



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

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

Tirana, on 28/3/2024

**ANNUAL COMPLIANCE REPORT**  
**2023**  
**the Natural Gas Sector by ALBGAZ Sh.a.**

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**ANNUAL COMPLIANCE REPORT**  
**2023**  
**the Natural Gas Sector by ALBGAZ Sh.a.**

**Tirana, 2024**

This report has been prepared based on the information that has been put at the disposal of the Natural Gas Transmission and Distribution System Operator ALBGAZ Sh.a., to the Company's Compliance Officer during the fulfillment of his responsibilities in 2023.

Pursuant to the requirements of Article 47, Article 16 point 7 of Law 102/2015 dated 23.09.2015, "On the Natural Gas Sector", as amended, as well as the decision of ERE 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", the annual report will be published in two languages on the official website of the Transmission System Operator Gas Transmission - ALBGAZ Sh.a ([www.albgaz.al](http://www.albgaz.al)) within five days of its submission in Albanian to the Energy Regulatory Authority (ERE). The report must be completed by March 31 of each year.

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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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## ***FIRST PART***

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### **1. Introdcution**

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 that repeals 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, which 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 1.1.2023 – 31.12.2023.*

*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. 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 headquarters of the company is located in the city of Tirana. The company also has a representative office in the city of Fier.

Throughout this period, ALBGAZ 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. Also, it should be emphasized that society is at an important stage of the development of the natural gas transmission and distribution system, in which MIE has a key role not only as the institution responsible for the development policies of the natural gas sector, but also supervising the progress of the development and construction projects of the new transmission and distribution system of natural gas 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 has to do with the political doing of the commercial activity.

### 3. Overview of the Energy Sector in our country for the year 2023

In the natural gas sector, during 2023, ERE has approved several by-laws which will play a role in the expected developments of the transmission and distribution network, as well as several decisions have been approved.

During the year 2023, for the natural gas sector, the Board of the Energy Regulatory Entity (ERE) approved the following Decisions:

With decision no. 184, dated 29.05.2023, the Board of ERE decided on a change in the decision of the Board of ERE no. 187, dated 10.11.2017, "for the licensing of the albgaz company s.a. in the natural gas distribution activity", amended.

*The ERE board decided to " license the young man . " " albgaz " s.a. in the activity of natural gas distribution , for a 30 - year term , with the condition that within 04.30.2023 , I will deposit another insurance certificate. "*

With decision no. 185, dated 29.05.2023, the Board of ERE decided on an amendment to the decision of the Board of ERE no. 188 dated 10.11.2017, "for the licensing of the albgaz company s.a. in the activity of transmission of natural gas", amended

*The ERE board decided to " license the young man . " " albgaz " s.a. in the activity of natural gas transmission , for a period of 30 years , with the condition that within the date of 30.08.2023, I deposit a new insurance certificate."*

With decision no. 293, dated 12.10.2023, the ERE Board decided on the initiation of the procedure for examining the request for the approval of the ten-year investment plan from the albgaz company s.a.

With decision no. 293, dated 12.10.2023, the Board of ERE decided on leaving in force the decision of the Board of ERE no . 206 , dated 16.12.2019 , " on the approval of the temporary tariff for the transmission of natural gas by the albgaz company s.a. for the year 2024.

The ERE board decided,

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1. postponement of the legal force of decision no . 206, dated 16.12.2019 , of the wind board for the year 2024 , until the approval of a fee remaining in the application of the new company " albgaz " sh.a. , according to the provisions of the legislation in force .
2. whether there will be effects on the company 's required income " albgaz " s.a. from the requested temporary income, their distribution and compensation will be done according to the provisions of article 17 , point "e " of law no . 102/2015 " for the natural gas sector " , amended.

