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ANNEX

**of the Commission Implementing Decision on the financing of the multiannual Operational Programme
on EU for Energy in favour of the Republic of Albania for 2024-2027**

MULTIANNUAL OPERATIONAL PROGRAMME

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and multiannual action plan in the sense of Article 9 of IPA III Regulation and Article 23 of NDICI-Global Europe Regulation

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1 Programme synopsis

1.1 Programme Summary Table

Title	Multiannual Operational Programme on Energy in favour of Albania for 2024 -2027			
OPSYS	ACT-62473 2024-2027: JAD.1421605			
ABAC	ABAC Commitment Level 1 number: JAD.1421605			
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)			
Team Europe	No			
IPA III beneficiaries	Albania			
Programming document	IPA III Programming Framework			
PRIORITY AREAS AND SECTOR(S) INFORMATION				
Window and thematic priority	Window 3 - Sustainable connectivity and green agenda (100%) Thematic Priority: Transport, digital economy and society, and energy			
Sustainable Development Goals (SDGs)	Main SDG: #7. Ensure access to affordable, reliable, sustainable and modern energy for all Other significant SDGs: #13. Take urgent action to combat climate change and its impact # 11. Make cities and human settlements inclusive, safe, resilient and sustainable			
DAC code(s)	Main codes : # 231 - Energy generation, distribution and efficiency – general # 232 - Energy generation, renewable sources Sub-Codes : - # 23110 - Energy policy and administrative management (20%) - # 23230 - Solar energy (80%)			
Main Delivery Channel	Central Government – 12000			
Targets	<input checked="" type="checkbox"/> Climate <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	X	<input type="checkbox"/>	<input type="checkbox"/>

	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	X
	Gender equality and women's and girl's empowerment	X	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	X	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	X	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	X	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition	X	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	X	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	X	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change adaptation	X	<input type="checkbox"/>	<input type="checkbox"/>
Internal markers and Tags	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation	X	<input type="checkbox"/>	<input type="checkbox"/>
	Tags	YES		NO
	digital connectivity	<input type="checkbox"/>		X
	digital governance	<input type="checkbox"/>		X
	digital entrepreneurship	<input type="checkbox"/>		X
	digital skills/literacy	<input type="checkbox"/>		X
	digital services	<input type="checkbox"/>		X
	Connectivity	<input type="checkbox"/>	<input type="checkbox"/>	X
	Tags	YES		NO
digital connectivity	<input type="checkbox"/>		X	
energy	X		<input type="checkbox"/>	
transport	X		<input type="checkbox"/>	
health	<input type="checkbox"/>		X	
education and research	<input type="checkbox"/>		X	
Migration	X	<input type="checkbox"/>	<input type="checkbox"/>	
Reduction of Inequalities	<input type="checkbox"/>	X	<input type="checkbox"/>	
COVID-19	X	<input type="checkbox"/>	<input type="checkbox"/>	
BUDGET INFORMATION				

Amounts concerned	<p>Budget line: 15 02 02 01</p> <p>Total estimated cost for 2024-2027: EUR 79 000 000</p> <p>Total amount of EU budget contribution for 2024-2027 EUR 50 000 000</p> <p>The contribution from the general budget of the European Union is split per year as follows:</p> <ul style="list-style-type: none"> - For 2024 - EUR 4 000 000 - For 2025 - EUR 15 000 000 - For 2026 - EUR 18 000 000 - For 2027 - EUR 13 000 000 <p>The contribution from the general budget of the European Union for the subsequent years is subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.</p>
MANAGEMENT AND IMPLEMENTATION	
Implementation modalities (management mode and delivery methods)	Indirect management with Republic of Albania
Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]	<p>Yes</p> <p>Priorities: “Transport”, “Energy”, “Green Agenda”</p> <p>Flagships: “IV Renewable Energy”</p>
Final Date for conclusion of Financing Agreement	At the latest by 31 December 2025
Decommitment deadline for each budgetary commitment	<p>Budgetary commitment year 2024: by 31/12/2029</p> <p>Budgetary commitment year 2025: by 31/12/2030</p> <p>Budgetary commitment year 2026: by 31/12/2031</p> <p>Budgetary commitment year 2027: by 31/12/2033</p>
Indicative eligibility period	31/12/2033
Final date for implementing the Financing Agreement	12 years following the conclusion of the Financing Agreement

2.1 Summary of the programme

The current Albanian policy framework for energy efficiency includes five main dimensions. First, it includes the incorporation of the national contribution as an energy efficiency indicator to achieve the EU energy efficiency targets, as outlined in Directive 2018/2002/EU (amending Directive 2012/27/EU on energy efficiency). The national contribution of Albania will be 2.6 Mtoe of Primary Energy Consumption (PEC) and 2.4 Mtoe of Final Energy Consumption (FEC). This indicator can be based on primary or final energy consumption, primary or final energy savings, or energy intensity. Second, the framework includes the development and implementation of energy efficiency action plans. Third, it focuses on the renovation of public buildings to improve their energy

efficiency. Fourth, it addresses the labelling of buildings to certify their energy efficiency. Finally, it promotes energy efficiency measures in the industry and transport sectors. The Albanian National Action Plan on Renewable Energy proposes several measures to diversify the economy and promote energy production from renewable sources.

The Programme aims to advance the green agenda in Albania by strengthening environmental protection efforts, contributing to climate change mitigation, increasing resilience, and facilitating the transition to a low-carbon economy. The support areas within the Programme are outlined as follows:

Area of Support 1: Support to renewable energy and energy efficiency of buildings

This area of support focuses on implementing energy efficiency measures in local public buildings with the goal of substantially reducing current energy consumption in the selected buildings. Investments will target public buildings in four pre-selected municipalities, including offices, kindergartens, libraries, social and cultural centres, etc. The investments will include measures to improve the buildings' envelope and technical systems. Whenever possible, the investments will include the installation of renewable energy capacity, mainly photovoltaics and solar thermal collectors. In addition, the Operational Programme will co-finance renewable energy sources and energy efficiency measures in about 8000 private households through a series of grant schemes. Eligible investments may include solar photovoltaic systems, solar thermal collectors, heat pump replacements, biomass stove replacements, small wind turbines, etc. Some schemes will target energy poor households in order to mitigate energy poverty. Technical assistance will support energy efficiency audits for public buildings, the preparation of detailed designs, cost estimates, technical specifications, and works supervision for public buildings. For private buildings, technical assistance will support the preparation of the grant schemes, upgrades to the IT system to accept and process thousands of online applications, generate monitoring and financial reports as well as a promotion/awareness campaign targeted to the potential beneficiaries.

Area of Support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

This area of support focuses on acquis harmonization, investments and related technical studies. The Operational Programme will focus on aligning Albanian legislation with EU Directives 2014/94 and other relevant legislation through the preparation of new laws, bylaws, or amendments that will ensure an up-to-date legal framework for the deployment of alternative fuel infrastructure. In terms of investments, the Operational Programme will supply and install up to 130 electric vehicle charging stations and respective grid connections, power transformers (if necessary), infrastructural preparation in new locations, and an IT system to manage the Charging Stations Network. Technical studies will be conducted to assess the feasibility of locations for Electric Vehicles Charging Stations, determine charger specifications, estimate investment and operation costs, identify operation modalities and prepare the necessary designs, environmental impact assessments, and permitting procedures as well as supervision. Capacity building activities will be conducted to train the Agency for Energy Efficiency on the installation, operation, and maintenance of charging stations, as well as the new legislative framework.

Area of Support 3: Energy efficiency and environmental protection in the water sector

This area of support includes an investment component and a capacity building component. This component will train the staff of the National Water and Waste Management Agency and the water utilities in energy efficiency practices and energy performance monitoring. The investment component focuses on providing industrial energy efficiency measures such as the replacement of pumping systems in water supply infrastructure for up to seven water utilities. Additionally, independent small photovoltaic systems with a total combined capacity up to 15 MW will be installed. Technical studies will be conducted to assess feasibility, perform energy audits, develop energy management manuals and procedures, prepare technical specifications and detailed designs, and facilitate land easement and acquisition plans. Support will be provided for environmental impact assessments, permitting and licensing procedures.

Other Support

In addition to the three main areas of support, the Programme aims to strengthen the capacities of the Operational Programme's Managing Authority, Intermediate Bodies and Programme Partners to effectively implement and monitor the Operational Programme and successfully disburse the allocated funds. This includes technical assistance, technical studies, and evaluation reports. Evaluation studies will be conducted to draw lessons and provide guidance for future programming periods. The relevant line ministries and other central agencies will be

the end recipients of the EU support. Promotional campaigns will be conducted to raise awareness among stakeholders and the public.

2. Sector(s) analysis

2.1 National sectoral policies and context

The energy sector is of utmost importance for Albania's integration into the EU and regional energy markets, as well as for achieving the goals of the environmental and climate agenda.

The Albanian government is intensifying its efforts to reform the energy sector while consolidating existing initiatives to create favourable conditions for renewable energy development and meet regional and international commitments. The energy sector plays an increasingly important role in achieving sustainable economic growth in Albania. Energy security, the sustainability of the sector and ensuring competitive energy prices which will be crucial for future progress. As a member of the Energy Community, Albania is legally bound to implement significant parts of the EU energy *acquis*, including the Third Energy Package. In addition, as a signatory to the Paris Climate Agreement, in June 2022 as update to the first Nationally Determined Contribution, the Albanian authorities committed to decreasing total GHG emissions by 20.9% by 2030 compared to the baseline. To meet these commitments, Albania needs to make significant efforts in the areas of energy efficiency, renewable energy development, and climate change mitigation measures.

Area of support 1: Support to renewable energy and energy efficiency of buildings

With regard to national policies, the National Strategy for Development and European Integration 2022-2030 (NSDEI 2030) is Albania's primary strategic planning document, serving as the foundation for current programming. It outlines national policy goals and sustainable development objectives and affirms the government's commitment to achieve energy efficiency in all sectors. The "Industry and Energy" chapter of the NSDEI 2030 emphasises the importance of the development of national energy resources to create an integrated and diversified regional energy system based on market principles. This system should meet the demand for energy and support sustainable economic development while guaranteeing energy security and the quality of supply, ensuring environmental protection and climate action, and enhancing well-being at a minimal social cost. Additionally, the actions carried out under Pillar 4, "Growth through the Sustainable Use of Resources," aim to have a positive impact on climate change mitigation and enhance energy efficiency across all sectors of the economy.

The National Energy Strategy 2018-2030, the core strategic document for Albania's energy sector supports the country's economic development and meet its commitments under the SAA, the Energy Community Treaty, and other international agreements. It is fully coherent with other national policies and strategies and aligns with the European Green Deal's objectives. The strategic objectives include supplying clean, affordable, and secure energy, promoting a cleaner construction sector, accelerating the shift to sustainable and smart mobility, and cutting pollution rapidly and efficiently. The National Energy Strategy 2018-2030, which is currently being implemented, focuses on enhancing energy security and minimizing environmental impacts at affordable costs for Albanian citizens and all economic sectors. This strategy defines national energy policy targets until 2030 and foresees the introduction of energy market regulation to provide the clear directions for the production and consumption of electricity and natural gas.

According to the EC Progress Report 2023¹, Albania has made some progress in the legal framework for energy efficiency (EE), but there is still a need to adopt all the missing bylaws. Currently, there are no new financing mechanisms for energy efficiency, and the role, capacity, and functioning of the Agency for Energy Efficiency also need to be strengthened. Albania adopted its National Energy and Climate Plan 2030 on 29.12.2021 (DCM No, 872), but the action plans for renewable energy and energy efficiency have not been updated. This is crucial for progress, considering that the target set in the National Consolidated Renewable Energy Action Plan (NCREAP) for 2019-2020 (extended to 2021) to reach 38% of renewable energy sources in total consumption by 2020 has not been met. According to the EC Report, the government must ensure that all necessary institutional and legislative measures for EE are in place, as well as financing, certification and audit measures.

¹ [Albania Report 2023 - European Commission \(europa.eu\)](https://european-council.europa.eu/media/en/press-communications/infographic/infographic-albania-report-2023-ec.pdf)

In the renewable energy sector, two contracts were signed for photovoltaic plants - (i) Karavasta with 140 megawatts of capacity which is expected to be operational in end of 2023. and ii) Spitalla with 100 megawatts of capacity - which is expected to be operational in end of 2024. In addition, the Ministry of Infrastructure and Energy has announced on June 2021, an auction for wind electricity generators with an installed capacity from 10 MW to 75 MW. Through this initiative, the Ministry will select projects for a total capacity of 100 MW which will benefit from support measures.

