 bar. The implementation project has been completed, the start of its construction is expected. This will make our entire region; Albania, Montenegro, Kosovo, Bosnia-Herzegovina, which currently do not have a developed gas market, should be integrated into this network.

Cooperation with MIE and Albgaz for the IAP Section: Kashar - Montenegro. This section covers a length of about 86 km, from Kashari to the border point with Montenegro. The expected value of the investment is EUR 165 million. The Feasibility Study has been carried out, while in the time frame during the years 2025 to 2026, Pre-FEED and FEED are expected to be carried out, to conclude with the commissioning of the asset in 2030.

Cooperation between MIE and Albgaz for Dumre underground deposits. Another important project related to the gas infrastructure is the construction of a natural gas storage site in the area of Dumre, which is planned to be realized in two phases, based on the cooperation between Albgaz sh.a and SNAM, which is expected to start with the creation of a structure divided into two storage

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sites with a combined capacity of 230 m<sup>3</sup>/h of gas, while the second phase envisages the expansion of this structure up to a capacity of 800 m<sup>3</sup>/h h gas thus giving it a regional dimension.

Cooperation with the Ministry of Infrastructure and Energy and Albgaz Ltd. for Cooperation and Delivery Agreement for the Southern Section Facility in Fier. TAP will design, procure and build the gas exit point in Fier, an investment of several million Euros in the country, this will make the supply of gas to our country 's consumers through this point.

Cooperation with MEI and Albgaz for the Market Testing period of 2021, 2022 and beyond, after the non-binding expression of interest phase, TAP has received interest requests for capacity and connections in Albania for; the interconnection point in Kuçovo, for the interconnection point in Fier and the Roskovec exit point.

Also cooperation with MEI and Albgaz for the following non-binding requests for connection points: an exit point in the Roskovec relief, an exit point in Kuçovo and two (2) requests for connection points in Fier. Developments at these exit points will depend on coordination between TAP and the requesting party. MEI is decisive in granting the right according to the energy policies it has. (This information is made available to the public in the Demand Assessment Report published by TAP on October 25, 2021 and the next report throughout 2022).

Cooperation with the line Ministry (MIE) for the amendment of the law no. 102/2015 "On the Natural Gas Sector", as amended, to meet the conditions for the certification of the Natural Gas Transmission Operator, Albgaz s.a.

Relations with International Institutions within the Gas sector CEER ( European Council of Energy Regulators). Where we are observers as a candidate country for the European Union and where we have our contribution as a participant in the working groups for legal changes, the improvement of directives and regulations in the gas sector, for the long-term conservation of energy in crisis conditions , the amendment of the directive of energy efficiency , of the consumer , the photovoltaic energy strategy .

ACER ( Agency for the Cooperation of Energy Regulators ) Agency for Cooperation of Energy Regulators for Europe ). ERE is a member with full rights and at the same time a participant in the working groups for: investments, volatility and energy prices , priority for the consumer, retail supply and treatment of market volatility, the document for small-scale LNG service, etc.

### GRI SSE, SOUTH SOUTH-EAST GAS REGIONAL INITIATIVE

the wholesale gas market, the retail market, the implementation of the network code, connections , tariffs in the transmission, distribution and border networks, 10-year plans, etc.

MEDREG, Gas Working Group Natural , Association of Energy and Natural Gas Regulators for the Mediterranean region. Our participation in regional studies such as: the infrastructure of the Mediterranean region , the integration of i Mediterranean and European infrastructure , retail and wholesale prices, cooperation with ECBR studies in Vienna .

ENTSO-G ( Observatory in the European Gas Transmission System Association ). Our participation in working groups for joint studies.

IGU (International Gas Union).

OME (Observatory of Energy in the Mediterranean and Europe ) based in France. We are full members and participants in regional studies organized by it.

UfM (Union for the Mediterranean region). We are full members and active participants in the working groups organized for gas market problems and this is part of the Paris- based OME.

ECRB, Gas The Working Group, the Board of Energy Regulators of the Energy Community countries , participated in their studies and the possibility of absorbing foreign investments for the development of infrastructure in our country .

