



ALBGAZ sh.a.
COMBINED NATURAL GAS OPERATOR
COMPLIANCE OFFICER

No. _____ Prot

Tirana, on 28/3/2024

ANNUAL COMPLIANCE REPORT
2024

**On the implementation of the Compliance Program in the Natural
Gas Sector by ALBGAZ Sh.a.**



ALBGAZ Sh.a
Combined Natural Gas Operator
Administrative Unit No. 5, Kosovars' Street,
Nder Pro Palace, Tirana, Albania
www.albgaz.al
NUIS: L71306034U



ANNUAL COMPLIANCE REPORT 2024

**On the implementation of the Compliance Program in the Natural
Gas Sector by ALBGaz Sh.a.**

Tirana, 2024

Annual Compliance Report – 2024

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 2024.

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) 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.

Prepared by:

Elvis Ponari MBA, MSc

Compliance Officer

Email: elvis.ponari@gmail.com

Annual Compliance Report – 2024

ABBREVIATIONS AND DEFINITIONS

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

ALBPETROL sh.a: Public company for exploration, production of oil and gas

WIND: "Energy Regulatory Authority"

DSO: "Distribution System Operator"

ALBGAZ/TSO: "Transmission System Operator "

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

Ministry of Education: Ministry of Infrastructure and Energy

LNG: "Liquefied Natural Gas"

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

ECRB: Energy Regulators Board 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: Mediterranean and European Energy Observatory

UfM : Union for the Mediterranean

ALPEX: Albanian Energy Exchange.

PART ONE	6
1. Introduction	6
2. The company	7
3. Overview of ALBGAZ, licensing and activities	7
4. Compliance Program	8
A. Separation and independence	9
1. Sharing	9
2. Management independence	9
3. Functional and Decision-Making Independence	10
B. Exclusion of discriminatory behavior	10
1. Access to the transmission system	11
2. Competition and commercial relations	11
3. Conflict of interest	11
C. ALBGAZ company information policy	12
1. Providing information	12
2. Confidentiality of information	12
3. Public information	12
D. Compliance Program Implementation	12
PART TWO	14
4. Compliance Officer Recommendations	14
PART THREE	15
6. Conclusions	15

PART ONE

1. Introduction

In accordance with Law No. 102/2015 “On the Natural Gas Sector”, as amended, (published in the Official Gazette No. 178, dated 15.10.2015), , in implementation of the requirements of the Compliance Program, it was approved by the Board of the Energy Regulatory Entity (ERE) with Decision No. 345, dated 21.12.2022 “On the approval of the Compliance Program of the Transmission System Operator for Natural Gas. Also in accordance with Article 21 of Directive 2009/72/EC of 13 July 2009 “On common rules for the internal energy market repealing Directive 2003/54/EC”, this report was drafted. The annual report was drafted 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 01.02.2024 by the Supervisory Board of Albgaz sh.a "Appointment of the compliance officer of the Albgaz company Sh.a”, This annual Compliance report, which is being prepared for the fifth time as part of the legal competencies of the activity of the Officer of the company “ALBGAZ” sh.a. (ALBGAZ) regarding the implementation of the Compliance Program, has aimed to present the mechanism for the implementation of this Program, the definition of functional duties and obligations of ALBGAZ employees regarding this Program, relying on the monitoring and reporting of the implementation of this 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 ALBGAZ Supervisory Council with decision No. 18, dated 04.11.2020 on “approval of the compliance program of the natural gas transmission system operator”, approved by the ERE with decision no. 263, dated 28.12.2020. "On the initiation of the procedure for the approval of the compliance program of the natural gas transmission system operator, " Albgaz " sh.a ".

*The program issues an annual Report, which is based on ensuring the avoidance of discriminatory behavior by ALBGAZ 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 the procedures followed by it during the period 1.1.2024 - 31.12.2024.***

The Officer found that ALBGAZ is in compliance with industry standards , laws, rules and regulations set by the ERE. During 2022, the Officer analyzed the company according to the Program and exercised his duty to ensure that the Program was implemented by the company. Also, during 2022, the Officer ensured that the company respected international regulations. To meet any compliance requirements, the Officer together with ALBGAZ have actively collaborated to create regulations, guidelines, trainings, presentations, and processes so that the company and its staff are as compliant as possible with the Program.

Annual Compliance Report – 2024

2. The company

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 company’s headquarters are located in the city of Tirana. The company also has a representative office in the city of Fier.

