

# Gas Regulation

*Contributing editors*

David Tennant and Adam Brown



2018

GETTING THE  
DEAL THROUGH 

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# Gas Regulation 2018

*Contributing editors*

David Tennant and Adam Brown  
Dentons UK and Middle East LLP

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This article was first published in March 2018  
For further information please contact [editorial@gettingthedealthrough.com](mailto:editorial@gettingthedealthrough.com)

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Published by  
Law Business Research Ltd  
87 Lancaster Road  
London, W11 1QQ, UK  
Tel: +44 20 3780 4147  
Fax: +44 20 7229 6910

© Law Business Research Ltd 2018  
No photocopying without a CLA licence.  
First published 2003  
Sixteenth edition  
ISBN 978-1-78915-027-8

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Printed and distributed by  
Encompass Print Solutions  
Tel: 0844 2480 112



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# Preface

## Gas Regulation 2018

Sixteenth edition

**Getting the Deal Through** is delighted to publish the sixteenth edition of *Gas Regulation*, which is available in print, as an e-book and online at [www.gettingthedealthrough.com](http://www.gettingthedealthrough.com).

**Getting the Deal Through** provides international expert analysis in key areas of law, practice and regulation for corporate counsel, cross-border legal practitioners, and company directors and officers.

Throughout this edition, and following the unique **Getting the Deal Through** format, the same key questions are answered by leading practitioners in each of the jurisdictions featured. Our coverage this year includes a new chapter on Germany.

**Getting the Deal Through** titles are published annually in print. Please ensure you are referring to the latest edition or to the online version at [www.gettingthedealthrough.com](http://www.gettingthedealthrough.com).

Every effort has been made to cover all matters of concern to readers. However, specific legal advice should always be sought from experienced local advisers.

**Getting the Deal Through** gratefully acknowledges the efforts of all the contributors to this volume, who were chosen for their recognised expertise. We also extend special thanks to the contributing editors, David Tennant and Adam Brown of Dentons UK and Middle East LLP, for their continued assistance with this volume.

GETTING THE  
DEAL THROUGH 

London  
February 2018

# Albania

## Alban Caushi

### CR Partners

#### Description of domestic sector

**1 Describe the domestic natural gas sector, including the natural gas production, liquefied natural gas (LNG) storage, pipeline transportation, distribution, commodity sales and trading segments and retail sales and usage.**

In the past Albania had a significant gas sector, but there is virtually no gas now. Domestic gas production has declined from 1 bcm in 1982 to 0.01 bcm in recent years, and almost an entirely new or rebuilt gas transmission and distribution system is required. Albania is today, along with Montenegro and Kosovo, one of the few countries in Europe not linked to interstate gas transmission systems and has a completely isolated, national gas distribution system. The very small remaining gas activity is concentrated in the southern part of the country supplying the oil refinery industry with limited volumes of domestic produced gas from the fields of Divjaka and Frakull and associated gas from the oil fields near Ballsh.

There are two oil refineries at Ballsh and Fier with a combined capacity is 1 Mt/y, but both are presently running at 40-50 per cent of capacity. Other industries, such as the Fier fertiliser plant that used to be a major natural gas consumer in the 1970s, have either shut down or have reduced their production volumes.

Owing to the location of gas and oil fields and the availability of pipeline infrastructure, the use of gas was focused on the area of Fier, which represented about 70 per cent of the gas market in Albania in past years. Gas fields already have some pipeline infrastructure in place from Durres to Delvina.

The total pipeline network has a length of 498km and connects all the previously operational gas fields (Povelca, Divjaka, Frakulla, Panaja and Delvina) with consumers located in Fier, Vlora, Elbasan, Lushnja, Ballsh and Durres. Except for the refurbished pipeline from Delvina gas field to the refinery in Ballsh, the gas infrastructure is non-operational and would require rehabilitation before coming operational. Much of the network needs to be totally replaced, but rights of way can be useful.

Depending on the results of exploration in the next five to 10 years, as well as on the development of Trans Adriatic Pipeline (TAP), Albania will consider the possibility of exploiting and transporting natural gas more widely. Albania can also consider the distribution of natural gas throughout the country, but this cannot be expected before 2020, even in the most favourable conditions.