Holding more auctions is essential to accelerate renewable electricity generation and facilitate the transition from hydropower to other renewable energy sources. Utilising Albania's abundant solar and wind resources would significantly improve energy security and reduce its vulnerability to climate-related impacts.

Regarding the implementation status of the Self-consumption scheme, according to the Guideline of the Minister of Infrastructure and Energy No 3 dated 20.06.2019, small/medium companies or residential customers have the opportunity to install solar systems with a total capacity of up to 500 kWp for the self-production of electricity. Currently, the total installed capacity for self-production from solar sources stands at approximately 100 MW.

The implementation of the National Energy Efficiency Action Plan (NEEAP) 2017-2020, which was extended to 2021, has not met the target of 6.8% energy savings by 2021. Currently, there are no incentives for energy efficiency, and energy efficiency financing mechanisms have yet to be promoted. Nevertheless, progress has been made in aligning with the Energy Community acquis by amending the Energy Efficiency Law in March 2021 to align with the Energy Efficiency Directive. Several procedural and legislative acts on the energy performance of buildings have also been adopted. Given the targets and the ongoing energy crisis, the EC 2022 report emphasises the need to accelerate energy efficiency projects.

The National Energy and Climate Plan (NECP 2021-2030) provides an integrated policy framework to guide decarbonisation efforts in Albania until 2030 and beyond, complementing the Energy Strategy. The NECP was revised based on the recommendations of the Energy Community Secretariat. In the revised Plan, some targets have been made more ambitious, namely, to reduce the final energy consumption by 9.4% compared to 8.4% in the previous version and to increase the share of renewable energy in final energy consumption to 59.4% compared to 54.4%, while the target for the reduction of GHG emissions remains at 18.7%. The aim of the NECP is to draw up an integrated policy framework to steer decarbonisation efforts until 2030 and beyond, aligning with the goals of the European Green Deal. The NECP addresses objectives related to the need for diversification of electricity generation, decarbonisation, energy security, innovation and competition. The NECP also prioritises the development of a long-term renovation strategy to support the renovation of the national building stock. A first draft of the Building Renovation Strategy has been prepared in the framework of REEP Plus, a regional WBIF supported initiative and submitted to the Albanian Agency for Energy Efficiency (AEE) in March 2023.

Albania's economy remains three times more energy-intensive than the EU average. The inefficient use of energy, particularly in the transport and residential sectors, which account for up to 70% of energy consumption, weighs on energy security and the trade deficit. Albania is a net importer of electricity, and ensuring the security of its power supply is challenging. In terms of specific targets, the NEEAP sets energy savings goals of 10% in 2025 and 15.5% in 2030, referring to final energy consumption compared with baseline scenarios.

Priority should be given to developing and enabling the use of financial instruments such as the EE fund to support the sector with their own sources or co-fund with other development partners.

Albania is planning to develop a strategy to renovate both public and private residential and non-residential buildings. This strategy will be in line with the requirements of Article 2a of Directive 2010/31/EU on the Long-term Renovation Strategy and will include a roadmap with nationally established measurable progress indicators and an evidence-based estimate of expected energy savings. The objective is to establish a national plan to increase the number of buildings with "nearly zero energy performance" and improve the energy performance of private and public buildings in accordance with the law on the Energy Performance of Buildings (No. 116/2016), which transposes Directive 2010/31/EU.

The current Albanian policy framework for energy efficiency has five main dimensions. First, it includes the national contribution as an energy efficiency indicator to achieve the energy efficiency targets as set out in Directive 2018/2002/EU. This indicator can be based on primary or final energy consumption, primary or final energy savings, or energy intensity. Second, the framework includes the development and implementation of energy efficiency action plans. Third, it involves the renovation of public buildings to improve their energy efficiency. Fourth, it covers the labelling of buildings for certification of their energy efficiency. And finally, it promotes energy efficiency measures in the industry and transport sectors.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

In the framework of the NSDEI 2030 the strategic objective for infrastructure and transport services: Develop Albania's national transport system based on safer, smarter, greener, more flexible and competitive mobility,

providing sustainable, interconnected, interactive and integrated transport with the Western Balkans region and the wider European transport system.

The overall objective of the draft 2021-2025 Transport Sector Strategy and Action Plan, pending approval², prepared by the Ministry of Infrastructure and Energy, is to develop the national transport system based on cleaner, safer, smarter, environmentally friendly, more flexible and competitive mobility, as well as to significantly improve its sustainability, interconnectivity, interoperability and integration with international and European transport systems and the region.

Area of support 3: Energy efficiency and environmental protection in the water sector

Given that the water supply and wastewater sector has been a priority for energy savings in the 2nd and 3rd National Action Plans for Energy Efficiency (NEEAP) and other energy efficiency, renewable energy, and environmental policies, it is crucial to introduce and implement activities that improve energy efficiency and implement renewable energy sources. The medium to long term needs include conducting high-quality energy audits, the introduction of energy management rules and regulations in line with international standards like ISO50001 and promoting energy efficiency and RES in the water supply and wastewater sector. The implementation process will involve assessing the opportunities for RES for electricity production, connections with the existing grid network, the use of new pumping systems with efficient pumps and motors, and the reduction of non-revenue water (water that has been "lost" before it reaches the customer). These efforts will ensure the better use of energy, resulting in a significant reduction in the amount of water that needs to be pumped.

The National Plan for European Integration 2022-2024 emphasizes the long-term need of implementing the Directive 2012/27/EU, as amended in Directive 2018/2002/EU, to promote and improve the efficient use of energy in Albania's national policies and regulations, and set mandatory targets for the public, private sector, and large consumers. Moreover, the National Plan for European Integration (NPEI) 2023-2025 set as a priority the need to adopt and implement the draft decision of the Council of Ministers entitled "On the Approval of the Procedures and Methodology for the Establishment of the Platform for Monitoring and Verification of Energy Savings". It also states that the updated National Energy and Climate Plan 2021-2030 (NECP), including the Renewable Energy and Energy Efficiency Action Plans, need to be implemented. This includes the adoption of all necessary institutional, legislative, financing, certification and verification measures, including non-hydro renewable electricity generation, taking into account the energy crisis.

The EC 2022 Report for Albania evidenced that water quality legal alignment remains incomplete. Therefore, the National Water and Waste Management Agency (AKUM) has prepared the implementation plans (DSIP)³ specific to the Drinking Water Directive and Urban Wastewater Treatment Directive, which require significant investments for compliance. Furthermore, the adoption and implementation of a new law on water supply and sewerage, as well as a revised water code, are expected in 2023. The Government of Albania approved a road map on the aggregation of water utilities in 2021⁴. Full alignment with the urban wastewater treatment directive needs to be ensured, including the expansion of sewerage networks and the application of appropriate tariffs for all wastewater treatment plants, along with the construction of new facilities, particularly in urban and coastal areas with significant tourism development. The same EC 2022 Report suggests that Albania needs to allocate more budgetary resources and enhance the implementation capacity in the water supply and sewerage system.

With reference to the strategic framework, the National Strategy for Development and Integration 2030 envisions a future for the water sector in Albania where water resources are managed efficiently, with an integrated and functional management system in place. This would include a complete monitoring system and management of flood and water scarcity risks. Water resource management is based on the principles of equality and sustainability, providing equal social, economic, and gender benefits, as well as environmental justice for present and future generations. The new approach is guided by key principles such as protecting water resources for sustainable use, meeting basic needs, and preserving resources for future generations. The strategy also promotes equality in access to water, creating opportunities for water use in economic and social development, recovering the costs of water use, and protecting ecosystems and biodiversity balance. To achieve these goals, the short-term and medium-term needs include improving water supply and sewerage. This will involve providing safe drinking water for the population, rehabilitating the existing water supply and sewerage systems, and constructing and operating urban wastewater treatment plants. These efforts will not only enhance the quality of life for the local population but also support the country's environmental sustainability.

² <https://connecta-info.eu/technical-assistance-albania-transport-strategy/>

³ The decision of Council of Ministers for the adoption of DSIP still pending.

⁴ DCM 302, in May 2021.

The process of reforming and reorganizing the water sector in Albania has begun, following the drafted National Strategy of the Water Supply and Sewerage Sector 2023-2030⁵. The main highlighted need is to improve the management and financial performance of the sector by restructuring the 61 former municipal water utilities into 15 regional ones. The Government of Albania (GoA) has conducted an energy use assessment and identified opportunities for implementing RES in the water sector, with the aim of addressing the significant challenges faced by the water and energy sectors, improving energy efficiency, and implementing RES in the water supply and wastewater systems. The strategy aims to improve the performance and current state of water supply and sewerage services in the country. One of the major challenges affecting the Operational and Maintenance (O&M) budget is energy consumption, which can range from 1% to 78% of total Operational expenses, with an average of 26% nationwide. In 2017, Water utilities reported a 16 million kWh increase in the energy consumption compared to 2016 due to the reorganisation of water supply and sewerage services under the Territorial reform framework, which also unified the water supply systems of rural areas that mainly rely on pumping stations. The policy recognizes that providing reliable water supply and sewerage services in an efficient and safe manner is a top priority. Policy Goal 3, under the National Strategy of the Water Supply and Sewerage Sector 2023-2030, aims to increase efficiency and quality in water and sewerage services, while Policy Goal 4 aims to strengthen the financial stability and affordability of water supply and sewerage services by adhering to the principles of cost control and full cost recovery. This will orient the operation of companies to fully recover operational and maintenance costs, repay debts, and allocate capital expenditure for repairs and replacements.

2.2. Legal framework

Area of support 1: Support to renewable energy and energy efficiency of buildings

The implementation of legislation for energy efficiency and renewable energy sources, including the adoption of necessary by-laws, is crucial to achieve Albania's energy policy goals. Albania's energy efficiency sector is regulated by two key laws: the Law on Energy Efficiency (No. 124/2015) and the Law on Energy Performance in Buildings (No. 116/2016). The Law on Energy Efficiency, as amended in 2021, largely aligns with Directive 2012/27/EU. This law aims to establish and enforce national policies and regulations to promote and improve the efficient use of energy. It sets mandatory targets for the public and private sector, and large consumers, with the objective of reducing energy consumption. To implement these policies, the Council of Ministers established the Agency for Energy Efficiency (AEE), an institution responsible for promoting energy efficiency measures.

In accordance with the amended Law on Energy Efficiency, several by-laws were adopted⁶ in 2022 and 2023, including the approval of the format of energy efficiency action plans for large energy consumers, the model for annual reporting of their progress, the format of local action plans for energy efficiency, their progress reporting model, and the Guideline "On the Contract Model for Energy Performance Contracting" (ESCO contract). These by-laws align with the objectives provided in the NECP 2021-2030 (Energy Efficiency Dimension) and are expected to contribute to the achievement of national energy efficiency objectives in the long term.

Several legal acts and by-laws are expected to be prepared in line with the Analytical Plan of Legal Acts for 2023 and the National Plan for European Integration 2023-2025. Pursuant to the amended Law on Energy Efficiency, the draft decision of the Council of Ministers "On the approval of the procedures and methodology of setting up a platform for monitoring and verifying energy savings" has been prepared, and its approval is expected within 2023. The objective of this platform is to create a digital monitoring and verification system to assess the achievement of national energy efficiency objectives at the national, regional, or local level.

The Law on the Energy Performance of Buildings largely aligns with Directive 2010/31/EU. This law regulates the improvement of the energy performance of buildings, taking into account local climate conditions, the levels of internal comfort in a building, and the cost-effectiveness of constructing new buildings and renovating existing ones. However, some secondary acts are still needed to implement the new legislation. The Albanian government has passed several regulations and directives related to energy performance and efficiency of buildings, such as the regulation on categories, conditions, qualification, and experience requirements for certifying energy auditors (DCM No. 407 of 19.6.2019), the criteria, conditions, and requirements for qualification of energy managers (DCM No. 342 of 22.5.2019), and the methodology for calculating optimal cost levels for minimum energy performance requirements in buildings (DCM No. 256 of 27.3.2020).

⁵ Draft strategy is under consultation process. Approval from Council of Ministers expected by Q3 2023.

⁶ In 2023: Decision of Council of Ministers for the Approval of the monitoring and verification platform; Decision of Council of Ministers for the Approval of categories of buildings that are exempted from the application of the Law on energy performance in buildings; Decision of Council of Ministers for the Approval of large customer action plan; Decision of Council of Ministers for the Approval of local action plan for energy efficiency; Decision of Council of Ministers for the Approval of report on the implementation of the energy efficiency action plan.