With decision no. 384, dated 28.12.2023, the Board of ERE decided on a change in the decision of the Board of ERE no. 187, dated 10.11.2017 , " for the licensing of the company albgaz s.a. in the activity of natural gas distribution " , amended

The ERE Board decided to change point 1 of decision no . 187 , dated 10.11.2017 , amended as follows :

*( 1 ) " to license the young " albgaz " sh.a. , in the activity of natural gas distribution , for a 30-year term , with the condition that I deposit an insurance certificate , 1 ( a ) months before putting into operation "*

With decision no. 385, dated 28.12.2023, the ERE Board decided on a change in the decision of the ere board no. 188 dated 10.11.2017, "for the licensing of the albgaz company s.a. in the activity of transmission of natural gas", amended.

The ERE Board decided to change point 1 of decision no . 188 , dated 10.11.2017 , amended as follows : 1. *" to license the young " albgaz " sh.a in the activity of natural gas transmission, for a 30 - year term , with the condition that , to deposit an insurance certificate , 1 ( one ) month before before putting into operation . "*

Albgaz sh.a , in accordance with the object of the activity of its establishment and then its licensing , which is the development and operation of the infrastructure of transmission and distribution of natural gas in Albania, where in addition to the opportunities presented by the realization of the object of the activity, it is faced with some key challenges including but not limited to:

- Mobilization of funds and finding financial resources for the development of infrastructure projects;
- Improvement of the current natural gas infrastructure in Albania, which is very depreciated, the rehabilitation of which requires significant investments.
- Restructuring and adaptation of the organizational model and human resources; ETC.

Albgaz sh.a , from the moment of creation, took the burden of further development of the processes in accordance with the defined objectives and strategies, so one of the obligations was also the fulfillment of the commitments to the company TAP AG. For this purpose, the society " Albanian" was created Gas Service " s.a. with the object of activity is the realization of the maintenance service of the TAP gas pipeline. This was made possible through the partnership with the Italian company SNAM SpA , a leading company in the field of natural gas infrastructure and at the same time a shareholder of TAP AG. Also, in order to fulfill the obligations stipulated in the Maintenance Agreement, the Maintenance Center in Korça and the Maintenance Center in Fier were financed by TAP AG and implemented by " Albgaz " sh.a. Both of these centers already operate in accordance with the highest standards of the sector defined by TAP. Albgaz sh.a is the majority shareholder in the " Albanian" Company Gas Service ” sh.a , owner of 75% of the shares and therefore the beneficiary of the profits distributed every year in the form of dividends , softening and influencing the balance sheet of the company.

In accordance with market conditions, Albgaz sh.a has a sole client for the provision of natural gas transmission service, the company Albpetrol sh.a. , which, starting with the COVID-19 pandemic, significantly reduced oil production and, consequently, the quantities of accompanying gas for



transmission, thus affecting the income from this activity. However, Albgaz has continued to keep the transmission lines in operation for the needs of Albpetrol .

### **Recent developments**

1. In the light of the latest developments and the announced priorities of the Government of Albania, throughout the year 2023, represented by the Ministry of Infrastructure and Energy (hereinafter referred to as "MIE") for the construction of a natural gas pipeline from the Vlora Terminal to Fier, with a letter from the Ministry of Infrastructure and Energy, Albgaz sh.a received the final documentation of the project WB20-ALB-ENE-04 "Detailed project and tender documents " for the Fier-Vlora gas pipeline, financed by WBIF. Albgaz took all the necessary steps to follow the procedures to enable the construction of this pipeline of national importance, a process which continues at a satisfactory pace.