**2 What percentage of the country's energy needs is met directly or indirectly with natural gas and LNG? What percentage of the country's natural gas needs is met through domestic production and imported production?**

Only a small part of the country energy need is met via the supply of LNG. There is no domestic production of LNG in Albania so far and all LNG comes from import. The annual consumption of liquid petroleum gas by households and services is nearly 100,000 tons/year. The Gas Masterplan for Albania approved by the Albanian government in February 2018 estimates gas consumption by 2030 will be at 1.5 to 1.8 bcm/year, with the main consumers expected to be:

- power generation sector and industrial consumers; and
- service sectors, which will use natural gas for heating the residential sector for heating, cooking and hot water.

#### Government policy

**3 What is the government's policy for the domestic natural gas sector and which bodies set it?**

The government's policy for the domestic natural gas sector are:

- diversification of energy sources and supply routes to increase energy security in Albania;
- Introduction of advanced gas supply technologies through virtual pipelines, floating LNG, CNG, etc;
- consolidation and improvement of the legal and institutional framework governing the gas sector and the energy sector as a whole, as well as the strengthening of relevant institutions in the field;
- establishment of new institutions where deemed necessary; and
- developing competition between energy suppliers.

The Ministry of Infrastructure and Energy (MIE) develops policies for the development of the natural gas sector, in accordance with the requirements laid down in the Treaty of the Energy Community, the principal directions of general state policy and specific strategies, such as the National Development and Integration Strategy and the national Energy Strategy and the objectives set in the National Plan of Implementation of the Stabilisation and Association Agreement and the Gas Masterplan of Albania.

MIE approves new infrastructure plans of natural gas; Issues building permits and authorisations of new gas infrastructure; technical designs and safety regulations and proposes the Albanian government for approval. MIE plays a crucial role in the harmonisation and interoperability of the Albanian natural gas systems with standards and regulations of EU gas sector and the interaction of the Albanian natural gas systems.

#### Regulation of natural gas production

**4 What is the ownership and organisational structure for production of natural gas (other than LNG)? How does the government derive value from natural gas production?**

There is practically no natural gas production in Albania nowadays. The very small remaining gas activity is concentrated in the southern part of the country supplying the oil refinery industry with limited volumes of domestic produced gas from the fields of Divjaka and Frakull and associated gas from the oil fields near Ballsh.

The total pipeline network is 498km long and connects all the previously operational gas fields. Except for the refurbished pipeline from Delvina gas field to the refinery in Ballsh, the gas infrastructure is non-operational and would require rehabilitation before becoming operational.

The existing gas transmission infrastructure is under the ownership of Albgas sh.a., a state-owned company, whereas the existing gas fields are exploited by private operators through the PSCs. Albgas sh.a is licensed by the Energy Regulatory Entity (ERE) to conduct both the transmission and the distribution as combined operator of natural gas in the territory of Albania. Most of the existing gas pipelines are old or in poor condition, which make it not feasible to repair them and almost an entirely new or rebuilt gas transmission and distribution system is required.

It is worth mentioning that TAP will transport natural gas from Shah Deniz II deposit in the Caspian Sea (Azerbaijan) to European markets. It will pass through Greece, Albania and the Adriatic Sea, and come ashore in the south of Italy. TAP is considered important for Albania because it will connect Albania to the Southern Gas Corridor, providing an option for natural gas supply to the Albanian market. TAP AG, on the other hand, was certified as an independent transmission service operator (TSO) by ERE in 2016.

There are two ways through which the government can generate values from the natural gas production. The government can charge profit tax, which is 50 per cent applicable over the gross income generated from the extraction activity as well as royalty tax of 10 per cent charged over the sales of natural gas quantities. An alternative way to generate value from natural gas is through the PSC. After the cost incurred by the operator is fully recovered, the production of the extracted natural gas is split between the government and the operator.

##### **5 Describe the statutory and regulatory framework and any relevant authorisations applicable to natural gas exploration and production.**

The legal and regulatory framework for the gas market (transmission and distribution) in Albania is currently regulated by the Law on Natural Gas Sector of 2015, which was adopted by the Albanian parliament on 23 September 2015. With the Law on the Natural Gas Sector of 2015, Albania has transposed its obligations arising from the Third Energy Package (Directive 2009/73/EC and Regulation (EC) No. 715/2009) of EU legislation. The transposition of the Third Energy Package is currently followed by adopting necessary by-laws in the gas sector, as defined by this gas-related law, within the deadlines agreed with the Energy Community institutions. The legal and regulatory framework needs to achieve adoption of the secondary regulations required firstly for the transmission and distribution system operation and secondly for the gas market operation. Albania still needs to adopt the necessary acts concerning the functioning of the gas sector. In terms of the legal and regulatory framework, it is necessary to draft and approve specific rules envisaged under the primary legislation, such as the Market Code, Transmission Grid Code, Distribution Grid Code, Capacity Allocation and Congestion Management Rules, Quality of Service Rules, etc.