Other directives approved by the government include the criteria and procedures for selecting and verifying energy performance certificates of buildings and supervising the certification process (DCM No. 934 of 25.11.2020), procedures and conditions for energy performance certification of buildings and the model, content, and conditions of registration of the "Certificate of Energy Performance" of respective buildings (DCM No. 958 of 02.12.2020), and the National Methodology of calculating energy performance in buildings (DCM No. 1094 of 24.12.2020). Lastly, DCM No. 1094 of 24.12.2020 approves the National Methodology of calculating energy performance in buildings, in line with Directive 2012/27/EU.

Legal support for low-income and vulnerable consumers in Albania is indirectly provided through various legislative acts such as the laws on Energy Efficiency and energy performance of buildings where low-income households are recognised as a special category of energy users deserving a special approach.

In 2017, the Law on Renewable Energy, was enacted to increase compliance with the EU acquis. The law as amended in 2023 to keep up to date with the Directives.

Furthermore, in line with the Analytical Plan of Legal Acts for 2023 and the NPEI 2023-2025, several legal acts and bylaws are planned. Pursuant to the amended Law on Energy Efficiency, the draft decision of the Council of Ministers "On the Approval of the Procedures and Methodology of Setting up the Platform for Monitoring and Verifying Energy Savings" has been prepared, which is expected to be approved within 2023. This aims to create a digital monitoring and verification platform to assess the achievement of national energy efficiency objectives at national, regional and local levels.

In addition, following the completion of the legal basis pursuant to the Law on Energy Efficiency (No. 124/2015), the Ministry of Infrastructure and Energy (MIE) has set up a working group to draft the Decision of the Council of Ministers "For the Approval of Public Procurement Rules and Procedures for the Purchase of Products, Services, and Buildings with High Energy Efficiency Performance". This will determine the public procurement procedures for the purchase of products, services, and buildings with high energy efficiency performance in accordance with cost-effectiveness, economic feasibility, technical suitability, and sufficient competition.

Additionally, the Guideline of the MIE "On Determining the Rules, Procedures, and Methodology for Family Customers Who Benefit from Financing Measures for Saving Energy from Solar Panels" was approved on October 2022. This guideline outlines the rules and procedures for trading and receiving subsidies of up to 70% of the cost of installing solar panels which will supply household customers with domestic hot water, contributing to the reduction of long-term electricity consumption and minimising the effects of the current energy crisis on electricity prices.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

There is no comprehensive legal framework in place aligned with the Directive 94/2014 on the deployment of alternative fuels.

The government has adopted the Decision of Council of Ministers no. 493, dated 22.07.2014, which regulates the parameters and operation of service areas. Specifically, Art. 9 defines that all service areas built after this Decision came into force, must have charging stations for electric vehicle batteries. For existing service areas, this requirement must be met within two years of the decision's implementation. However, enforcement of this requirement is still lagging.

Area of support 3: Energy efficiency and environmental protection in the water sector

The current regulatory framework aims to improve the performance of the water sector by providing the necessary legal and administrative basis. Directive-specific implementation plans for the Drinking Water Directive and the Urban Wastewater Treatment Directive, which require major investments for compliance, are under preparation. The Law on Local Self-Government (No. 139/2015) is the main pillar for the implementation of local government decentralisation reforms. It regulates the organisation and functioning of local government units in Albania, defining their functions, competences, rights and duties, as well as those of their respective bodies. It also defines more than 14 exclusive responsibilities of municipalities in the field of infrastructure and public services, including water supply (extraction, treatment, transmission, and provision of drinking water), wastewater supply (collection, transport and treatment of polluted water), rainwater supply (collection of rainwater and protection against flooding in populated areas) and fire protection.

As for the management and performance of water supply, the regulations are spread over several laws, such as Law on the Legal Framework of the Water Supply and Sewerage and Treatment Sector (No. 8102/1996, as amended " and the Water Code, Decision of the Council of Ministers. No. 1304 of 11.12.2009. With the adoption

of the Council of Ministers Decision No. 1015 of 16.12.2020, the level of alignment was increased through the partial alignment of four directives: directive 2000/60/ EC, directive 2009/90/ EC, directive 2006/118/ EC, and directive 2007/60/ EC. Further progress has been made through performance contracts signed with utilities, concerning the regulation of illegal connections, revised subsidy schemes, and the introduction of a certification system for employees.

In the area of water quality, progress has been made in the implementation of the Water Framework Directive with the adoption of the Law on the Integrated Management of Water Resources (No. 111/2012). The implementation of the Drinking Water Directive has progressed with the adoption of DCM "On the Adoption of the Regulation on the Quality of Drinking Water" (No. 379 of 25.05.2016), but alignment is not yet complete. The adoption of DCM No. 662 dated 21.09.2016 "On the approval of water abstraction/use tariffs and liquid discharges" is considered part of the progress in the field of water management. In the meantime, the Bathing Water Directive / Directive 2006/7/EC has been fully implemented by DCM No. 797 dated 29.09.2010 "On the approval of the sanitary-hygienic regulation for the management of bathing water quality".

The DCM No. 127 dated 11.2.2015 "On the requirements for the use of sewage sludge in agriculture" implemented most of the requirements of Council Directive 86/278/EEC.

2.3 Institutional setting, leadership, and capacity

The MIE is responsible for developing and implementing the state's energy policy and employs 255 staff members of which 56 staff members for energy sector. The General Directorate of Industry and Energy Policy and Development within the MIE is responsible for developing policies, setting objectives, and monitoring the performance of the national energy strategy from 2018 to 2023. Under the purview of this General Directorate, there are two units: the Directorate of Industry and Energy Policy and Strategy, which coordinates and monitors the contributions of various agencies in the field, and the Directorate of Energy Efficiency and the Energy Development Programme, which works together with the Agency for Energy Efficiency (AEE) to develop national programmes for energy efficiency development. The latter unit focuses specifically on the ideation and formulation of these programmes. Together with the Energy Regulatory Entity (ERE), the National Agency of Natural Resources (AKBN), and the AEE, the MIE is responsible for monitoring and ensuring the efficient implementation of the National Sector Strategy for Energy 2018-2030 for all relevant sectors.

Area of support 1: Support to renewables and energy efficiency of buildings

The MIE and the AEE are the two primary state institutions responsible for developing and implementing national energy efficiency policies in the country. As a subordinate entity of the MIE, the AEE aims to implement policies and measures that promote energy efficiency and reduce the negative impact of the energy sector on the environment. In addition to the MIE and AEE, municipalities also have specific duties regarding the implementation of energy efficiency measures. The AEE promotes energy efficiency throughout the country and helps consumers reduce their energy supply costs. It is also responsible for submitting an annual report to the MIE, defining the realisation of energy efficiency measures in terms of quantities and qualities, investments made, and barriers encountered, among other things. The AEE is also responsible for monitoring and verifying energy savings achieved under the NECP.

The Technical Directorate within the AEE is the main directorate responsible for implementing policies and legislation related to energy efficiency. The Directorate is composed of three units, with a total of 13 experts. The two main units identified as involved in the implementation of activities under the Operational Programme (OP) are the Project Management and Monitoring unit, which employs three experts, and the Efficiency Programmes and Analysis unit, which also consists of three experts.

The municipalities are obliged by law to prepare local energy efficiency action plans, and report on their progress. The municipalities need to appoint an energy manager in charge of setting up and updating a database of EE measures and the respective energy savings in public buildings.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

In Albania, transport policy is led by the MIE. The subordinated Albanian Road Authority (ARA), and the General Directorate of Transport Services (GDTS) are the main implementing agencies for the management of the national road network and Road Transport Services/regulation. The municipalities are responsible for the management of

local infrastructure and local transport services. More specifically, they are in charge of the construction, operation and maintenance of rural and urban roads and the provision of local transport in both urban and rural areas. They are also responsible for drafting policies for public parking and the development of multimodal stations. Finally, the municipalities prepare and implement measures related to sustainable urban mobility which typically include e-mobility promotion and regulation such as the measures for placement of chargers etc.

The Energy Regulatory Authority (ERE) approves tariffs in the sector and is responsible for sector regulation. Meanwhile, the Power Distribution System Operator (OSHEE) is responsible for purchasing and selling electricity and operating the distribution network to supply tariff customers in accordance with regulations and licenses.

The AEE has prepared a feasibility study for the deployment of recharging stations across the country. The Agency has installed 5 chargers in Tirana, 1 in Shkodra and 1 in Dibra. It is also implementing a pilot project for the deployment of 9 charging stations in selected municipalities, close to border crossing stations.

ARA is in charge of issuing permits for access roads to and from service areas (currently mostly gas stations) where the recharging infrastructure could be located.

The Distribution Systems Operator (DSO), part of the OSHEE group, operates the electricity grid. The installation of the charging stations, connections to the grid and other infrastructure, if needed, has to be coordinated with the DSO to avoid technical issues. The Universal Service Supplier (USS) also part of the OSHEE group, subject to respective regulations that need to be drafted, will have a role as regards energy supply for the chargers⁷.

Area of support 3: Energy efficiency and environmental protection in the water sector

The MIE and AKUM implement water supply and sewerage policies with the aim of integrating and consolidating all environmental infrastructure investments into one central organisation. The most relevant unit within MIE is the Directorate of Development Programmes in the Field of Water Supply, Sewerage, and Waste Management, which is responsible for planning and coordinating national programmes in the sector.

At present, all water supply and sewerage companies have been reorganised at the local level, with the MIE and AKUM playing a supportive role in the decentralisation process. They are also engaged in preparing performance contracts to help municipalities exercise their functions and achieve their annual objectives.

AKUM, established by DCM No.431, dated 11.07.2018, is an independent budgetary unit under the MIE with the legal authority to implement two EU directives, the Drinking Water Directive (DWD) and the Urban Wastewater Treatment Directive (UWWTD). AKUM's responsibilities include executing state policies in the water supply and sewerage sector, wastewater treatment, territorial planning, and waste infrastructure. It is specifically tasked with developing the national investment plan for drinking water, wastewater collection and treatment, and sludge management. While municipal utilities are the primary providers of water and sewerage services, they often underperform operationally and financially, requiring significant infrastructure investments and improved management standards.

Following the Water reform, the government has a 51% stake in all new utilities, represented by AKUM in the respective Shareholder Assembly. AKUM comprises of several units, including the Investment Planning Directorate with nine staff and the Economic and Support Services Directorate, which includes procurement and contracting, with 13 staff. It also has a separate unit, the Foreign Funded Projects Unit, dedicated to coordinating and overseeing donor-funded programmes, which has seven experts responsible for managing the special project contracting unit established in collaboration with the donor office in the sector.

To monitor actual investments and report performance data for all utilities, AKUM has two relevant units: the Monitoring and Oversight Directorate with 11 staff and the Coordination, Analysis, and Information Directorate with seven staff. AKUM aligns the yearly investment plans in the sector with the Long-Term Water Supply and Sewerage Master Plan (until 2040) to rehabilitate and extend current infrastructure as well as develop new systems. It is also responsible for proposing annual investment plans under the State Budget and setting standards and technical specifications for water infrastructure management.

In a broader context, the Water Resources Management Agency (AMBU) is the technical secretariat of the National Water Council (NWC), responsible for developing and implementing policies and strategies related to integrated water resources in Albania. The NWC holds a pivotal role as the governing body for water resource management in Albania. Acting as the primary inter-institutional entity, it is presided over by the Prime Minister. The NWC consists of line ministers who bear the responsibility for formulating policies and strategies for comprehensive water resource administration.

⁷ Drafting of the needed Regulations will be supported under the OP. The legislation needs to align with the Directive 2014/94/EU and Directive (EU) 2019/944.

To facilitate effective water management, the River Basin Councils (RBC) are established within the framework of the Water Resource Management Act (WRMA) and are associated with six major rivers. The chairperson of each RBC is selected from the largest prefecture within the respective river basin region.

2.4 Sector(s) and donor coordination

The Albanian Government has established an inter-institutional and operational structure to manage the implementation of a broad sectoral and cross-sectoral approach. It is the main system that sets tools and mechanisms for integrated public policy planning. It includes the Integrated Policy Management Groups (IPMGs) and associated Thematic Groups, which were revised by the Prime Minister's Order (No. 90) of 01 August 2023.

Area of support 1: Support to renewables and energy efficiency of buildings and Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

The IPMG on Connectivity/Networks and Thematic Groups are responsible for managing and coordinating policies in Energy priority areas, as well as inter-sectoral programming.

The Thematic Group for Energy is responsible for prioritising and monitoring the National Energy Strategy 2018-2030 within the framework of the IPMG. This group enables policy coordination structures, in which key actors are represented, to discuss energy sectoral issues in connection with transport, environment, and climate change dimensions.