2. The initiation of the amendment of VKM no. 87/2018 "The development plan of the natural gas sector in Albania and the identification of priority projects ", a change which was reflected in VKM No. 563 dated 04.10.2023 "On some additions and changes to Decision no. 87 dated 14.02.2018, of the Council of Ministers, "On the approval of the development plan of the natural gas sector in Albania and the identification of priority projects ", which in its point 2 amends point 5.6, the first subdivision and states the maximum pressure allowed up to 100 bar, for the transmission system in Albania when the IAP does not exist. In accordance with the legal changes, the basis of the activities carried out by Albgaz has been the analysis of the detailed project financed by WBIF and of the documents on which the C&M Engineering studio was based, which drew up the detailed project in order to enable the realization of the construction. of this pipeline, always in accordance with the latest legal changes. This analysis showed that, despite the quality of the design from the engineering point of view and its accompanying documentation , it did not address some key issues , such as:

- The connection of the Albanian pipeline network with the interstate regional and European gas transmission systems due to the design of this pipeline for natural gas transport in one direction only, from the TAP CP1 Interconnection Point in the direction of Vlorë TPP. The design pressure of 55 barg used by the designer for the hydraulic and structural calculations of the Fier-Vlora gas pipeline does not allow its adoption as a bi-directional pipeline to inject natural gas into the TAP pipeline because the working pressure in the TAP pipeline is over 82 villages .

- The possibility of using this new gas pipeline for transporting natural gas from Vlora to TAP, in the case of the construction of a Liquid Gas Terminal in the port of Vlora as a very good opportunity for compensating the needs of the regional and European market for natural gas due to the gradual removal from the use of coal as well as the needs to compensate for the natural gas missing from the Russian market.

- The possibility of using this new gas pipeline for transporting green energy sources such as hydrogen due to the constructive solution of this pipeline (materials and equipment designed only for natural gas).

3. In the legal amendments, specifically VKM 563/2023, among other things, it is determined that in the list of short-term priorities, subsection 2/1 is added with the content "Development of the exit point and the distribution network of Korçë Municipality" and "Development of the network of distribution of liquefied natural gas". With these changes, Albgaz pursues with priority the opportunities for the realization of the gasification project of the city of Korça.

4. Albgaz has submitted to the Energy Regulatory Authority the 10-year investment plan, which is already in the approval procedure. The principles followed in the design of the investment plans are in harmony with the national strategy for the development of the natural gas sector, approved with VKM no. 87/2018 "On the approval of the National Plan for the Gas Sector ( the Master Plan of the Gas Sector for Albania, amended by VKM no. 563, dated 04.10.2023, provided for in Article 6, letters "a" and " b" of the "Regulation on the procedures for submitting and approving the investment plan by natural gas Transmission and Distribution operators".

5. Albgaz has necessary and necessary financial and technical support, in order to optimize and realize commercial projects and ventures. Such support will have to be provided through partnership with international companies, with extensive experience in the field of natural gas infrastructure, not only in terms of design but also subsequent activities such as its operation and maintenance.

6. Cooperation with an important international actor would bring improvements in all aspects of the activity, including the technical, financial, as well as the absorption and provision of best experiences and practices in the sector, this also for the subsequent activities of infrastructure construction, such as operation and maintenance, which require financial but also human capacities with in-depth expertise in the sector.

### **Objectives to be achieved.**

In fulfillment of MIE's commitments regarding (i) the restarting of the Vlora TPP, ( ii ) the creation of a terminal for the distribution of liquefied natural gas as well as ( iii ) the construction of a natural gas pipeline from the Terminal Vlora to Fier, Albgaz sh.a has made available all its capacities for exploring the possibilities of realizing projects. The geographical position of Albania, as well as other factors such as: (i) the completion of the construction and the start of TAP operations, ( ii ) the difficult international situation of gas supply due to the Russian aggression in Ukraine, ( iii ) the need to diversify the sources of energy supply , ( iv ) as well as the determination of the Government of Albania to support the gasification of the country, are the main factors that create a momentum for the development of the gas market in Albania.

### **Projects targeted by ALBGAZ**

1. Fier-Vlora-Fier Pipeline ( Interconnection with TAP)
2. Section of IAP: Fier- Kashar
3. Section of IAP: Kashar - Montenegro
4. Underground storage Dumrea .
5. Gasification of the city of Korça

## **4. Licensing in Natural Gas activities**

During 2023, ERE did not carry out licensing processes and there were no license modifications in the natural gas sector.