Exploration and Production of the natural gas is regulated by the Law No. 7746, dated 28/07/1993, 'On Hydrocarbons'. The fiscal regime for natural gas (Exploration and Production) is regulated by the Decree No. 782, dated 22/02/1994 'On the fiscal regime in the hydrocarbons sector'.

It must be noted that there are no regulations pertaining to exploration and production of unconventional gas in Albania.

The Ministry of Infrastructure and Energy, the National Agency of Natural Resources (NANR) or Albpetrol sh.a. (the state-owned company that administers the gas fields) may enter into concession agreements or hydrocarbons contracts (exploration and production) and allow third parties that meet the technical and financial capacities to explore and produce gas from the existing or new gas fields. The concession or hydrocarbon contract is subsequently approved by the Council of Ministers.

##### **6 Are participants required to provide security or any guarantees to be issued with a licence to explore for or to store gas?**

There is no statutory requirement for an operator to provide security or submit a guaranty to the benefit of Albpetrol or NANR to obtain a licence to explore or store gas. The latter authority may, however, require the provision of securities or guarantees, depending on the financial standing of the contract partner, a requirement that is usually made part of the exploration agreement.

#### **Regulation of natural gas pipeline transportation and storage**

##### **7 Describe in general the ownership of natural gas pipeline transportation, and storage infrastructure.**

The transportation and gas storage can be either privately or publicly owned. The construction, operation and maintenance of the gas pipelines and gas storage facilities is granted upon the authorisation of the Council of Ministers based on a contract for a period of 30 years. The contract term can be further extended with the parties' mutual

consent. The licences to operate as distribution system operator (DSO), TSO and gas storage facility operator are issued by ERE.

##### **8 Describe the statutory and regulatory framework and any relevant authorisations applicable to the construction, ownership, operation and interconnection of natural gas transportation pipelines, and storage.**

The legal and regulatory framework applicable to the construction, ownership, operation and interconnection of natural gas transportation pipelines, and storage in Albania are:

- the Law on the Natural Gas Sector;
- the Decision of the Council of Ministers No. 713, dated 25 September 2010 'On Setting the Rules on the Terms and Procedures for the Granting of Permits to Construct and Operate the Pipeline and Infrastructure of Natural Gas Systems';
- the Law on Territory Planning and Development
- the Law on Environmental Protection, the Law on Environmental Impact Assessment;
- the Law on Air Protection from Pollution;
- the Law on Protected Areas;
- the Law on Environmental Protection from Trans-Boundary Impact;
- the Law on Environmental Permits;
- the Law on Forests;
- the Law on expropriation and temporary acquisition of private property for public interest; and
- the Civil Code of the Republic of Albania.

For the construction, operation and the interconnection of the natural gas transportation pipeline including the storage a special permit issued by the Council of Ministers of the Republic of Albania is required.

Permits to construct and the permits for use are approved by the National Territory Council. The environmental permit is approved by the Minister of the Environment and is issued by the National Business Centre.

##### **9 How does a company obtain the land rights to construct a natural gas transportation or storage facility?**

There are different ways for a company to obtain land rights:

- private purchase;
- lease agreement;
- expropriation; and
- easement agreement.

##### **10 How is access to the natural gas transportation system and storage facilities arranged? How are tolls and tariffs established?**

With regard to Third Party Access, the requirements for non-discriminatory access to the transmission and distribution networks, as well as storage and LNG facilities, are established. The conditions for refusal of access were aligned with the gas acquis. Access shall be granted pursuant to the rules and tariffs approved by the ERE. The tariff setting principles have been set in the Natural Gas Sector Law pursuant to the Gas Directive 2009/73/EC (ie, transmission and distribution tariffs should be non-discriminatory and cost-reflective, transparent and should take account of the system integrity). There are no obligatory provisions to establish a separate tariff for each entry and exit point to or from the transmission grid, as required by Regulation (EC) No. 715/2009.

The methodology for setting the natural gas network or grid connection and access fees as well as the GNL facilities access fee has recently been approved by ERE. It is the latter authority that imposes the main terms and conditions of the gas network or grid connection and access. The operators of natural gas transmission and distribution networks or grids are obliged to publish detailed information for the fixing of prices, tariffs, methodologies and price elements.