The Thematic Group, chaired by the MIE, is responsible for ensuring regular meetings with relevant members, including the Ministry of Finance and Economy, the Energy Regulatory Authority (ERE), and electricity public companies like Albania Power Corporation (KESH), Power Distribution System Operator (OSHEE), and Power Transmission System Operator (OST). These meetings serve as a platform for policy dialogue, discussing main strategies, legal initiatives, budget allocation, and stakeholder coordination at the sectorial level. To ensure inclusivity, consultations with civil society organisations (CSOs) and Associations of Municipalities are also conducted, allowing for diverse voices and stakeholder needs to be considered.

The Thematic Group includes key development partners such as the EU, the Swiss State Secretariat for Economic Affairs (SECO), World Bank, the European Bank for Reconstruction and Development (EBRD), and German Cooperation/KFW.

As one of the IPA Sectoral Monitoring Committees, the IPMG on Connectivity /Networks plays a crucial role in overseeing the overall implementation of the actions under the area of support. It facilitates policy dialogue and knowledge management between the central and sub-national levels of government by coordinating with participating municipalities and other implementing partners. Under the IPMG mechanism, the Thematic Group on Transport infrastructure and services and the Thematic Group on Energy provide the main mechanism for sectoral coordination, monitoring and reporting. Within the context of the IPMG, there is a planned schedule of conducting a minimum of two meetings per year, and the annual strategy monitoring report is shared with the members of the group.

Area of support 3: Energy efficiency and environmental protection in the water sector

The IPMG on Connectivity/Networks is the highest governing body of the institutional mechanism for integrated water sector management. This group is led by the Ministry of Infrastructure and Energy and includes several ministries, development partners, representatives of local government and representatives of civil society. It provides a transparent and coordinated instrument for monitoring the development and implementation of policies in the water sector.

The Thematic Group on Water supply and Sewerage is part of the IPMG Connectivity/Networks, led by the MIE, and Water resources Thematic Group under the IPMG Environment and climate change, is led by the Ministry of Tourism and Environment (MTE).

The Thematic Groups on Water, along with the MIE and the MTE, ensure that regular meetings are held with other relevant members such as ERE, River Basin Management representatives, Municipality associations representatives, and subordinated and implementing agencies (like AKUM). The purpose of these meetings is to discuss various topics related to the water sector, including policy dialogue on main strategies and legal initiatives, the consultation of strategies and budget allocation, and the coordination of stakeholders and development partners at a sectorial level. In addition to these topics, other meaningful consultations are conducted with the involvement of CSOs. The aim of these consultations is to ensure that all voices are heard and that the needs of all stakeholders are taken into consideration.

Other relevant members of the water reform thematic teams include lead development partners in the sector, such as the EU, SECO, the World Bank, German Cooperation/KFW and the French Development Agency (AFD). This

collaboration among different actors helps ensure that the water sector is effectively managed and that all initiatives are aligned with the overarching goals of sustainability, efficiency, and inclusivity.

In 2022, the MIE and AKUM actively participated in three donor meetings, where they presented updates and discussed key topics related to water sector reform and the aggregation process of Water Utilities in Albania. The first donor meeting was held at the MIE in March 2022 to discuss the draft DCM on national policies for the reorganisation of the water supply sector and the disposal, treatment, and processing of polluted waters, aiming to improve the efficiency and effectiveness of the water supply sector while addressing the challenges associated with polluted waters. The second donor meeting took place at AKUM in May 2022. The primary focus of this gathering was to discuss progress on the ongoing water reform and the aggregation process of Water Utilities in Albania. The third donor meeting, held online in October 2022, was centred around the discussion on the road map for the reform. The road map outlines the strategic steps and timeline for the implementation of the reform measures. Additionally, the technical assistance needs to support the successful implementation of the reform were discussed.

Within the context of the IPMG, there is a planned schedule of at least two meetings per year, and an annual monitoring report on the water reform which is shared with the members. This aligns with the internal monitoring report provided by AKUM to the MIE.

2.5 Mid-term budgetary perspectives

As described in the Law on Management of the Budgetary System⁸, Albania's budget classification is in line with international standards and includes administrative, economic, functional, programme-based, and source of funding classifications. Budget management is primarily based on institutions and policy areas rather than sectors. Budget programmes are directly linked to policy goals and objectives that are consistent with sectoral policies and strategies.

The monitoring reports for these budget programmes contain detailed information on the corresponding expenditure, the progress made towards achieving each programme objective, the respective products, and the targets. Although a minimum of information on annual progress is reported, information on the number of beneficiaries is not always included. The MFE has also identified issues with the quality of reporting⁹ on selected budget programmes, often the reports only state the facts, rather than providing a detailed analysis of monitoring indicators and expenditure items that could explain the reasons for non-compliance.

Area of support 1: Support to renewables and energy efficiency of buildings

Investments in energy efficiency are ongoing with support from both the state budget and foreign financial aid. However, while the state budget has increased its contribution in this area for the period 2023-2025, the lack of financing instruments to enforce the implementation of energy efficiency measures remains a problem.

The Medium-Term Budget Programme (MTBP) 2023 -2025 includes support for the Energy Support Programme. The aim of the Energy Support Programme is to develop sustainable energy sources, promote their efficient use, diversify energy sources, and create conditions for the promotion and opening of the energy market, in accordance with the third EU regulatory package. Increasing energy efficiency is a key objective of the programme, particularly during times of crisis. The budget also provides protection for families and small businesses against rising energy prices, and budgetary support for the electric power sector.

In terms of sector financing, the budget allocation for the Energy sector under the MTBP for 2023-2025 is estimated at EUR 99 million, which represents approximately 9% of total government expenditure. Additionally, the total budget for Energy Efficiency related measures under the MTBP for the same period is EUR 6.5 million, or approximately 7% of the government's overall expenditure on Energy. This is allocated through the Energy Support Programme. However, most of the sector implementation institutions (KESH, OST, OSHEE) are self-financed with their own revenues and expenditure plans.

Project/MTBP Output	2023 (in EUR)	2024 (in EUR)	2025 (in EUR)
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⁸ Official Gazette, law no. 9936, 26.6.2008, Law on Management of the Budgetary System in the Republic of Albania. Latest revision on 22.10.2021.

⁹ Jorgoni, Elira and Sorensen, Dajna (2022). ESPN Thematic Report on National monitoring frameworks for public social spending – Albania, European Social Policy Network (ESPN), Brussels: European Commission.

Energy Efficiency Audit, Implementation, and Execution of Works in Several Public Schools in the city of Diber	106 194	44 247	339 952
Pilot Project for "Renovation of Existing Multi-Family Residential Buildings with High-Efficiency Energy" in the city of Tepelena.	79 371	88 495	263 892
Pilot Project for "Renovation of Existing Multi-Family Residential Buildings with High-Efficiency Energy" in the city of Korça.	209 955	88 495	7 610
Energy audit and project design of Existing Multi-Family Residential Buildings with Energy Efficiency in the cities of Shkodra, MM, Kurbin, Kukës, Has, Lezhë, Pukë, Vau i Dejës, Klos, Fushë Arrë, Mat, and Bulqizë.	44 247	76 460	79 646
Energy audit and project design of Existing Multi-Family Residential Buildings with Energy Efficiency in the cities of Dibër, Tropojë, Krujë, Durrës, and Rrogozhinë.	26 548	36 637	19 656
Energy audit and project design of Existing Multi-Family Residential Buildings with Energy Efficiency in the cities of Elbasan, Belsh, Cërrik, Rrogozhinë, Librazhd, Prrenjas, Peqin, Kavajë, Fier, Lushnje, and Divjake.	30 973	88 495	48 573
Audit, implementation project and reconstruction with energy efficiency in the Mat Municipality hospital	161 363	161 363	322 000
Construction of the complete database for energy consumption (includes all consumers in Albania, residential service sectors, transport, small industry, agriculture + 3-year survey)	172 727	172 727	345 454
Certification of the audit and implementation project for the renovation of existing multi-family buildings (residential blocks) with energy efficiency in the cities of Berat, Dimal, Kucove, Skrapar, Polican, Gramsh, Patos, Roskovec, Memaliaj, Mallakaster, Gjirokaster, Libohov, Permet, Kelcyre	177 272	177 272	354 545
Implementation of project audit and implementation of energy efficiency works in some public schools in the city of Dibra	136 363	136 363	272 727
Drafting of the monitoring of the detailed national sectoral plans for energy efficiency and RES and the reduction of greenhouse gases within the framework of the national energy and climate plan (which includes the methodology of monitoring, verification, reporting and consultancy for a period 3 years)	68 181	68 181	136 363
Audit study and implementation project for energy efficiency for clinics in the Mother Teresa University Hospital Centre	118 182	118 182	236 363

The total budget allocated by the MTBP in support for national projects related to the area of support 1, "Support to renewables and energy efficiency of buildings," is calculated at EUR 5,4 million. The projects listed in the relevant public programme involve the energy efficiency audit, and the implementation, and execution of works in public schools and multi-family residential buildings across 28 small to medium-sized municipalities in Albania. The aim is to renovate existing buildings with higher-efficiency energy systems. The 2023 budget also continues support for the project for the Rehabilitation of the Dormitories of the University of Tirana according to the Principle of Energy Efficiency, while the AEE is supported by several different projects. In addition to the budget allocated to the main Energy Support Programme under the MEI, the Albanian Development Fund (ADF) has earmarked support for energy efficiency measures under its MTBP programme for the period 2023-2025, as shown in the below table.

Project/MTBP Output	2023 (in EUR)	2024 (in EUR)	2025 (in EUR)
Installation of a photovoltaic system for self-consumption on the roofs of the buildings of state institutions.	2 016 000	-	-
Renovation of Existing Multi-Family Residential Buildings (including retrofitting, insulation, Central water storage tanks, thermally insulated windows)	5 625 000	6 562 500	6 562 500

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles.

The total allocated MTBP budget for the area of support Deployment of electric high-speed recharging infrastructure for clean road vehicles accounts for EUR 1.3 million in the period 2023-2025.

Project/MTBP Output	2023 (in EUR)	2024 (in EUR)	2025 (in EUR)
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Pilot Project for Audit, Implementation, and Execution of Works for the Installation of Electric Vehicle Charging Stations in the cities of Saranda, Gjirokastra, Himara, Vlora, Durres, Velipoja, Shkodra, Korça, and at Border Points - Clean Energy Road.	176 991	44 247	627 257
Full Feasibility Study for the Installation of Electric Vehicle Charging Towers in the Republic of Albania.	53 097	59 654	-
Development of a Detailed Project for Installing Electric Charging Stations for Vehicles in the Republic of Albania	106 194	194 690	36 459

The aim of these projects is to promote the use of clean energy and support the transition to electric vehicles. Regarding other related projects, the MIE plans to finance various energy efficiency measures aimed at supporting smart city and e-mobility initiatives, as well as raising awareness on the importance of energy efficiency. These measures are outlined in the table below.

Project/MTBP Output	2023 (in EUR)	2024 (in EUR)	2025 (in EUR)
Pilot Project for "Installation of High-Efficiency Lighting Systems with Photovoltaic Panels at Electric Car Parking Stations" in the city of Shkodra.	85 008	23 569	88 495
Pilot Project for the Installation of Urban High-Efficiency Lighting in the city of Dibra.	70 796	88 495	194 690
Supervision of works for Audit, Certification, Project Development, and Execution of Works for the Installation of High-Efficiency Lighting Systems, Electric Car Parking Stations, PV Panels in the L and P Ring in the city of Shkodra.	106 194	44 247	339 952
Project Idea on Electrification of Urban and Intercity Transport Lines in Tirana, Vlora, Durres Municipalities (in Phases).	176 991	199 080	-
Installation of Lighting, Parking, and Electric Supply System for Vehicles at "2 KM Smart City - Clean Energy Road"	79 646	204 463	106 194
Study/Design for the Installation of Lighting, Parking, and Electric Supply System for Vehicles at "2 KM Smart City - Clean Energy Road"	79 646	204 463	106 194
Energy Efficiency Programme for the Transmission Sector	44 247	442 477	-
Energy Efficiency Awareness Campaigns, Education, and Training.	97 345	41 383	-
Drafting of the Master Plan for public lighting in several cities according to the typology of the streets	68 181	68 181	136 363

Area of support 3: Energy efficiency and environmental protection in the water sector

Additionally, in the same MTBP, there are several projects related to the water sector, which complement the proposed area of support Energy efficiency and environmental protection in the water sector. These projects involve pilot projects for improving energy efficiency in wastewater treatment plants and water supply plants, with the aim of enhancing the energy performance of these facilities and reducing their energy consumption. These projects are planned to absorb EUR 650,000.