## **5. Compliance Program**

Based on the letter sent by ERE with the subject: Notice for the holding of a hearing following the filing of the Annual Compliance Report of ALBGAZ sha, for the year 2022 Tirana 2/23/2024 No. protocol 128/3, some findings have been ascertained together with the Official and it is requested that measures be taken or created to improve the situation.

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From the review of the report of 2022, in reference to the Program's stipulations, it is found that it was drawn up mainly according to the tasks left by the Program, but it was found that this report should be further supplemented with what was found in the previous reports, as follows ;

1. The Annual Compliance Reports of 2021 and 2022 have not yet been published on the website of ALBGAZ sha ([www.albgaz.al](http://www.albgaz.al)), this obligation arising from point 73 of the Program.

ALBGAZ company together with the Compliance Officer (ZP) will follow the finding and resolve it.

2. Regarding the reporting of the Official in relation to the determinations of points 5 and 6 where he informs that in relation to the division of ownership and the independence of Albgaz Ltd. It is a broad consultation process with all the actors involved or influential in decision-making, concrete information/documentation must be submitted regarding what was reported, as we remember that inter-institutional cooperation for the division of ownership is one of the conditions of the certification decision. to ALBGAZ sha (179/2017, amended), which has not yet been completed.

The ALBGAZ company has been licensed by ERE for 30 years, and based on this, the measures will be completed in the following years.

3. The official reported that ALBGAZ sha fulfills the requirements of the program referring to the provisions of paragraphs 22-27, regarding equal and non-discriminatory access to the transmission system, but it should be specified what are the measures taken by ALBGAZ sha to reach the conclusion that such access has been made.

ALBGAZ company does not have any end customer or any customer to whom it gives access . So as a point it is exhausted .

4. The official has reported that ALBGAZ sha fulfills the requirements of items 36-38 of the Program, but he never knew what measures were taken or the way in which "ALBGAZ" sha guarantees the provision of information. In point 36 of the Program it is determined that public information must be published on the website as required by Law no. 102/2015 For the Natural Gas Sector and legal acts in force. As accessed by ERE, on the web page , [www.albgaz.al](http://www.albgaz.al) . it is established that the relevant sections have been created, but they do not contain the required information.

ALBGAZ company together with ZP will fulfill this request during 2024.

5. The official has reported that ALBGAZ sha fulfills the requirements of points 39-51 of the Program, where it is determined that ALBGAZ must ensure the confidentiality of information, but no measure/procedure has been reported on how to guarantee the preservation of confidential or commercially sensitive information.

ALBGAZ company does not have any end customer or any customer to whom it gives access . So as a point it is exhausted .

6. The official has reported that ABGAZ sha fulfills the requirements of points 52-54 of the Program, regarding public information, but it is established that on the official website of ALBGAZ sha, the relevant sections have been created, but no information required by these points has been published yet. The program, such as the list of

services provided by ALBGAZ sha, information on rates and other conditions for the provision of these services, including the technical conditions for access and connection to the transmission system, etc.

ALBGAZ company does not have any end customer or any customer to whom it gives access . So as a point it is exhausted .

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.

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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024"**

- **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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024"** 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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024"

- 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 related 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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **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 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.



## 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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **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" 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.
- Regarding the transmission fee, the ALBGAZ company with letter no. 101/1 prot ., dated 21.09.2022, has requested that for the year 2023 the current transmission fee remains in force. ERE with decision no. 326, dated 14.12.2022 on *"Enforcement of the temporary tariff for the transmission of natural gas by the ALBGAZ company for the year 2023"* decided to postpone the legal force of the tariff decision for the year 2023. Attached 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 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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **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
- Throughout 2023, the ALBGAZ company has not signed and therefore has not notified ERE of the transmission contract.