During this period, ALBGAZ has informed the Energy Regulatory Authority that it has taken all measures and we are currently in the process of extensive consultation with all stakeholders who are involved or have influence on decision-making. It should also be noted that the company is at an important stage in the development of the natural gas transmission and distribution system, in which the MEI has a key role not only as the institution responsible for the development policies of the natural gas sector, but also in overseeing the progress of development projects and the construction of the new natural gas transmission and distribution system in the country, in the position of the owner of the shares of the ALBGAZ company.

This decision-making is beyond the administrative powers of the company as it concerns the politicization of commercial activity.

3. Overview of ALBGAZ, licensing and activities

In the natural gas sector, during 2024, ERE has approved several bylaws that will play a role in the expected developments of the transmission and distribution network, and several decisions have been adopted.

During 2024, for the natural gas sector, the Board of the Energy Regulatory Authority (ERE) approved the following Decisions:

By decision no. 59, dated 02.04.2024, ON AN AMENDMENT TO 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

The ERE Board decided on an amendment to the decision of: Point 5.2 of the ERE Board Decision No. 179, dated 08.11.2017, as amended, is as follows: 5.2: By 31.12.2024, the company “ALBGAZ” sh.a. must submit to the ERE the implementation of the amendments to articles 11 and 46, point 10 of law no. 102/2015 “On the natural gas sector”, as amended, and the transfer of competencies to the Ministry of Finance and Economy.

With decision no. 272, dated 10.12.2024, ON AN AMENDMENT TO 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

The ERE Board decided on an amendment to the decision of: Point 5.2 of the ERE Board Decision No. 179, dated 08.11.2017, as amended, is as follows: 5.2 By 31.12.2025, the company “ALBGAZ” sh.a. must submit to the ERE the implementation of the amendments to 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.

Annual Compliance Report – 2024

By decision no. 277, dated 13.12.2024, SUPPORTING THE DECISION-MAKING OF THE ERE BOARD TO REVIEW THE REQUEST FOR THE APPROVAL OF THE TEN-YEAR INVESTMENT PLAN BY THE COMPANY ALBGAZ JSC.

The ERE Board decided on a change in the decision: Postponement of the decision-making of the ERE Board for the review of the request for approval of the ten-year investment plan by the company " Albgaz " sh.a. , until December 2025.

With decision no. 280, dated 16.12.2024, ON ENFORCING THE DECISION OF THE ERE BOARD NO. 206, DATED 16.12.2019 “ON THE APPROVAL OF THE TEMPORARY TARIFF OF NATURAL GAS TRANSMISSION BY THE COMPANY “ALBGAZ” JSC FOR THE YEAR 2025”

The ERE Board decided on a change in the decision of:
Postponement of the legal force of decision no. 206, dated 16.12.2019, of the ERE board for the year 2025, until the approval of a tariff based on the application of the company " Albgaz " sh.a. , according to the provisions of the legislation in force.
2. Whether there will be effects on the required income of the company “ Albgaz ” sh.a. from the income temporary required, their updating and compensation will be done according to the provisions of article 17, point "e" of law no. 102/2015 "On the natural gas sector", changed.

4. Compliance Program

From the review and communication with ALBGAZ regarding the fulfillment of tasks according to the compliance program , it is concluded that:

1. All Annual Compliance Reports since 2019 have been published on the ALBGAZ sha website (www.albgaz.al), an obligation arising from point 73 of the Program.

There is also a special menu for reporting to the Officer.

Secondly, ALBGAZ Company does not have any end customer or any customer to whom it provides access to LNG gas.

Thirdly, ALBGHAZ and ERE are in constant communication regarding the completion of the documents required for the license .

Fourth, ALBGa is undertaking a series of projects for the gasification of Albania. Projects that are included in their 10-year investment report.

Finally, regarding the monitoring of compliance and the fulfillment of these obligations, it is based on the four fundamental principles (**separation and independence , access and dissemination of information, exclusion of discriminatory behavior and regular implementation of the**

Annual Compliance Report – 2024

program) of the compliance program approved by the Energy Regulatory Authority (Board) with Decision No. 171, Date 16.08.2022 on “On the approval of the Compliance Program of the Natural Gas Transmission System Operator, “ALBGAZ” sh.a ”,, it is examined how the activity of ALBGAZ should be governed according to the standards set by the legislation in force.