Project/MTBP Output	2023 (in EUR)	2024 (in EUR)	2025 (in EUR)
Pilot Project for Improving Energy Efficiency in Wastewater Treatment Plants.	70 796	244 982	53 057
Pilot Project for Improving Energy Efficiency in Water Supply Plants	85 840	85 663	-

Considering the larger financing envelope for the water supply and sewerage sector, the allocation in the MTBP is estimated at around EUR 470 million (under the budget programmes of the MEI and the ADF), including loan financing from international financing institutions. This is in line with the calculations of the National Strategy for Water Supply and Sewerage 2020-2030, which assumes an approximate cost of € 1.5 billion, with 99.2% of the total costs allocated to infrastructure and 0.8% to technical assistance.

2.6 Performance assessment framework

The monitoring system in Albania for energy efficiency and water reform is designed to provide evidence of progress at various levels of policy implementation. It begins with monitoring the implementation of national sector objectives as part of NSDEI 2030, followed by monitoring at the sector strategy level, and the performance

objectives of public utilities. Additionally, parallel systems include annual budget implementation monitoring within the Ministry of Finance's MTBP and IPA implementation monitoring within the Annual Implementation Reports and Sectoral Monitoring Committees.

The Integrated Planning Information System (IPSIS) is the primary support tool available to ministries and other institutions for drafting the NSDEI 2030 document and monitoring its implementation, including the preparation of monitoring reports. The primary goals upon which the entire monitoring and implementation work is based on are: (1) quality control in achieving the highest possible performance; (2) development of an effective mechanism for implementing the NSDEI 2030; (3) implementation of a monitoring and evaluation system on results that support the NSDEI 2030. The State Agency for Strategic Programming and Aid Coordination (SASPAC) will prepare progress reports on the implementation of the NSDEI 2030 considering: (1) a progress assessment in relation to strategy implementation; (2) processing of other statistical data available to analyse long-term trends in comparison to other regional countries; (3) selective highlighting of issues encountered during the monitoring process in relation to national development and integration objectives. The main steps upon which the overall control process for monitoring the progress of the NSDEI 2030 Water Reform indicators is built are: (1) data processing and monitoring report generation; (2) assessment of indicator and achievement reports; (3) taking necessary measures to implement the monitoring and evaluation report.

Monitoring and reporting on the implementation of sector strategies and the achievement of sector results occurs through IPSIS, which is based on good governance principles such as efficiency, accountability, and relevance. The IPSIS monitoring module is standardised to prevent duplication and inefficiencies. To maximise reporting efficiency, the core elements of monitoring and reporting, including policy goals, objectives, measures, and indicators, are aggregated. Lower-level documents build toward the contents of higher-level documents, and linkages between the overarching national strategic document (the NSDEI 2030), sector strategies (the National Energy Strategy 2018-2030 and draft National Strategy of the Water Supply and Sewerage Sector 2023-2030), and budget programmes (Support to Energy & "Water Supply and Sewerage MTBP programmes under the MIE) are taken into account, so the MIE reports in an integrated way.

The monitoring reports generated by IPSIS ensure accountability for planned reforms and interventions. The reports, issued on annual basis, are tailored to the needs of the users in terms of content, length, and frequency. Furthermore, the reports present the achievement of results in a verifiable way and against SMART indicators through the development of 'passports of indicators'. Specifically, the reports focus on the attainment of objectives according to established indicators, the progress on the implementation of measures, the execution of the budget, the financing gap, and future needs to analyse the efficiency and effectiveness of strategy implementation. The reports also inform the preparation of upcoming MTBP and annual budgets and identify risks in achieving strategy objectives.

Every year, the MEI reports on the progress in achieving the objectives, both in terms of quality and quantity, of the National Energy Strategy 2018-2030 and (in the course of being updated) National Strategy of the Water Supply and Sewerage Sector 2020-2030 and regularly informs the Prime Minister about developments in the sector.

Area of support 1: Support to renewables and energy efficiency of buildings and Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

The monitoring and reporting system is supported by the IPMG mechanism, which, as noted above, includes the Thematic team on Energy that provides the main mechanism for sectoral coordination. The MEI (through its General Directorate of Policies for Industrial and Energy Development) is the lead institution reporting on the annual progress of policy objectives in the National Energy Strategy 2018-2030 by gathering annual information on indicators from the subordinated agencies, namely the AEE and the AKBN.

Moreover, pursuant to the law 124/2015, the AEE monitors the implementation of the National Action Plan for Energy Efficiency and is responsible for overseeing the implementation of energy efficiency measures. The monitoring of energy-saving measures is based on an energy efficiency calculation methodology, which is approved by the Minister's directive. All monitoring activities are carried out based on the indicators found in the national energy database. If specific indicators are not available in the national database, similar data applied by EU member states are used for monitoring purposes. The AEE reports annually to the Minister on the implementation of the National Action Plan for Energy Efficiency, including the achieved results and objectives, as well as the encountered problems and obstacles.

As a signatory to the Energy Community Treaty (ECT), the AEE on behalf of the Government of Albania has submits Annual reports. This report follows the template proposed by the Energy Community Secretariat and fully complies with the requirements of the Energy Efficiency Directive (2012/27/EU). The Reports present the progress made on 17 energy-related indicators, categorised by user/sector. The primary sources of data for reporting include

AEE's own calculations, INSTAT (Albanian Institute of Statistics), the Independent System Operators (OST & OSHEE), electricity generation companies, the AKBN, and the MEI.

Additionally, in line with the same framework, the National Agency for Natural Resources has submitted the Renewable Energy Progress Reports 2020-2021 to the Energy Community Treaty. These reports assess the progress made towards aligning with the Acquis, administrative capacities, investments currently being undertaken in RES and reporting on RES-related indicators.

Area of support 3: Energy efficiency and environmental protection in the water sector

The thematic group "Reform in the water supply and sewerage sector" was established based on the Prime Minister's Order no. 155, dated 25.4.2014 and is chaired by the MEI. The group evaluates annually the progress of national sectoral strategies and plans related to the reform in the water supply and sewerage sector. Moreover, the Order of the Minister of Infrastructure and Energy no. 217, dated 24.05.2019 "On the establishment of the technical secretariat, within the framework of the functioning of the thematic group on reform in the water supply and sewerage sector" approved the technical secretariat.

Within the IPMG mechanism, the responsible subordinated institution is responsible for developing a detailed implementation plan for each of the identified Priority Measures, describing in full how the envisaged results will be achieved. These detailed implementation plans include a gradual approach in line with the expected results to be achieved in the short-, medium-, and long-term periods. These plans are subsequently consulted with the MIE. The analysis of progress and proposal of corrective actions is prepared by the responsible institution (namely AKUM and AEE) and then discussed, reviewed, and evaluated with the MIE during a summary strategy annual meeting. At the end of each year, the MIE consolidates the reporting in an IPMG meeting.

At the Water Utility level, pursuant to the Water reform requirements, the MIE/AKUM and the Water Utilities have stipulated Performance Contracts. These include an indicator matrix which the Utilities shall report on annually. The report from each Utility allows for the monitoring of the progress towards 13 performance indicators, two of which are related to the consumption of electricity. The first report will be issued for 2023 and is expected by early 2024.

The IPA Sectoral Monitoring Committee convenes twice a year and oversees the implementation of IPA programmes in the sector and ensures that objectives at the sector level are met. The committee meets twice a year and includes representatives from the MIE, AKUM, the National IPA Coordinator (NIPAC), and the European Union Delegation (EUD). The NIPAC is responsible for coordinating IPA programming and acts as the main counterpart of the European Commission for monitoring implementation, evaluation, and reporting of IPA III assistance. The NIPAC issues the IPA Annual Implementation Report on an annual basis for both direct and indirect IPA assistance, which captures progress in reaching the objectives of the IPA programming framework, an overview of IPA actions across all sectors during the reporting period, the identification of significant problems encountered, the measures taken to overcome them, and the identification of risks that influence future implementation and achievement of objectives.

2.7 Socio-economic analysis (including SWOT¹⁰ analysis)

Area of support 1: Support to renewable energy and energy efficiency of buildings

Based on the energy policy documents (NECP, 2021), the sectors which are considered as having a high potential for energy savings are the transport sector, public and private buildings, and industry. The residential sector accounted for about 27%, and commerce and the public sector for about 11% of final energy consumption, respectively, in 2021 (Eurostat). Energy consumption in buildings is considerable in Albania, and potential energy savings there may contribute to achieving significant energy savings, as well as climate related targets.

The residential sector in Albania is currently underdeveloped in terms of energy efficiency. A study on the low-carbon transition of the national building stock indicates a potential for energy savings of up to 80%¹¹. The average heating demand for family houses is 191.31 kWh/m², while for multi-apartment buildings, it is 80.87 kWh/m², which could be reduced to 26.20 kWh/m² and 11.53 kWh/m² respectively¹².

¹⁰ Strengths, Weaknesses, Opportunities, Threats.

¹¹ This highly ambitious figure includes the possibility of investing in RES parallel to EE measures. Some calculations evidence based on the AEE investments show that for typical multistorey buildings, built in the '70-s – 80s a saving of around 40% is possible based on a case study in Korca. <https://www.energy-community.org/regionalinitiatives/Transition/poverty/study.html>

¹² Study on Addressing Energy Poverty in the Energy Community Contracting Parties. <https://www.energy-community.org/regionalinitiatives/Transition/poverty/study.html>

The gross floor area of all residential buildings in 2011 was estimated at 65 million m². Including the new permits, the total gross floor area increases to 70.3 million m²¹³. The average dwelling size was 97 m², which is in line with European norms.

The total number of private residential and commercial buildings is estimated to be more than 500,000, with more than 1 million dwelling units. The building stock in Albania is relatively new compared to the EU average with over 40% of floor area being less than 20 years old. Nevertheless, due to the construction materials and techniques used, the energy efficiency rating of the older buildings is quite poor and the potential for energy efficient renovation quite high.

The buildings with the most likely maximum impact in terms of energy efficiency renovation are from the pre-2000 period, which account for 312,107 buildings, or 75% of all residential buildings.

A regional study from the World Bank (2017) records higher levels of electricity consumption (63.4%) and a considerable use of wood logs for heating purposes (20.0%) in Albania than in other counties. The remaining demand is met by the use of LPG (8.2%) and petroleum products (8.2%)¹⁴.

Most of the energy use is allocated to space heating (71.4%), followed by lighting, cooking and domestic hot water (DHW) heating. 37% of all households are unable to keep their home adequately warm, this figure increases considerably to 54% if calculating the share of households below 60% of the median equivalised income- (Eurostat, 2019). According to Eurostat, in 2020, at least 35% of Albanians suffered from energy poverty, much higher than the European average of 7.5% for the same year. Albania is characterised by low comfort levels across its main cities. According to energy efficiency experts of the Albanian building stock, space heating and cooling only reach 35% - 55% of comfort levels in the residential buildings.

In terms of public sector buildings, according to earlier studies and AEE databases in the country, there are more than 14,000 public buildings with an estimated floor area of 13,7 million m² and an estimated annual energy use of more than 550 GWH. The main categories of public buildings are schools and kindergartens, offices, dormitories, universities, hospitals, libraries, museum, and galleries etc. The ownership of these buildings is shared between the central and the local government.

Most of the public buildings were built between 1950s and 1975 indicating the high need for energy efficiency measures.

Since 1 April 2022, the public sector has been charged with implementing the objective that 3% of the total area of the stock of public buildings with heating and/or cooling, owned and occupied by central government bodies, and 2% of the total area of the stock of other public buildings be renovated every year to meet the minimum requirements for energy performance. The objective cannot be reached currently since a funding mechanism is not yet in place. An estimation from the SEMP¹⁵ project working in four municipalities (Berat, Korca, Permet and Shkodra) of Albania preparing local climate plans and collecting data shows that the Municipal public building stock in the respective municipalities consists of 384 public buildings with a total floor area of around 300,000 m². Schools have the highest share among the public building stock and comprise 50-60% of total floor area. Due to the poor energy efficiency condition, the annual energy demand (meeting the comfort level), for the baseline scenario (without introduction of EE/RES/Green measures for these buildings varies from approximately 134 kWh/m²/year (Berat public buildings) to 190 kWh/m²/year (Korca public buildings).

SWOT Table

Strengths	Underpinning Evidence
Strategic framework for EE measures is approved.	The National Plan for Energy and Climate (NECP) 2020 – 2030 was approved with the Decision of Council of

¹³ Building Renovation Strategy for Albania-phase 1, draft March 2023.Prepared from Economic Consulting Associates Limited as part of the Western Balkans Regional Energy Efficiency Programme (REEP) Phase II ‘REEP Plus’.
¹⁴ Biomass-Based Heating in the Western Balkans – A Roadmap for Sustainable Development. World Bank 2017.
¹⁵ Smart Energy Municipalities Project) financed the Swiss State Secretariat for Economic Affairs’ (SECO) in collaboration with the Ministry of Infrastructure and Energy and Agency for Energy Efficiency.