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## ***PART FOUR***

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### **7. conclusions**

The submitted report determines that, in 2022 (the fifth year of the implementation of the Compliance Program and reporting on the basic program), ALBGAZ within the framework of the commitments undertaken by the OST with its certification as an independent natural gas transmission operator, the company has made efforts and is committed to fulfilling the conditions of the independence of the company as well as the equal treatment of the users of the transmission

system in terms of transparency and equal access for all users in accordance with the legal and regulatory framework that governs the gas sector natural.

During the year 2022, ERE had constant correspondence with the staff of the company " Albgaz " sh.a. , for the pursuit of the objective of creating a complete and adequate network with the requirements and conditions established by the intergovernmental agreement documents , with the aim of 5-folding the length of the pipelines and its connection with the international gas network in the region, which remains one of the main challenges for 2023 as well.

During 2023, correspondence and cooperation with the company " Albgaz " sh.a. will continue . for the completion of the assigned task resulting from the conclusions of the ERE monitoring report, for the evidence of the assets on the ground and their condition, as well as for the projects and agreements related to the creation and/or improvement of the Natural Gas infrastructure.

The 2022 report does not highlight any violations or find that ALBGAZ has violated or failed to meet the company's compliance requirements.

In the conditions of the gas market in the country , the development of ALBGAZ's activity and the development of the gas market is a heavy process, both in terms of design and financing. Large and costly human resources are also required, along with extended time frames.

The projects targeted by ALBGAZ during this period operated at a time when natural gas was not considered a transitory source towards the goal of providing green energy and was therefore outside the European agenda, making the sources for financing projects in the field of transmission gas to be drastically limited. But as we pointed out above, the difficult international situation of gas supply due to Russian aggression in Ukraine returned attention to natural gas, reconsidering it as a transitory source of energy, so this fact is closely related to our immediate internal need for diversification of energy sources .

For this reason, Albgaz , and in interaction with other consolidated actors in Europe and wider , have engaged in the creation of a regional hub in Vlora. The aim is to coordinate the efforts and share the roles of each actor in this configuration of the gas sector which responds not only to the energy challenges at the national level but also at the regional level. In the following, the projects, of which Albgaz is a part, will be listed according to priority , in the role as a combined gas operator, investor or as a strategic partner.

1. The LNG terminal in Vlora. Vlore-Fier terminal pipeline ( Interconnection with TAP)
2. The Vlora Hub (node) envisages that the LNG Terminal will serve as a supply point between liquefied gas and consumers. For this purpose, in addition to the presence of a key consumer such as TECi Vlorës, significant quantities of gas must be contracted from suppliers ( shippers ) through a pipeline that connects the terminal with the connecting node of TAP.
3. Ionian Adriatic Pipeline (IAP) Section of the IAP: Fier- Kashar The Ionian-Adriatic Pipeline , which will be connected to TAP at the junction in Fier, will run about 170 km in Albanian territory, to continue further north through Montenegro, Bosnia -H. and to end in Croatia where it will be connected to the Croatian broadcasting system, Plinacro .
4. Dumre underground storage, another important project related to gas infrastructure is the construction of a natural gas storage site in the area of Dumre.

5. The interconnection with RMV is an important project, as is the connection between the transmission systems of Albania and North Macedonia. With a length of about 60 km, this investment will be carried out by Albgaz s.a. Gasification of the city of Korça, the city of Korça as a city with a relatively cold climate is heated mainly with firewood and a small part with electricity.

I reiterate the fact that the fulfillment of the criteria defined in the compliance program requires a closer and continuous cooperation of the management bodies as well as of the company 's staff with the compliance officer, aiming to identify and avoid in the future cases of discriminatory behavior towards users of the transmission system, maintaining the relationship with the compliance officer, aiming to identify and avoid in the future cases of discriminatory behavior towards users of the transmission system, the storage of sensitive commercial data and information, as well as the independence of the management staff and other employees of the company in avoiding conflict of interest during the exercise of their duties . Awareness of the company's staff on the compliance program and compliance with the obligations defined in it, monitored by the compliance officer will help to create a corporate culture on compliance issues .

**Tirana, 22.12.2023**

**Elvis Ponari, MBA, MSc**

**Compliance Officer, ALBGAZ Sh.a**