**11 Can customers, other natural gas suppliers or an authority require a pipeline or storage facilities owner or operator to expand its facilities to accommodate new customers? If so, who bears the costs of interconnection or expansion?**

Access to the distribution network may be rejected on the grounds specified by the Law on the Natural Gas Sector, such as a lack of capacity, prevention of public service obligation or great financial or economic difficulties with 'take or pay' agreements that were effective before the access request or any other grounds. The obligation to expand the distribution system aiming to accommodate new customers can be set as a licensing requirement. When a grid user is refused access, it is entitled to obtain in writing the grounds for refusal with delay. When grounds for refusal are related to lack of capacity or connection points, a TSO should make the necessary improvements as long as it is economically possible for the TSO or when the potential client is willing to finance the improvements. A user who has been refused access to the transmission system or who is not satisfied with the access conditions, can file a claim with ERE.

**12 Describe any statutory and regulatory requirements applicable to the processing of natural gas to extract liquids and to prepare it for pipeline transportation.**

The gas production activity is granted based on the concession agreement with NANR and Albpetrol whereby the operator is authorised to extract gas and carry out all related activities (ie, storage, processing, transport and sale of extracted product). All such activities are regulated by the concession agreement.

**13 Describe the contractual regime for transportation and storage.**

Natural gas trading rules for gas operators (with the exception of TAP) are in the process of preparation and are expected to be approved in 2018.

**Regulation of natural gas distribution**

**14 Describe in general the ownership of natural gas distribution networks?**

There is no natural gas distribution network in Albania yet. According to the Gas Masterplan for Albania, approved recently by the Albanian government, the demographic characteristics of Albanian settlements are very unfavourable for the development of gas distribution networks. Albania has a relatively large number of settlements (approximately 3,000) with a relatively small number of inhabitants per settlement.

The existing gas transmission infrastructure is under the ownership of Albgas sh.a., a state-owned company licensed by the Energy Regulatory Entity (ERE) to conduct both the transmission and the distribution as combined operator of natural gas in the territory of Albania. Most of the existing gas pipelines are old or in poor condition, which makes it not feasible to repair these pipelines and almost an entirely new or rebuilt gas transmission and distribution system is required.

**15 Describe the statutory and regulatory structure and authorisations required to operate a distribution network. To what extent are gas distribution utilities subject to public service obligations?**

ERE is the public body vested with the authority to license as DSO any legal entity that satisfies the technical and financial capacities required by law. So far there are only two certified TSOs. Albgas, a state-owned company is a combined operator that functions both as TSO and DSO. On the other hand, TAP AG is also certified as independent TSO.

The Ministry of Infrastructure and Energy (MIE) is the only authority which develops policies for the development of the natural gas sector, in accordance with the requirements laid down in the Treaty of the Energy Community, the principal directions state policy and specific strategies, such as the Gas Masterplan for Albania and the objectives set in the National Plan on Implementation of the Stabilisation and Association Agreement. MIE plays a crucial role in harmonising the interoperability of the Albanian natural gas systems with the standards and regulations of the EU gas sector.

By virtue of the Law on the Natural Gas Sector, activities of natural gas distribution and transmission are considered as activities of public interest.

The gas distribution utilities (DSOs) are subject to public service obligation. The DSOs are obliged to connect any customer to their system, if economically feasible.

**16 How is access to the natural gas distribution grid organised? Describe any regulation of the prices for distribution services. In which circumstances can a rate or term of service be changed?**

The distribution operators are obliged to connect all end user customers, producers of gas, operators of storage and LNG facilities, which are located on the licence territory of the distribution operator. Terms and conditions pertaining to the use of distribution networks as well as the price for transportation of natural gas in distribution networks are both regulated. To date, ERE has approved a methodology on rules for the calculation of access and use of transmission and distribution of gas tariffs, offered by a gas operator. Gas operators can only apply tariffs in compliance with such methodology. TAP access and use tariffs are exempted from the methodology and approved independently.

**17 May the regulator require a distributor to expand its system to accommodate new customers? May the regulator require the distributor to limit service to existing customers so that new customers can be served?**

Apart from what is stated in question 11 regarding expansion, any customer connected to the gas distribution network is entitled to be supplied with natural gas.

**18 Describe the contractual regime in relation to natural gas distribution.**

As a matter of law, the parties to the contract on gas distribution are the DSO and the end user. This contract regulates distribution services and financial obligations, all in accordance with the Grid Code that is to be approved by ERE. The contract on gas distribution, inter alia, contains identification of the parties, description of the service, the provisions on the quality and quantities of the gas to be supplied, financial provisions, etc.