	Ministers No 872 of 29.12.2021 “On the approval of the National Energy and Climate Plan 2020 – 2030”. ¹⁶
Primary legislation for energy efficiency is in place and approved.	As acknowledged in the EC Report 2022. The two main laws are: - Law on Energy Efficiency (No. 124/2015), as amended, largely aligns with Directive 2012/27/EU, particularly with its amendments adopted in 2021. - Law on the Energy Performance of Buildings (No. 116/2016) largely aligns with Directive 2010/31/EU.
Considerable progress is made as regards the preparation of the secondary legislation related to Energy Efficiency	The following bylaws are approved. DCM No. 407 dated 19.6.2019 DCM No. 342 dated 22.5.2019 DCM No. 256 dated 27.3.2020 DCM No. 934 dated 25.11.2020 DCM No. 958 dated 02.12.2020 DCM No. 1094 dated 24.12.2020 DCM No. 1094 dated 24.12.2020 DCM no. 274, dated 4.5.2023. A number of other guidelines are finalised and are in the process of being officially published: – The format of energy efficiency action plans for large energy consumers, the model of annual reporting of their progress, – The format of local action plans for energy efficiency, their progress reporting model. – Guideline "On the Contract Model for Energy Performance Contracting" (ESCO contract.)
A large number of energy auditors are already certified	More than 100 energy auditors are certified (based on interviews with AEE).
There is some previous experience on public and private multi storey buildings retrofitting. There are therefore some experienced human resources in the engineering services and construction sector to conduct Energy Efficiency measures.	KfW Programme on Energy-Efficient Rehabilitation of Dormitories of University Tirana - Student City. Energy Efficient Schools Buildings in Albania (EnE4Schools) Project. Municipality of Tirana scheme on co-financing 50 % of the multi-story buildings retrofitting with the housing associations as applicants.
Previous experiences in national schemes for small scale renewables (solar heaters).	Guideline of the Minister of Infrastructure and Energy “On Determining the Rules, Procedures, and Methodology for Family Customers Who Benefit from Financing Measures for Saving Energy from Solar Panels”. The scheme has progressed well (all the budget, around EUR 2 million, has been allocated).
The methodology on all the process of building renovations and on the selection of buildings to be retrofitted.	SEMP project
Weaknesses	Underpinning Evidence
Secondary legislation for energy efficiency still missing.	EC Report 2022 pp.104-105

¹⁶ During the period January – April 2022, the NECP was revised based on the recommendations of the Energy Community Secretariat. The revised document aims to reduce the final energy consumption and increase the share of renewable energy in final energy consumption, while GHG emissions remain unchanged. Based on the Decision of the Ministerial Council of the Energy Community No 2022/02/MC-EnC, of 15 December 2022, the new targets are prepared. The NECP is in the process of further reviews and the inclusion of newly approved targets is due by the end of 2024.

The AEE's role, capacities and operations need improvement.	EC Report 2022 assessment, also findings from earlier reports.
Energy Efficiency funding mechanisms are not yet in place.	EC Report 2022 assessment, finding from earlier reports that is not addressed. The EE funding has increased in the last few years, scattered in different organisations.
The Institutional responsibilities for investment in public buildings are not always clear and are scattered amongst different actors.	<ul style="list-style-type: none"> - DCM no.633, dated 28.09.2022 on appointing ADF as a central purchasing office for PV panels on the rooftop of the Prime Minister's office and other Central Government buildings. - ADF budget allocation on retrofitting of multi storey collective buildings in different municipalities. - Municipality of Tirana
Limited previous experience from the proposed involved bodies to implement retrofitting of public and private buildings and small-scale renewable grant schemes.	Mid-term budget analyses show mostly pilot scale investments.
The building stock in need for EE measure is large, and the financing needs could be very high.	Building renovation strategy draft, Instat: More than 300,000 buildings are built earlier than 2000.

Opportunities	Underpinning Evidence
The building renovation strategy that is being prepared will provide a solid basis for sound programme preparation and implementation.	Building Renovation Strategy for Albania-phase 1, draft March 2023.
The residential sector constitutes a large share of the energy consumption in Albania so there is significant potential to save energy through EE measures.	Building Renovation Strategy, INSTAT: Residential sector constitutes 27% of the energy use in Albania.
Most of the building stock is old and built before the EE legal framework was in place so there is significant potential to save through EE measures.	Study on Addressing Energy Poverty in the Energy Community Contracting Parties; Calculations from AEE based on evidence: Energy savings possibilities 40 % - 80%.
Political will to prepare/update the strategic and legal framework based on EC Directives	Building renovation strategy: New DCMs are drafted and approved recently such as , the DCM on the preparation of Local EE Plans.
Synergy with other donor projects, such as SEMP, KfW, IPA II create good ground for cooperation.	Project reports. The mentioned projects are working already with the MIE, AEE and local municipalities.

Threats	Underpinning evidence
Delays in implementing the legislation in the EE area.	EC Report 2022: In general, all the sector reports acknowledge progress in approving the legislation but delays in implementing it.
EE operational capacities are lacking.	EC Report 2022. Several other sector reports emphasize the lack of capacities in the AEE.
Housing Owner Associations are not established or underperforming causing difficulties in generation of interest to participate in and co-finance grant schemes.	Building Renovation Strategy 2023.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

Final energy consumption in Albania during the period 2004-2019¹⁷ was dominated by the transport sector, followed by the household & commerce sectors. Specifically, in 2019 the transport sector dominated with a share

¹⁷ NCEP , 2021https://www.infrastruktura.gov.al/wp-content/uploads/2021/11/NECP-Albania_drafti-shqip.pdf

of 41.6%, Based on the energy policy documents, sectors which are considered having the greatest potential for energy savings are the transport sector, public and private buildings, and industry¹⁸. Integration of the RES in the transport sector is one of the objectives of the RES strategy in Albania.

Albania does not yet have an approved strategy for sustainable transport¹⁹; therefore, there are no specific national objective related to e-mobility, although measures are undertaken by the Government to incentivise EV purchase. A number of Albanian municipalities²⁰, most notably Tirana, have prepared a Sustainable Urban Mobility Plan, based on EU guidance and methodologies, where e-mobility and recharging infrastructure within urban areas are part of the respective action plans.

There is no specific regulatory framework in place to regulate the retail electricity market for EV charging. From the logistical point of view, a DCM of 2014²¹ obliges service area (i.e. fuelling stations) to have charging stations for EVs.

The green agenda for the Western Balkans states that cleaner fuels and higher fuel efficiency could help reduce the environmental and health impacts of transport in the Western Balkans. The Strategy for Sustainable and Smart Mobility in the Western Balkans²² states that the transport sector is one of the main sources of GHG emissions in the region. In 1990, the transport sector share was 12% while by 2018 it had increased to 18%. The overall share of transport emissions is dominated by CO₂ from road transport (more than 90%). The analysis of the factors in the region cites the low demand for sustainable fuels and vehicles, the lack of incentives, the lack of a suitable refuelling/recharging network and supply limitations as impediments for the uptake of the electrification of the sector. The first flagship of this strategy is boosting the uptake of Zero-emission vehicles, renewable and low carbon fuels and related infrastructure.

Currently less than 0.5% of the vehicles in Albania are Electrical Vehicles. Until December 2022, Albania had registered 639,739 cars out of which 1,245 electrical cars²³ and a few thousand more hybrid cars (respectively 0.2% and 0.4 % of the total vehicle stock). The data for January-April 2023 depict a more optimistic trend; the percentage of electric vehicles out of the total number of newly registered cars was 3.2%, showing an important growing trend for EVs.

There is a lack of data on the number of charging stations in Albania; the charging infrastructure is at a rather early stage. Charging stations exist mostly in the Municipality of Tirana (mostly as an incentive to taxi companies that have decided to electrify their fleet) and in a limited number of public and private companies that have created their own infrastructure of charging stations. The Albanian State Police introduced electric vehicles in 2016 and Albanian Mail in April 2019. In Tirana, a new fleet of public buses is used in 16 bus lines.

The lack of EV recharging stations is most notable along the core road network not allowing for EV travel autonomy within the country as well as to and from neighbouring countries.

The AEE has a pilot project and aims to install ten charging stations in few cities and close to the border areas. It is acknowledged that missing charging infrastructure, especially along the main roads, is a major impediment to the vehicle fleet electrification.

The Technical Assistance to Connectivity in the Western Balkans (CONNECTA) is finalising a report with suggestions on where to install charging stations along the TEN-T Corridor network, analysing different dimensions from the EU legislative perspective. They have suggested to deploy 23 charging stations in Albania based on a set of criteria.

The AEE finalised a feasibility study in 2021 for the deployment of more than 300 charging stations across Albania. Their distribution has been envisaged based on criteria such as number of cars, the population and surface

¹⁸ Additional information in International Scientific Journal Innovations. An Integrated Approach toward a sustainable transport sector using the EnergyPLAN model: case of Albania a Lorenc Malka, b Ilirian Konomi, c Pietro Bartocci, d Ermonela Rrapaj a Department of Energy, Faculty of Mechanical Engineering, Polytechnic University of Tirana, Albania. b Department of Hydraulic & Hydrotechnic, Faculty of Civil Engineering, Polytechnic University of Tirana, Albania. c CRB Italian Biomass Research Centre, University of Perugia, 06100 Perugia, Italy. Independent Energy Expert, Technical Director of Energi Ze Haim, Tirana, Albania. lmalika@fim.edu.al
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<https://stumejournals.com/journals/innovations/2021/4/141.full.pdf>

¹⁹ A draft strategy was never approved, it is expected that most of this draft strategy will be incorporated in the new transport strategy that is being finalised.

²⁰ Other municipalities that have prepared a SUMP report (not a full plan) are the municipalities of Elbasan region.

²¹ DCM no. 493, 22.07.2014 regulates the parameters and functioning of the service areas. Article 9, h "All the service areas, that are built after this decision comes into effect, must have recharging station for batteries of Electrical vehicles. For the existing areas, this condition needs to be met in a period of 2 years after this decision comes into effect." The enforcement of this DCM requirement does not seem to have happened.

²² "Strategy for sustainable and smart mobility in the Western Balkans", Transport Community Secretariat, July 2021. <https://www.transport-community.org/wp-content/uploads/2021/06/Strategy-for-Sustainable-and-Smart-Mobility-in-the-Western-Balkans.pdf>

²³ Open data of the relevant Transport Directorate: <https://lookerstudio.google.com/reporting/6e490ad1-161c-4974-8b42-d81ad0387966/page/8cA1B>

area of the municipalities. The majority of the chargers at the time (2021) were proposed with a power of 22 kw per station²⁴.

From the institutional point of view, a significant number of public agencies and companies are involved. These include: ARA, the owner of the national road network which regulates the entrance and exit from service areas. The OSHEE group and its subsidiaries are in charge of network management (DSO) and electricity supply (USS). The AEE is in charge of proposing energy efficiency measures and has managed the process for the preparation of a feasibility study for the charging stations in the country. Other potential stakeholders include the municipalities, the service areas businesses and other potential service providers.

SWOT table

Strengths	Underpinning Evidence
The strategic framework for EE measures is approved.	National Energy and Climate Plan approved and amended based on Energy Community recommendations (2022): 250-300 charging stations to be deployed by 2025.
Transport constitutes the major share of energy consumption in the country, there is a high potential for savings and emission reduction.	-Transport accounts for around 18% of GHG emission in the region. More than 90 % of the emissions come from road transport. (Sustainable and Smart Transport Strategy in the WB). -Final energy consumption in Albania is dominated by transport with a share of 41.6%. (NCEP, 2021, data refer to 2019)
Expected growing number of EV-s in Albania in line with the EU trend.	CONNECTA presentations (2023), Sustainable Mobility - Vehicle development and charging/fuel infrastructure: Albania EV share will be 8% to 10% in 2030 (depending on the scenario).
There is some existing (although limited) experience in the country for the installation and operation of the charging stations.	Interviews with the stakeholders: DSO (Distribution System Operator) data show that there are several charging stations in the municipality of Tirana as well as in some public and private companies.
AEE has prepared a feasibility study for the installation of the charging stations across the country that can serve as a basis for further development. Assumptions are made on the market growth and charging stations distribution. CONNECTA has prepared a regional roadmap for the deployment of charging stations on the TEN-T network in the WB 6 countries including Albania.	Feasibility Study, AEE, 2021. CONNECTA, draft documents 2023 ²⁵ .