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

The following regulatory requirements and principles should be considered a priority for ALBGAZ, and each of its structures is obliged to implement 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 ERE Board Decision no. 345, dated 21.12.2022, and ALBGAZ letter **no. 11/1 Prot dated 21.3.2024 “reply to letter no. 44/1 prot dated 09.4.2024”**

- **ALBGAZ meets the requirements of program** as it carries out its activity separately from other activities not related to the transmission of natural gas in accordance with Article 36 of Law No. 102/2015 on the Natural Gas Sector. Albga sh.a. , in compliance with the findings referred to in points 5 and 6, of Chapter II, of the Compliance Program (Legal status and corporate structure of the OST) and point 15, of Chapter III, which relates to the separation of ownership and independence of the OST, Albga Sh.a. has informed the Energy Regulatory Authority that it has taken all measures and we are currently in the process of extensive consultation with all stakeholders who are involved or have influence on decision-making.
- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and ALBGAZ letter **no. 11/1 Prot dated 21.3.2024 “reply to letter no. 44/1 prot dated 09.4.2024”** has ensured and guaranteed the proper unbundling of ALBGAZ, by taking measures so that the same person or the same appointed persons, members of the supervisory council, the management board or the bodies legally representing ALBGAZ do not have the right to simultaneously exercise direct or indirect control over the decision-making of the entity that carries out the activities of production or supply of natural gas, as well as to be members of the supervisory council, the management board or other bodies that represent the licensee 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 conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter of ALBGAZ

Annual Compliance Report – 2024

ALBGAZ no. 11/1 Prot dated, 21.3.2024 “reply to letter no. 44/1 prot dated, 09.4.2024” by taking measures to achieve the independence of the directors. Regarding the independence of the directors of ALBGAZ, such as the Members of the Supervisory Board , the Administrator, the chairmen and the management personnel (heads of structural units), are independent from the companies vertically integrated or any part thereof. For this purpose, the following requirements have been implemented:

- Albgaz executives sh.a. are not professionally affiliated with vertically integrated companies or any part thereof.
- Albgaz executives sh.a. have no interest or receive financial benefits directly or indirectly from the vertically integrated companies or any part thereof.
- Salaries of managers at Albgaz sh.a. are set based on predetermined elements related to Albgaz 's performance . sh.a. , as specified in the employment contract and/or employment instructions.
- Albgaz executives sh.a. to vertically integrated companies or any part thereof, and vice versa, is envisaged to be done according to transparent conditions clearly established in the Statute of Albgaz. sh.a. and will be followed regularly, and none of these transfers can be predetermined from the beginning.
- Albgaz executives sh.a. do not have shares of vertically integrated companies or any part thereof, and have no potential conflicts of interest related to these shares.

3. Functional and Decision-Making Independence

After the investigation was completed, it was observed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter of ALBGAZ ALBGAZ no. 11/1 Prot dated, 21.3.2024 “reply to letter no. 44/1 prot dated, 09.4.2024” : **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 fees and congestion charges, for the operation, maintenance and development of the transmission system, as well as for ensuring a long-term ability 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 new gas infrastructure. ALBGAZ is independent in planning investments related to the transmission system according to the requirements of Law 102/2015 and other applicable legal acts, and must comply with the approved ten-year plan for the development of the transmission network and be monitored by the Energy Regulatory Authority. ALBGAZ has the required financial, technical, physical and human resources available to perform the tasks of the transmission system operator for natural gas.

B. Exclusion of discriminatory behavior

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

Annual Compliance Report – 2024

1. Access to the transmission system

After the investigation was completed, it was observed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter of ALBGAZ ALBGAZ no. 11/1 Prot dated, 21.3.2024 “reply to letter no. 44/1 prot dated, 09.4.2024” : **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”, the company Albgaz sh.a has drafted and submitted for approval the “ Compliance Program ” which is the final filter/guarantee for ensuring the strict implementation of the provisions provided for in Law No. 102/2015 “On the Natural Gas Sector”. Albgaz sh.a. has taken all measures to ensure equal and non-discriminatory access to the transmission system.
- Regarding the transmission tariff, the company ALBGAZ, with letter no. 101/1 prot ., dated 21.09.2022, has requested that the current transmission tariff remain in force for 2024. ERE, with decision no. 326, dated 14.12.2022 on “*Enforcing the temporary natural gas transmission tariff by the company ALBGAZ for 2024*”, decided to postpone the legal force of the tariff decision for 2024. Attached is letter 101/1 and decision no. 326/2022

2. Competition and commercial relations

After the investigation was completed, it was observed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter of ALBGAZ ALBGAZ no. 11/1 Prot dated, 21.3.2024 “reply to letter no. 44/1 prot dated, 09.4.2024” : **ALBGAZ meets the requirements of the program** . As far as competition and relations are concerned commercial , during 2022 no violation or mismanagement of commercial activity was reported either in general or in relation to specific cases . ALBGAZ's activities do not limit or affect fair competition in the natural gas market.
- During 2024, ALBGAZ did not sign and consequently did not notify ERE of a transmission contract.

