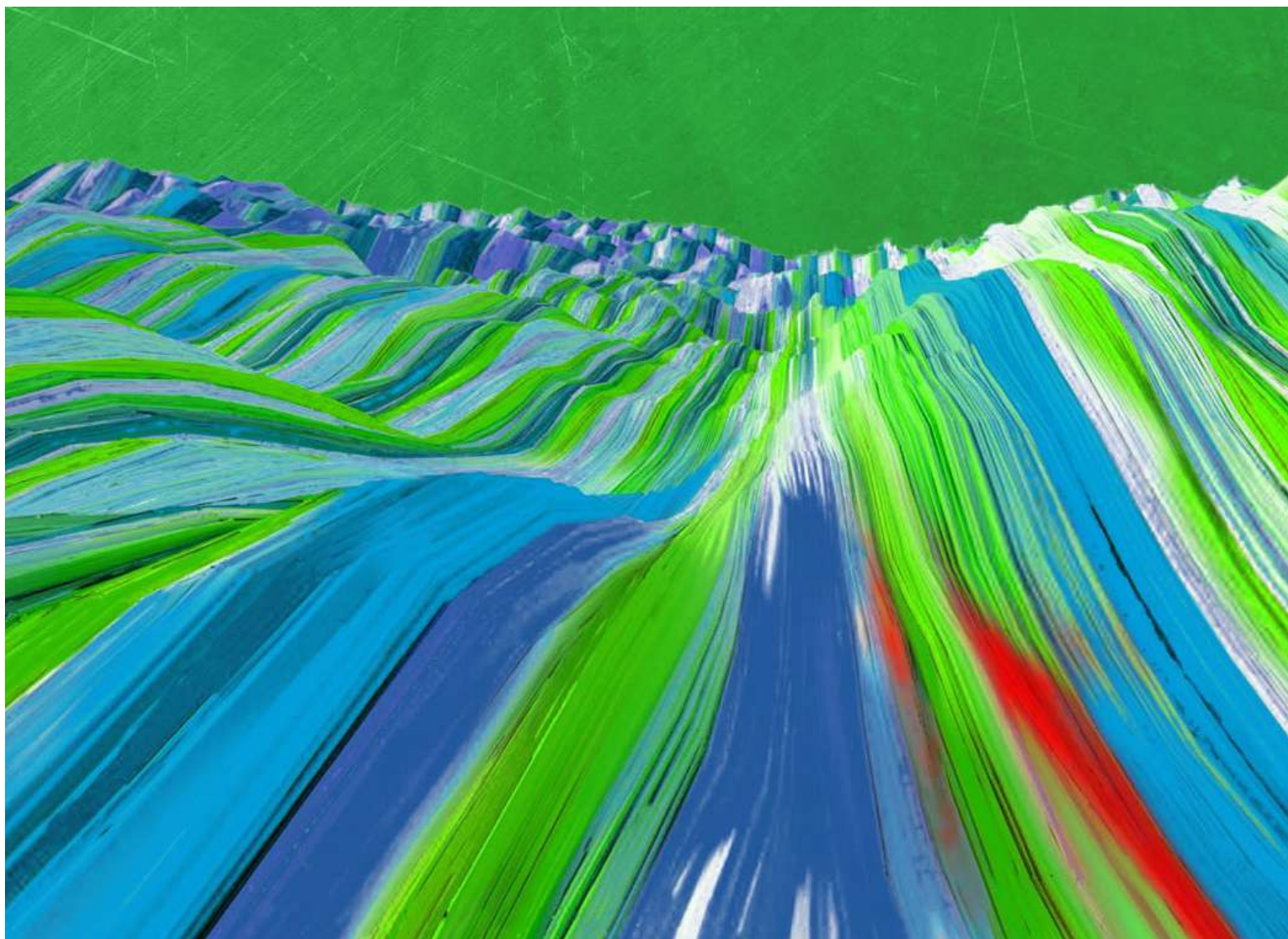


# Newsletter

## June 2023



■ **Albanian Parliament Approves Law to Promote Renewable Energy**

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# Albanian Parliament Approves Law to Promote Renewable Energy

The Parliament of the Republic of Albania has recently given its approval to Law no. 24/2023, titled "On the promotion of the use of energy from renewable sources," hereinafter referred to as "the Law." This legislation encompasses various provisions aimed at encouraging the utilization of energy derived from renewable sources. It outlines rules pertaining to the support and promotion of renewable energy, as well as regulations concerning Guarantees of Origin and the integration of self-producers.

The primary objective of the Law is to bolster the adoption of renewable energy sources, thereby reducing the country's reliance on imported fossil fuels and curbing greenhouse gas emissions.

By doing so, it seeks to protect the environment, enhance energy source diversification, and facilitate the development of rural and isolated areas by improving their access to energy supplies. It is important to note that the Law aligns partially with Directive 2018/2001/EC of the European Parliament and the Council, issued on December 21, 2018, which concerns the promotion of renewable energy utilization.