### 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

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Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and ALBGAZ letter no. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **ALBGAZ meets the requirements of the Program, there are no violations** . In relation to conflicts of interest, throughout the year 2023, 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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **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 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. no. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **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 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. no. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024": **ALBGAZ meets the requirements of the Program .**
- According to the conditions and requirements of the points of the Compliance Program approved by the Decision of the Board of ERE decision no. 345, dated 21.12.2022, and letter of ALBGAZ no. 122/1 dated 17.10.2023. ALBGAZ implements the requirements of the program.
- The ALBGAZ company has the website [www.albgaz.al](http://www.albgaz.al) , also every transmission contract, network code, transmission fee, etc. , are approved by ERE and published on its website [www.ere.gov.al](http://www.ere.gov.al) ), where every operator the interested party can submit its request for the use of the natural gas transmission network.

### D. Compliance Program Implementation

Compliance Officer, ALBGAZ SH.A.

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. 11/1 Prot date, 13.2.2024 "return response letter no. 11 prot date, 12.1.2024"" : **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 as well as the contract concluded between ALBGAZ and the Compliance Officer, the ALBGAZ company has taken all the necessary measures to enabling continuous monitoring for proper implementation of the Compliance Program, which has operated based on and according to the powers given by the law, receiving all the necessary information from each director and or employee who has covered a certain sector. The Compliance Officer also had access to the offices of the ALBGAZ company, to all the necessary information needed to perform his duties.



## ***SECOND PART***

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

In the 2023 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.
4. Adding internal anti-corruption regulations
5. Adding internal regulations to the code of ethics
6. Adding internal regulations to the code of conduct
7. Addition of measures and regulations according to the ERE letter with the subject: Notice for the holding of a hearing following the filing of the Annual Compliance Report of ALBGAZ sha, for the year 2022 Tirana 2/23/2024 No. protocol 128/3.
8. Introducing and briefing the staff about Compliance on a regular basis.

## *THE THIRD PART*

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### **6. The specific tasks left by ERE for 2024 and the objectives for the future in the natural gas sector.**

In fulfillment of MIE's commitments regarding (i) the restarting of the Vlora TPP, ( ii ) the creation of a terminal for the distribution of liquefied natural gas as well as ( iii ) the construction of a natural gas pipeline from the Terminal Vlora to Fier, Albgaz sh.a has made available all its capacities for exploring the possibilities of realizing projects. The geographical position of Albania, as well as other factors such as: (i) the completion of the construction and the start of TAP operations, ( ii ) the difficult international situation of gas supply due to the Russian aggression in Ukraine, ( iii ) the need to diversify the sources of energy supply , ( iv ) as well as the determination of the Government of Albania to support the gasification of the country, are the main factors that create a momentum for the development of the gas market in Albania.

- 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 begins in 2021, 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 Code of TAP Tariffs with EU Regulation 2017/459 creating the network code on Capacity Allocation Mechanisms for gas transportation 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 small scale ( 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 the 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 sites with a combined capacity of 230 m3/h of gas, while the second phase foresees the expansion of this structure up to the capacity of 800 m3/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, since during the non-binding expression of interest phase, TAP has received interest in capacity and connection requests 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 certification conditions of the Natural Gas Transmission Operator, Albgaz JSC

## ***PART FOUR***

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### **7. Conclusions**

The submitted report determines that, in 2023 (the sixth year of the implementation of the Compliance Program and reporting on the basic program), ALBGAZ, within the framework of the commitments undertaken, was licensed for 30 years as an independent natural gas transmission operator, and licensing for 30 years in the activity of natural gas distribution.

ALBGAZ company needs to find funds or investors to start the projects and start the natural gas activity.

**Tirana, 28.3.2024**

**Elvis Ponari, MBA, MSc**

**Compliance Officer, ALBGAZ Sh.a**