Weaknesses	Underpinning Evidence
Regulatory aspect (including eventual compliance with EU State aid rules) for the management of EV charging stations is almost fully missing.	- Interviews with the stakeholders. - DCM no. 493, 22.07.2014 regulates the parameters and functioning of the service areas including the obligation to install EV chargers.
Albania does not have a sustainable transport strategy. A sustainable transport strategy was drafted in 2016 with EBRD assistance but never came into effect. The general transport strategy (that barely deals with E-mobility) is outdated.	- DCM 811, 16.11.2016 On the approval of the Transport Strategy.
Limited previous experience from the proposed involved bodies to implement the project.	Interview with the stakeholders: - AEE is in the process of installing 10 charging stations across the country.

²⁴ Given the very fast demand for higher output, the 22 kw chargers will need to be replaced.

²⁵ <https://connecta-info.eu/connecta-hosts-the-fifth-and-the-sixth-workshop-within-its-sub-project-technical-assistance-for-the-deployment-of-smart-and-sustainable-mobility-in-the-western-balkans/>

The institutional responsibilities and the management model are not clear.	A number of institutions are potentially involved: AEE, ARA, DSO, USS etc.
Limited funding under state budget funds.	Budget analyses show pilot scale investments.
Policy on sustainable urban mobility practices does not provide guidance to the municipalities.	Decentralisation and Local Governance Strategy 2023-2030 (Consultation draft, November 2022)

Opportunities	Underpinning evidence
Considerable potential to avoid CO2 emissions due to growth in EV trips in the country.	NECP 2021: Transport is the largest energy use sector in the country (34%)
Deployment of Charging stations is an explicit priority in the Economic Investment Plan, Green Agenda for the Western Balkans and the NECP.	An Economic and Investment Plan for the Western Balkans (2020) Green Agenda for the Western Balkans, 2020 NECP, 2021

Threats	Underpinning evidence
High coordination costs due to the multitude of actors could result in delayed decision making.	Interview with the stakeholders.
The electricity network's limited capacities might result in higher than anticipated costs.	Interview with DSO.

Area of support 3: Energy efficiency and environmental protection in the water sector

The Albanian government has taken a step forward by implementing the water sector reform²⁶. It has established 15 new water utilities, of which it will own 51% of the shares, aiming to ensure the successful implementation of reforms and investments while safeguarding the interests of smaller municipalities. The aggregation of utilities is based on the proximity of the territories they cover and the water sources they operate, with a minimum of 25,000 customers for each entity. The primary objectives of these reforms are to achieve economies of scale in the design and construction of waterworks, reduce costs, share operating and administrative expenses, increase access to finance, promote integrated water resources management and environmental protection, and improve human resource capacity. This reform initiative is a significant step towards building a more sustainable and efficient water sector for Albania, with a focus on enhancing the accessibility and quality of water services across the country. The reform process aims to standardise organisational structures, implement change management based on task achievement and clear performance indicators, provide staff training, and coordinate awareness campaigns and field actions to reduce losses, illegal connections, and increase revenue. Integrated five-year business plans will be implemented with a programme to improve performance and increase energy efficiency, while tariff harmonisation policies and strategies will also be drafted. The government has highlighted the need for support, including investment in energy efficiency and power plants for water utilities to produce green energy.

The EC 2022 Report for Albania indicates that Albania's level of legal alignment in the sector is incomplete. The country needs to ensure full alignment with the urban wastewater treatment directive, extend sewerage networks, and license and apply appropriate tariffs for all waste-water treatment plants while constructing new ones, especially in urban and coastal areas with high tourism development. Additionally, Albania needs to adopt and implement the new law on water supply and sewerage, along with the revised water code. Currently, Albania has approved the road map on aggregation and has progressed with establishing 13 out of the 15 aggregated new utilities. Furthermore, an updated National Strategy for Water Supply and Sewerage 2023-2030 is pending approval and publication. However, Albania needs to adopt and implement the AKUM strategic institutional development plan to drive and support the implementation of the water reform and the new strategy for 2030.

According to data from 2019, the overall water supply service coverage for Albania's population is 78.8%, with 94% coverage in urban areas and 60% coverage in rural areas. Regarding sewerage coverage, the national level has reached 56.3%, with 79.5% coverage in urban areas and 16% coverage in rural areas. Unfortunately, only 14.3% of the urban population has access to wastewater treatment. The average non-revenue-water (NRW) for the entire sector is very high at 63.5% (above the average in the region, 55 %), and municipal utilities report an average

²⁶ Decision of Council of Ministers, No.302, dated 11.5. 2022 "On national policies for the reorganization of the water supply and wastewater removal, treatment, and processing sector".

of 12 hours of water supply availability. These indicators highlight significant disparities in the quality and coverage of services between urban and rural areas, calling for further attention and investment to address the issue. In a wider context, the Water utilities still lack adequate capacities in order to show proper performance in their operations and financial management. This is particularly evident when considering the tariff collection rate, 75.5 % (below the average in the region, 81.2 %), the very low average service price by m3 is (0.64 €/ m3 and for wastewater 0.15 €/m3), and high staff numbers, in total 8,425 which is above the EU and international standards (4.9/1,000 connections on average vs 2.4/1,000).

Despite having 12 wastewater treatment plants in operation, Albania has the lowest wastewater treatment coverage in the Western Balkans. Water management competencies are shared among several institutions with insufficient capacities and coordination, while the existing wastewater treatment plants face operational and maintenance challenges. It is also evidenced that several utilities are not officially licensed by the respective RBCs as regards wastewater treatment, making it impossible for them to apply for wastewater treatment tariffs and therefore sustain operation and maintenance (and infrastructure development). It is essential to extend sewage networks and build new treatment plants, particularly in urban, coastal, and tourist areas, to address the issue of inadequate wastewater treatment coverage effectively.

In 2018, most water utilities in Albania reported an increase in energy consumption, amounting to 16 million kWh. This increase can be attributed to the reorganisation of water supply services under the territorial reform, which merged rural water supply systems that rely heavily on water production with pumping stations. Moreover, energy is a critical factor for operating and maintenance budgets in water utilities, ranging from 1% to 78% of total OPEX, with an average of 26% at the national level. High energy consumption and costs are derived from excessive pumping due to high leakage rates, low energy efficiency of operations and outdated equipment. Albania has one of the highest energy costs per cubic metre in the Western Balkans, accounting for an average of 22.2% of aggregate operational costs, with some utilities having much higher proportions. The unit energy cost per cubic metre of water sold in Albania is US\$0.6/m3, compared to US\$0.25/m3 in Kosovo*, US\$0.20/m3 in Serbia, and US\$0.15/m3 in North Macedonia. To strengthen the water supply sector's resilience to potential future shortages caused by climate change, investments in energy efficiency are crucial. In addition, it has been demonstrated that expected savings of 25% in energy efficiency will lead to a reduction of 860 tCO2eq per year in greenhouse gas emissions. This reduction corresponds to 17,200 tCO2eq over the economic lifetime.

According to the World Bank's assessment of the sector, improving energy efficiency and reducing non-revenue water (NRW) can help maintain a low-emissions electricity matrix and meet the energy-related targets set in the Nationally Determined Contributions and other goals in the National Action Plan on Energy Efficiency and the NSDEI 2030.

SWOT table

Strengths	Underpinning evidence
Progress towards water sector reform, including the approval of the water reform plan and the progress made in the aggregation of water utilities.	13 out of 15 newly aggregated utilities have been established, restructuring the 61 former water enterprises. Structural changes have been implemented in the ownership and management of utilities, with the central government holding a 51% share, thereby creating greater capacity and impetus for sector reform. Performance contracts and key performance indicators (KPIs) for performance monitoring have been agreed upon between the MIE and the water utilities.
The implementation of a MTBP system is crucial for effective planning and allocation of financing towards water reform initiatives.	The water sector has been accorded high priority in terms of budget allocation and the commitment of donors. The budget allocation for the MTBP 2023-2025 is estimated to be EUR 440 million, which includes loan financing from International Financing Institutions. This significant investment reflects the recognition of the sector's importance and the

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

Strengths	Underpinning evidence
	commitment to addressing its challenges and improving water services. However, the investment is insufficient compared to the needs.
The strategic and legal framework is currently in place with a well-established mechanism to monitor policy implementation.	National Strategy for Water Supply and Sewerage 2020 -2030 was approved in December 2020; an updated version 2023-2030 is drafted and pending approval. The MIE leads the monitoring mechanism and regular reporting and discussion on progress with strategy implementation is ensured.

Weaknesses	Underpinning evidence
Inefficient management of water services.	The average non-revenue water rate for the entire sector is high at 63.5%. Energy costs are another important item in the operation and maintenance budget of water utilities, accounting for between 1% and 78% of total operating costs, with an average of 26% nationally. Excessive pumping ²⁷ , low energy efficiency, and outdated equipment contribute to the high energy consumption. Additionally, Albania has one of the highest energy costs per cubic metre in the Western Balkans.
Insufficient investment in the water sector particularly on energy efficiency in the sector, has an impact on the affordability of these services for the population.	There continues to be a significant mismatch between allocated funds and the overall financial needs of the water sector, as evidenced by the estimated cost of approximately EUR 1.5 billion in the National Strategy for Water Supply and Sewerage 2020-2030. Current funding levels are insufficient to meet the comprehensive needs of the sector and hinder the sector's ability to modernise infrastructure, expand services, and effectively implement necessary reforms. Despite the obvious challenges posed by high energy consumption and costs, the water sector has little investment in energy efficiency measures.
Current planning does not address the insufficient coverage of wastewater services in the urban areas and very limited coverage in rural areas.	The strategic plan for the institutional development of AKUM, which is critical to the implementation of water reform, has yet to be adopted and implemented. Significant differences in water supply and sewerage between urban and rural areas persist, indicating that rural populations lack access to essential services. - Water supply: 94% coverage in urban areas and 60% in rural areas. - Sewerage: 79.5% coverage in urban areas and 16% in rural areas. Wastewater treatment: Only 14.3% of the urban population has access to wastewater treatment facilities.

Opportunities	Underpinning evidence
Implementing energy efficiency measures in the water sector has significant benefits in terms of reducing greenhouse gas emissions and contributing to climate change resilience.	Energy efficiency interventions and renewable energy production with savings of up to 25% compared to a conservative baseline, reduce energy consumption by 20 gigawatt-hours (GWh)/year for total savings of 400 GWh over a 20-year period. Savings of 25% in energy efficiency will lead to a reduction of 860 tCO ₂ eq per year in greenhouse gas emissions. This reduction corresponds to 17,200 tCO ₂ eq over the economic lifetime. ²⁸
Implementing energy efficiency measures and renewable energy production in the water sector offer opportunities for improved management practices and additional investment.	Implementing energy efficiency measures and renewable energy production in the water sector has the potential to significantly reduce energy consumption and, consequently, lower operational expenses by up to 78%. By achieving energy savings, water utilities can allocate a substantial portion of their operational expenditures (OPEX) towards investments in service improvement.

²⁷ If too much groundwater is being pumped without the need for such flow, one solution may be to operate the pump with a variable speed drive (VSD) and a maximum diameter impeller. This allows the speed of the pump to be adjusted to achieve the desired head and flow.

²⁸ <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/389851652556784360/> albania-national-water-supply-and-sewerage-sector-modernization-program

Threats	Underpinning evidence
Increasing tourism activities might be a threat for water scarcity.	<p>Need to strengthen the water supply sector's resilience and energy efficiency to potential future shortages caused by climate change which indicates a threat of water scarcity. This can put pressure on water resources and lead to inadequate water supply for both urban and rural areas.</p> <p>The increasing tourism activities can put an additional strain on water supply and wastewater management systems, requiring proactive planning and investment to meet the growing demand.</p>
Financial sustainability of Albanian water utilities threatened by the high increase in energy costs.	One of the highest energy costs per cubic metre in the Western Balkans (in Albania is US\$0.6/m ³ , compared to US\$0.25/m ³ in Kosovo, US\$0.20/m ³ in Serbia, and US\$0.15/m ³ in North Macedonia).

3. Overall Objective(s) and Specific Objective(s) of the Operational Programme

Overall Objective (Impact): To promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, accelerating the shift towards a low-carbon economy.

Specific objectives (OUTCOMES)

- Outcome 1. Energy efficiency increased and greenhouse gas emissions reduced (Area of support 1)
- Outcome 2. Renewable energy production increased (Area of support 1)
- Outcome 3. Energy poverty mitigated (Area of Support 1)
- Outcome 4. Sustainable mobility promoted as part of the transition to a net zero carbon economy. (Area of support 2)
- Outcome 5. Energy efficiency increased and greenhouse gas emissions reduced in the municipal water utilities. (Area of support 3)
- Outcome 6. Capacities of the OP Managing Authority and Intermediate bodies enhanced or reinforced. (Other support)

3.1 Coherence with the IPA III Programming Framework and with the specific policy instruments of the enlargement process

The OP objectives are fully in line with the IPA III programming framework as they address Energy Efficiency improvement in buildings (Area of Support 1) and public water utilities (Area of Support 3), increased share of renewables in buildings and public water utilities (Areas of Support 1 and 3) and greening of transport (Area of Support 2).