As a consequence of its enactment, Law no. 7/2017, titled "On the promotion of the use of energy from renewable sources," has been repealed.

*Determination of National Objectives and Collaboration with the Energy Community Secretariat.*





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The Law establishes national objectives with regards to the proportion of renewable energy in the country's gross final energy consumption. These objectives are outlined in the National Energy and Climate Plan (NECP), ensuring a comprehensive framework for sustainable energy development.

Additionally, the Law emphasizes cooperation with the Energy Community Secretariat, thereby strengthening Albania's commitment to regional energy integration and adherence to international standards. By enacting this legislation, Albania takes a significant step towards embracing renewable energy sources and fostering a greener, more sustainable future.

### ***Reporting and Support Schemes for Renewable Energy Producers***

The Ministry responsible for overseeing the implementation of the National Energy and Climate Plan (NECP) is required to provide updates to the Energy Community Secretariat through a National Integrated Energy and Progress Report. This ensures transparency and accountability in monitoring the progress of the NECP. In terms of the projected share of energy from renewable sources in gross final energy consumption, the target for 2030 is set at 54.4%. This demonstrates Albania's commitment to significantly increasing the contribution of renewable energy in its overall energy mix.



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To support renewable energy producers, the Law identifies "Priority Producers" as those who generate electricity from renewable energy sources and benefit from specific support schemes. These schemes include:

**Power Purchase Agreement (PPA):** Under this scheme, a designated recipient agrees to purchase electricity generated by producers at a fixed price. This provides stability and assurance for renewable energy producers.



**Contract for Difference (CoD):** This support scheme involves the Renewable Energy Operator (REO) paying the difference between the guaranteed price and the reference price to the Priority Producer when the reference price is lower. Conversely, if the reference price is higher, the Priority Producer pays the difference to the REO. This mechanism helps mitigate financial risks for renewable energy producers.

**Premium Contract:** This support scheme entails the REO paying a fixed or sliding premium to Priority Producers above the market price. This additional payment incentivizes the production of renewable energy and supports the profitability of these projects.

*By implementing these support schemes, Albania aims to create a favorable A solar panels and wind turbines on a planet*

Description automatically generated with low confidenceenvironment for renewable energy producers, encouraging their participation and facilitating the transition to a more sustainable energy landscape.

Support for Priority Producers is provided through a competitive process, which can be either technology-neutral or specific to a particular technology, as determined by the Ministry. This approach ensures fairness and encourages innovation in the renewable energy sector.

Initially, support may be granted in the form of a Power Purchase Agreement (PPA), which can later be converted into a Contract for Difference (CoD) once an advanced day-ahead electricity market is established. This transition allows for greater market efficiency and aligns with industry advancements.

The Council of Ministers, upon the proposal of

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the relevant Minister, approves the supporting measures, as well as the rules and procedures for the competitive process. This ensures a standardized and transparent framework for granting support to Priority Producers.



Demonstration projects, which involve the introduction of groundbreaking technologies that are the first of their kind in the European Union and the Energy Community, receive support but are not subject to the competitive process.

The Council of Ministers defines the support mechanisms for these projects, recognizing their exceptional nature and potential for significant innovation. Demonstration projects with a capacity of less than 10.8 kW benefit from facilitated grid connection procedures, allowing for simplified and streamlined integration into the distribution system. This streamlined process is achieved through a simple notification to the Distribution System Operator. Self-producers of renewable energy, with a maximum capacity of 500 kW, have the right to generate, consume, store, and sell excess renewable energy. This provision encourages individual energy independence and empowers self-producers to con-

tribute to the overall renewable energy goals of the country. These measures collectively aim to foster a competitive and innovative renewable energy sector, facilitate the deployment of cutting-edge technologies, and empower both large and small-scale renewable energy producers to actively participate in the energy transition. Self-producers of renewable energy are granted the rights and freedoms to engage in electricity production without facing unfair burdens. They have the flexibility to enter into bilateral agreements, collaborate with electricity suppliers, and participate in peer-to-peer trade agreements, all without discrimination or disproportionate obstacles.

The specific rights and obligations of self-producers of renewable energy are outlined in a decision proposed by the Ministry and approved by the Council of Ministers. This provides a clear framework for self-producers to operate within and ensures consistency and fairness in their activities.





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In cases where self-producers of renewable energy are located within the same building, including multi-apartment blocks, they have the right to collectively participate as self-producers of renewable energy. This encourages local energy generation and fosters community-based renewable energy initiatives. The pricing of electricity generated by self-producers of renewable energy is determined by the Energy Regulatory Authority (ERE). This ensures that self-producers receive fair compensation for the electricity they generate, avoiding any discrimination between self-producers and other consumers.