**Regulation of natural gas sales and trading**

**19 What is the ownership and organisational structure for the supply and trading of natural gas?**

Albgas sh.a. is a combined operator licensed by ERE to operate as TSO and DSO at the same time. The company is fully controlled by the government of Albania. On the other hand, TAP AG, a privately owned company, is an independent TSO that is certified as such by ERE.

**20 To what extent are natural gas supply and trading activities subject to government oversight?**

The supply and trading of natural gas are regulated activities. These activities are subject to licensing by ERE. The latter is the body in charge under the Natural Gas Sector Law to:

- approve the methodology on the transmission and distribution tariffs;
- approve the terms of the supply contract;
- check the compliance of the operator with the licensing terms;
- ensure the quality of the suppliers' service; and
- take administrative measures in the case of non-compliance, etc.

**21 How are physical and financial trades of natural gas typically completed?**

The gas market rules regulation has not yet been adopted by ERE, therefore the general terms and conditions of the physical and financial trades of natural gas have not yet been established.

### Update and trends

In February 2018 the Council of Ministers approved the Gas Master Plan for Albania and the Project Identification Plan aimed at the development of a sustainable natural gas system that makes a balanced contribution to the energy system, the security of natural gas supply, to competitiveness and environmental protection. Albania is today, along with Montenegro and Kosovo, the only country in Europe not linked to interstate gas transmission systems and has a completely isolated, national gas distribution system.

The Trans Adriatic Pipeline (TAP) is a regional natural gas pipeline project that will transport natural gas from Shah Deniz II deposit in the Caspian Sea (Azerbaijan) to European markets. It will pass through Greece, Albania and the Adriatic Sea, and come ashore in the south of Italy. The European Union, under the TEN-E guidelines, has recognised TAP as Project of Common Interest for its overall energy policy objectives. The project is currently in its construction phase and it is reported that two-thirds of the entire project has been completed and the pipeline will start operation by 2020.

The Ionian Adriatic Pipeline (IAP) is a proposed natural gas pipeline in Southeast Europe. It would run from city of Fier in Albania through Montenegro, and Bosnia and Herzegovina, to Split in Croatia.

In Fier, IAP would be connected with TAP. In February 2018, the gas companies of Azerbaijan (Socar), Albania (Albgaz), Bosnia and Herzegovina and Croatia signed a letter of intent aiming to establish IAP in the near future.

### 22 Must wholesale and retail buyers of natural gas purchase a bundled product from a single provider? If not, describe the range of services and products that customers can procure from competing providers.

Subject to the Law on Natural Gas Sector the wholesale and retail buyers of natural gas can purchase gas from different gas suppliers. As it stands today the transportation and distribution of the natural gas is offered only by Albgaz, which is certified as a combined operator (TSO and DSO). TAP AG is also a certified as an independent TSO by ERE. It must be noted that currently there is no trading activity of natural gas in Albania.

### Regulation of LNG

### 23 What is the ownership and organisational structure for LNG, including liquefaction and export facilities, and receiving and regasification facilities?

There are no LNG facilities in Albania.

### 24 Describe the regulatory framework and any relevant authorisations required to build and operate LNG facilities.

The establishment of LNG facilities may only be carried out subject to obtaining an approval from the Council of Ministers. Subject to the satisfaction of all legal and regulatory requirements, the approval is granted for a period of 30 years, subject to further renewal. ERE on the other hand after assessing the technical and financial capabilities of the operator shall issue the operating licence. If the approval is not granted or the renewal is refused, the operator is entitled to challenge such refusal before the Administrative Court.

### 25 Describe any regulation of the prices and terms of service in the LNG sector.

The price and the terms of service regulations are not yet in place.

### Mergers and competition

### 26 Which government body may prevent or punish anti-competitive or manipulative practices in the natural gas sector?

The Albanian Competition Authority is the competent body in the area of competition issues in Albania based on law No. 9121 dated 28.07.2003 'On the protection of competition'. In addition, ERE, based on the Law on Natural Gas Sector has an obligation to cooperate with the Competition Authority and to inform the Authority in all cases

that constitute an infringement and that threaten the openness of the natural gas market and competition. Every two years, ERE must conduct an investigation of the natural gas market in cooperation with the Competition Authority.

### 27 What substantive standards does that government body apply to determine whether conduct is anticompetitive or manipulative?