3. Conflict of interest

After the investigation was completed, it was observed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter of ALBGAZ ALBGAZ no. 11/1 Prot dated 21.3.2024 “reply to letter no. 44/1 prot dated 09.4.2024” : **ALBGAZ meets the requirements of the Program, there are no violations** . Regarding conflicts of interest, during 2024, no violation or abuse of ALBGAZ employees by Whistleblower or any other individual internal or external to the company was reported.

Annual Compliance Report – 2024

C. ALBGAZ company information policy

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

1. Providing information

After the investigation was completed, it was observed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter of ALBGAZ no. 11/1 Prot dated, 21.3.2024 “reply to letter no. 44/1 prot dated, 09.4.2024” : **ALBGAZ meets the requirements of the Program.**

2. Confidentiality of information

After the investigation was completed, it was observed:

- According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and ALBGAZ letter No. ALBGAZ no. 11/1 Prot dated 21.3.2024 “reply to letter No. 44/1 prot dated 09.4.2024”: **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 paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and ALBGAZ letter No. ALBGAZ no. 11/1 Prot dated 21.3.2024 “reply to letter No. 44/1 prot dated 09.4.2024” : **ALBGAZ meets the requirements of the Program .**
- The ALBGAZ company has a website www.albgaz.al , as well as every transmission contract, network code, transmission tariff , etc. , approved by ERE and published on its website www.ere.gov.al), where any interested operator can submit its request for the use of the natural gas transmission network.

D. Compliance Program Implementation

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

After the investigation was completed, it was observed:

According to the conditions and requirements of the paragraphs of the Compliance Program approved by the ERE Board Decision No. 345, dated 21.12.2022, and the letter

Annual Compliance Report – 2024

of ALBGAZ ALBGAZ no. 11/1 Prot dated, 21.3.2024 “reply to letter no. 44/1 prot dated, 09.4.2024” : **ALBGAZ meets the requirements of the Program.**

- In fulfillment of the obligations arising from Law No. 102/2015 "On the Natural Gas Sector", point 66 of the Compliance Program and the contract concluded between ALBGAZ and the Compliance Officer, the ALBGAZ company has taken all necessary measures to enable continuous monitoring for the proper implementation of the Compliance Program, which has functioned on the basis and according to the powers granted by the law, by obtaining all necessary information from each director and or employee who has covered a certain sector. The Compliance Officer has also had access to the offices of the ALBGAZ company, to all the necessary information needed to perform his duties.

PART TWO

4. Compliance Officer Recommendations

In the 2024 report, ALBGAZ should consider the following recommendations for improving the natural gas market.

1. Assessing the existing gas network in Albania and providing recommendations for its possible integration into the future national gas system.
2. Review of applications, cost analysis and approval of tariffs and prices of licensees in the natural gas sector for: The activity of transmission and distribution of natural gas.
3. Adding end customers.
4. Presentation and briefing of Compliance staff on a regular basis.
5. Notification and information of the ALBGAZ Meetings Officer.
6. Program Improvement

PART THREE

6. Conclusions

In 2024, which marks the seventh year of implementation of the Compliance Program, ALBGAZ has continued its efforts to fulfill its independence obligations as a gas transmission and distribution operator. In line with the gas market liberalization process and the commitments made with the certification as an independent operator, the company has continued to focus on:

1. Providing essential services for the transmission and distribution of natural gas;
2. Guaranteeing transparency and equal treatment for all system users, while respecting the legal and regulatory framework in force.

The 2024 report did not identify any significant violations that could violate compliance standards, including:

- The independence of the transmission system operator (TSO) from vertically integrated enterprises engaged in the production and supply of gas;
- Confidentiality of sensitive commercial data and information;
- Equal treatment of all network users, guaranteeing fair access to the transmission and distribution system.

A positive aspect is the improvement of cybersecurity and information protection, minimizing risks that could affect the internal operations of the system. The company has shown commitment to implementing preventive measures to ensure stable and reliable operation.

Close cooperation between the governing bodies, staff and the Compliance Officer has been a key element in maintaining the required standards. The continuation of this cooperation is essential for:

- Preventing discriminatory behavior towards system users and balancing service providers;
- confidential commercial data ;
- Ensuring the independence of management staff and avoiding conflicts of interest.

To further strengthen compliance with the legal and regulatory framework, it remains essential that the Compliance Officer is actively involved in decision-making processes and is continuously informed on issues that may affect the basic principles of the OST. Further improving staff awareness of compliance obligations and creating a corporate culture that attaches importance to compliance remains a priority for ALBGAZ.

Tirana, 28.3.2024

Elvis Ponari, MBA, MSc

Compliance Officer, ALBGAZ Sh.a