To support the integration of energy storage systems, the Minister has the authority to approve limited measures such as grants, investment credits, premiums, or other forms of operating support. These measures incentivize the deployment of energy storage technologies, enhancing the stability and reliability of the electricity grid. These provisions collectively create an enabling environment for self-producers of renewable energy, ensuring their rights, fair compensation, and opportunities for growth. By empowering self-producers, Albania promotes a more decentralized and resilient energy system based on renewable sources.

Until January 1<sup>st</sup>, 2024, self-producers are permitted to install a total capacity of up to 500 kW for the production of electricity from renewable sources. This allows them to meet a portion of their own energy needs and inject excess energy generated into the distribution grid. This provision promotes energy self-sufficiency and encourages the contribution of self-producers to the overall renewable energy supply.



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### ***Support for Specific Storage Technologies and Renewable Energy Community***

To promote specific storage technologies that contribute to reductions in CO<sub>2</sub> emissions, enhance security of supply, or optimize the use of renewable energy production, the Minister has the authority to provide support measures through a competitive process. These measures are designed to incentivize the adoption and deployment of storage technologies aligned with the defined objectives. The Minister, after receiving a preliminary opinion from the Energy Regulatory Authority (ERE), can determine the form and conditions of the support scheme for storage capacities that do not meet the specified objectives. In addition to individual producers, the Law recognizes the establishment of Renewable Energy Communities. These communities are legal entities that operate with open and voluntary participation, comprising natural persons or local authorities. Their primary objective is to provide environmental, economic, or social benefits to the community, sharehold-

ers, members, or local areas rather than pursuing financial profits.

Renewable Energy Communities enjoy a range of rights and privileges. They have the autonomy to generate, consume, store, share, sell renewable energy, and engage in energy aggregation. As priority producers, they receive support and can also be designated as demonstration projects through a decision of the Council of Ministers. This recognition highlights the unique and valuable role that Renewable Energy Communities play in advancing sustainable energy practices and benefiting local communities.

By fostering the development and support of specific storage technologies and promoting the establishment of Renewable Energy Communities, Albania paves the way for a more efficient, sustainable, and community-focused energy landscape.

### ***Renewable Energy Operator (REO)***

The Renewable Energy Operator (REO) serves as the contracting party for Priority Producers. It acts as the buyer of electricity generated by Priority Producers under Power Purchase Agreements (PPAs) and facilitates the distribution of this power directly to the organized market. To cover its costs, the REO relies on the renewable energy obligation, which is a payment made by final consumers of electricity. This mechanism ensures that the expenses incurred by the REO in purchasing renewable energy from Priority Producers are supported by electricity consumers.

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The establishment and registration of the REO will be carried out by the Minister within six months from the entry into force of the Law. Until the REO is officially established, the responsibilities will be performed by a supplier operating in the free market, under the supervision of the Energy Regulatory Authority (ERE).

### *Guarantees of Origin*

A Guarantee of Origin is an electronic document that serves as proof to the final consumer that a certain amount of energy has been produced from renewable sources. It provides transparency and credibility regarding the renewable origin of the energy supplied.

The ERE acts as the national body responsible for issuing Guarantees of Origin in the Republic of Albania. It establishes a system for issuing, transferring, redeeming, and revoking/canceling Guarantees of Origin, ensuring the accurate tracking and verification of renewable energy generation. Through the implementation of the REO and the issuance of Guarantees of Origin, Albania strengthens its renewable energy sector by providing market mechanisms, transparency, and accountability in promoting and tracking renewable energy production.

The issuance of Guarantees of Origin is handled by the ERE upon the request of renewable energy producers. Each Guarantee of Origin remains valid for one year, starting from the last day of the production period for which it was issued.





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### *Guarantees of Origin for Renewable Energy Sources*

Guarantees of Origin are specifically related to energy produced from renewable energy sources. These guarantees are transferable, allowing for the reliable tracking and trading of renewable energy attributes. Renewable Resources in the Transport Sector, Heating and Cooling, and Hot Water Production Incentives and promotional measures for the utilization of renewable energy sources in the transport sector are determined by a separate law.

This legislation focuses on encouraging the adoption of renewable energy in transportation to reduce dependence on fossil fuels and promote sustainable mobility. Regarding hot water production for hygienic and technological purposes in urban areas, the Council of Ministers establishes minimum indicators that encourage the use of solar panel systems.

These indicators serve as guidelines to enhance the integration of renewable energy technologies into hot water production systems. Similarly, the Council of Ministers, upon the proposal of the Minister, adopts a decision to support the achievement of national objectives for renewable energy sources in the heating and cooling sector.

This decision aims to promote the use of renewable energy in heating and cooling systems, contributing to energy diversification, reduced greenhouse gas emissions, and overall energy sustainability.

The Law, published in the Official Journal No. 64 on 14.04.2023, becomes enforceable 15 days after its publication. From that point onward, the provisions outlined in the Law are legally binding and applicable to the promotion and regulation of renewable energy utilization in Albania ■





# Newsletter

June 2023







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