The Albanian Competition Authority will determine that a conduct is anticompetitive generally if it consists of a breach of article 4 of article 9 of the Albanian Competition Law on 'restrictive agreements' and 'abuse of dominance' respectively and, also if an undertaking will engage in a merger transaction without the prior approval of the Competition Authority when such approval is required due to turnover thresholds of the entities involved in a merger transaction.

Restrictive agreements will involve mainly price fixing and market sharing agreements but also other anticompetitive practices such as exchange of sensitive information, etc, exclusive dealings etc.

### 28 What authority does the government body have to preclude or remedy anticompetitive or manipulative practices?

The Competition Authority has full authority to:

- conduct investigations and dawn raids;
- request information;
- impose temporary measures on undertakings to refrain from a certain practice;
- order the prohibition of a certain practice or conduct or termination of a restrictive agreement;
- impose behaviour or structural remedies proposed by the undertakings;
- impose commitments; and
- impose fines up to 10 per cent of the turnover of the undertakings infringing the competition law.

### 29 Does any government body have authority to approve or disapprove mergers or other changes in control over businesses in the sector or acquisition of production, transportation or distribution assets?

The merger control regime in Albania is applicable to transactions that result in a 'concentration of undertakings' independently of whether such transaction is by way of a merger, an acquisition or a public takeover. A non-full function joint venture is not subject to the merger control regime.

A transaction, irrespective of its 'effect' in Albania in many levels, is notifiable and must be authorised from the CA only if the following turnover criteria are met in respect of the undertakings concerned:

The combined worldwide turnover of all participating undertakings in the most recent fiscal year is more than 7 billion lek (approximately €51 million) and the turnover of at least one participating undertaking in Albania in the most recent fiscal year is more than 200 million lek; or

The combined turnover in Albania of all participating undertakings in the most recent fiscal year is more than 400 million lek and the turnover of at least one undertaking in Albania is more than 200 million lek.

When either the target or the purchasers do not generate any turnover in Albania (including turnover generated from those assets that are located in Albania) the transaction is not subject to the merger control requirements of the Albanian Competition Law.

The substantive test used by the Authority is whether the proposed merger significantly restricts competition in the market or part of it especially because of the creation or strengthening of a single or collective dominant position in the market of the post-merger entity. If the test is satisfied, the merger cannot be cleared unless the target is risking bankruptcy and there are no other less competitive approaches to save the failing company. The parties can also propose remedies to remove competition concerns such as structural or behavioural remedies in order for the Authority to authorise the transaction.

**30 In the purchase of a regulated gas utility, are there any restrictions on the inclusion of the purchase cost in the price of services?**

The prices are regulated by the Energy Regulatory Entity (ERE) and should be strictly adhered to.

**31 Are there any restrictions on the acquisition of shares in gas utilities? Do any corporate governance regulations or rules regarding the transfer of assets apply to gas utilities?**

See question 29. Transfer of shares in publicly owned entities (such as Albgaz sh.a) will be subject to special procedures approved by special law. Further, ERE's approval is required for any transfer of assets belonging to a gas utility that are related to its licensed activity.

**International**

**32 Are there any special requirements or limitations on foreign companies acquiring interests in any part of the natural gas sector?**

There are no special requirements or limitation on foreign companies acquiring interest in the natural gas sector.

**33 To what extent is regulatory policy affected by treaties or other multinational agreements?**

Albania is a signatory of the Energy Community Treaty. With the Law on Natural Gas Sector of 2015, Albania has transposed its obligations

arising from the Third Energy Package (Directive 2009/73/EC and Regulation (EC) No. 715/2009) of EU legislation.

**34 What rules apply to cross-border sales or deliveries of natural gas?**

There are no specific rules applying to cross-border sales or deliveries of natural gas. The Natural Gas Sector Law provides that tariffs applied by gas utilities should not restrict market liquidity or distort cross-border trade of different transmission systems.

**Transactions between affiliates**

**35 What restrictions exist on transactions between a natural gas utility and its affiliates?**

Contracts entered into by transmission, distribution and storage companies with other companies, including the companies within the same group, must be at arm's length. A financial transaction with affiliated companies must be clearly shown in the annual accounts of a gas utility.

**36 Who enforces the affiliate restrictions and what are the sanctions for non-compliance?**

ERE, has the right of access in the data and financial documentation of the gas companies in order to check compliance with the law. No fines are provided for breach of obligation to show financial transactions with affiliated companies in the annual accounts.



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