The IPA III **Programming Framework** outlines the overarching objectives of EU funding under Window 3 (Green Agenda and Sustainable Connectivity).

According to the IPA III Programming Framework: "There is considerable scope for the IPA III beneficiaries to embark on a green agenda and sustainable connectivity to decarbonise in a whole-of-economy approach: improve energy efficiency, increase the share of renewable energy sources, assist beneficiaries in attaining the Sustainable Development Goals and address other environmental issues, such as, greening of transport, including marine transport, and food production, advancing the efficient use of resources, reverting biodiversity loss and cutting pollution, including marine pollution.... A perspective on energy system integration is key in this respect, because a green recovery plan requires both investments in more clean energy supply as well as key investments in the transport, industry, and buildings sectors to make these more efficient and compatible with renewable resources. Investing in the development and deployment of clean technologies alongside other types of renewables like wind and solar can contribute to the needed integration across the energy, transport, industry and building sectors, in line with the emerging Smart Specialisation priority domains in the region.

On Energy Efficiency the IPA III Programming Framework states: "... Energy efficiency remains the most effective way to meet carbon reduction targets, reduce energy costs and dependence on imports, in particular in a region featuring an energy intensity that is much higher than the average EU one."

Regarding Renewable Energy Sources, the IPA III Programming Framework states: "...Decarbonisation is a key pillar of the Economic and Investment Plan for the Western Balkans, in line with the aims of the European Green Deal. Investing in renewable and clean energy ... is another priority. ...IPA III will also continue supporting institutional and regulatory reform measures, through the alignment with and the implementation of the EU *acquis*."

Regarding the area of sustainable transport, the IPA III Programming Framework states: "The specific objective of IPA III in this area is to promote: smart, sustainable, inclusive, safe and resilient transport..., to accelerate the shift towards a low-carbon, climate resilient economy, promote clean energy transition IPA III will accordingly support forms of mobility that are sustainable, energy-efficient and respectful of the environment. This means promoting ...green transport solutions, especially in urban mobility contexts."

The **Western Balkans Economic and Investment Plan (EIP) and the Green Agenda** highlight the following areas that are related to this OP:

- Energy efficiency, a prerequisite for decarbonisation in the most cost-effective way, must be included in future energy policies and investment decisions. The building sector is one of the key areas where the highest energy cost savings can be achieved. Extending the "EU renovation wave" to the Western Balkans could stimulate investment and create jobs.

- Renewable energy sources already account for a significant share of the electricity mix in some economies in the region. With hydropower and bioenergy dominating the picture, it is important to diversify these sources and tap into solar and wind potential.
 - Energy poverty is the social dimension of the energy transition that needs to be addressed for households that cannot afford essential energy services in order to ensure a basic standard of living and citizen acceptance. Effective programmes should aim to improve affordability, reduce energy bills and protect the environment.
 - Regarding transport, the EIP states that "Cleaner fuels and increased fuel efficiency could also help reduce the environmental and health impacts of transport in the Western Balkans". The EU Communication on Clean Energy for Transport could be a reference point for the Western Balkans region. Support the region in planning and implementing sustainable mobility solutions, including alternative fuel infrastructure, charging stations, etc." The intervention is also in line with the **Communication on EU Enlargement Policy 2022**, which calls for increased engagement with the Western Balkans by strengthening the EU Energy Union in all its dimensions through the promotion of energy security, including energy efficiency and renewable energy.
- The intervention proposed under the OP reflect the conclusions and recommendations of the **EC Progress Report 2022 for Albania**. " The implementation of the National Energy Efficiency Action Plan (NEEAP) 2017-2020, which was extended to 2021, has not met the targets of 6.8% energy savings by 2021. The Agency for Energy Efficiency, which has been operating since 2018, is still not fully operational. Some progress has been made towards alignment with the Energy Community acquis by amending the Energy Efficiency Act in March 2021 to align it with the Energy Efficiency Directive and adopting several procedural and legislative acts in the field of energy performance of buildings. The outstanding implementing legislation for the Energy Efficiency and Energy Performance of Buildings Directives should be adopted, certification of energy auditors and managers should continue, and financing incentives and mechanisms for energy efficiency should be established. Albania needs to ensure that actionable action plans RE and EE are adopted under the NECP2030. Albania still needs to ensure that a fully operational energy agency is in place in 2022 in order to implement the measures of the plan without delay." The **Economic Reform Programme (ERP) for 2023-2025** emphasises the importance of reducing energy consumption by increasing energy efficiency in order to achieve key energy policy goals and ensure energy security. The ERP for 2023-25 recognises the importance of regulations in the energy sector but acknowledges that the main challenge is to implement them effectively to increase efficiency and reduce final energy consumption in buildings, industry, services and other activities of central and local government units. The focus is on improving water supply systems, wastewater treatment, public lighting, and public transport, among others. Legal measures, capacity building, organisational development and financial support are needed to achieve these goals. Reform Measure 14, Energy Security through Promotion of Renewable Energy Sources, and Improvement of Energy Efficiency, aims to improve energy efficiency as a crucial component of Albania's energy policy in order to increase energy security in a sustainable and environmentally friendly manner. In line with the National Energy Strategy and the National Energy and Climate Plan, national targets have been adopted until 2030 to reduce final energy consumption (energy efficiency) to 8.4% and net GHG emissions (decarbonisation) to 18.7%.
- The Action Plan for the implementation of the Sofia Declaration on the Green Agenda for the Western Balkans** highlights the region's commitment to decarbonisation, pollution reduction and the gradual decarbonisation of the energy sector. Flagship Initiative 6 of the declaration, The Renovation Wave, aims to extend the EU Renovation Wave to the Western Balkans. The Action Plan states that. "Compliance with minimum energy efficiency standards plays a crucial role in reducing greenhouse gas emissions... To achieve this, Western Balkan economies should, among other things, develop long-term building renovation strategies to support the transition to highly energy-efficient and low-carbon buildings in line with the European Commission's Renovation Initiative." The Action Plan also addresses the issue of alternative fuels in the transport sector: "Several obstacles stand in the way of a wider uptake of alternative fuels in the transport sector: low demand for sustainable fuels and vehicles, lack of incentives, lack of a suitable refuelling/filling station network and supply shortages. In the Western Balkans, petroleum derivatives are the predominant fuel for transport. In order to improve the uncoordinated approach to the development of alternative fuel infrastructure (refuelling stations), the Western Balkan countries should facilitate the development of a comprehensive network that complies with EU standards and interoperability requirements and enables the introduction of low- and zero-emission vehicles in the region. The OP has a specific objective on sustainable transportation. Regarding RES, the Action Plan states: "The Western Balkans region should also continue its efforts to increase and diversify the share of renewable energy in gross final energy consumption and to design and implement economically viable support schemes and promote self-consumption of energy from renewable sources".

In March 2023, the **12th EU-Albania Stabilisation and Association Council** meeting reaffirmed the priority of promoting energy transition, security and diversification²⁹. According to the EC, Albania should proceed with the adoption of energy efficiency legislation and demonstrate progress in reform areas. The proposed measures aim to support these reforms in the energy sector, with the objective of increasing energy diversification and promoting energy efficiency in various sectors.

The **NPEI 2023-2025** outlines the following priority relevant to the OP, as stated in Chapter 15, related to Energy Efficiency and Renewable Energy Sources: Implementation of the updated National Energy and Climate Plan (2021-2030), including the action plans for renewable energy and energy efficiency. All the legal and institutional measures will be implemented including the financial, certification and auditing measures; and non-hydro renewable production, taking into account the energy crisis.

The Southeast Europe **Strategy 2030** aims to significantly increase water use efficiency and ensure sustainable abstraction and the supply of freshwater to address water scarcity and significantly reduce the number of people suffering from water scarcity. It will also promote investment, research and innovation in renewable energy to increase the share of carbon-free energy supply and improve energy efficiency.

The intervention under this OP aims to significantly improve energy efficiency in water supply and to generate more renewable energy being used in this sector.

The area of support Deployment of electric high-speed recharging infrastructure for clean road vehicles is fully aligned with the **Western Balkans Sustainable and Smart Mobility Strategy (July 2021)**, which recognizes the need to decarbonise transport in the region and has a vision to make transport in the Western Balkans cleaner, safer, smarter, greener, more resilient, competitive, and sustainable. The first flagship project identified is the promotion of the introduction of zero-emission vehicles, renewable energy and low-carbon fuels and related infrastructure. The Strategy notes that "the network of alternative fuel infrastructure is either limited (LPG), along corridors or patchy (e-charging stations) and located only in the largest cities in the Western Balkans region".

The strategy also calls for the mobilisation of various funding mechanisms, including EU grants. "To address the uncoordinated approach to establishing a network of charging and refuelling infrastructures, measures will be promoted to ensure that a comprehensive network based on EU standards and interoperability is established across the region to enable the introduction of low- and zero-emission vehicles. To achieve this, different sources of funding will need to be used: private, public funding, public-private partnerships (PPP) and possible EU grants".

The OP has a specific objective on sustainable transport more specifically targeting charging infrastructure.

²⁹ <https://www.consilium.europa.eu/en/press/press-releases/2023/03/16/joint-press-statement-following-the-12th-meeting-of-the-eu-albania-stabilisation-and-association-council/>

4. Operational features of the programme

4.1. Interaction of the programme with IPA III annual action plans or measures and interventions from other donors/International Financial Institutions

Area of support 1: Support to renewables and energy efficiency of buildings

The Regional Energy Efficiency Programme (REEP) was established in 2013 by the EBRD jointly with the European Commission, the Energy Community Secretariat, WBIF and bilateral donors. The programme blends policy support with loans, technical assistance and incentives to support energy efficiency and renewable energy investments in the public and private sectors in the Western Balkans. The EBRD and the KfW implement the programme, which operates both directly and through intermediaries and is a key instrument for the implementation of the Western Balkans Economic and Investment Plan. Since inception in 2013, the European Commission has contributed 180 million in grants and leveraged additional resources from other donors: more than €630 million of total financing has been made available for energy efficiency measures, including in the private sector.

The programme foresees two implementing modalities complementary to the support through WBIF, notably REEP, and as presented in the guidance note on OPs (March 2022):

- Window 2: KfW and EBRD³⁰ provide finance to local banks for on-lending to individual households, vendors, and service providers, as well as housing associations. The focus is on investments in energy efficiency in the residential sector and deployment of renewable energy for SMEs or municipalities. Implementation is foreseen until end 2025.
- Window 4: This window supports energy efficiency and renewable energy in public buildings, innovation and smart solutions in new constructions (promoting nearly-zero buildings or higher) and sustainable heating and cooling. The support is provided through individual loans and grants to public sector. There is a technical assistance component supporting project preparation (including energy audits) and implementation. Implementation is foreseen until end 2027.

Coordination will be ensured at two levels: as regards Window 2 to ensure there is complementarity with the grant schemes foreseen under Area of Support 1; in the case of Window 4 to ensure that there are no overlaps with the intended investments under Area of Support 1 for EE and RE measures in public buildings.

The EU through the IPA III, 2023 is providing EUR 80 million in the form of budget support to support Albanians with the socio-economic consequences of the energy crisis by funding the Government of Albania's response to the energy crisis, which foresees:

- Energy bill subsidies for over 1 million Albanian households.
- Support to 168,000 small and medium enterprises in Albania to offset high energy prices.

At strategic level, both IPA 23 and the proposed OP share the objective to minimise energy poverty in Albania, to support the GoA's medium and long-term energy efficiency measures and energy generation from renewables.

Through the 2021-2024 project “**Smart Energy Municipalities Project in Albania (SEMP)**”, the **Swiss Government** is supporting the Albanian municipalities of Berat, Korça, Përmet and Shkodra in improving their energy efficiency and in eliminating negative impacts on the environment. The project is implemented under the coordination of SECO and the MIE. The project activities are focused in two main components with five sub-components that join forces for an all-inclusive approach under two outcomes. The first outcome is to develop a suitable energy management framework that improves energy management at municipal and national level and the second that citizens of the selected municipalities will benefit from energy efficient public services provided by effective administrations. The project is implemented in full cooperation with the AEE. There is a strong synergy with the Area of Support 1 of the OP which will build on the preliminary work conducted by SEMP in the four municipalities in terms of data collected on the municipal public buildings and the preparedness of the municipal administration. Coordination will be ensured through MIE and at an operational level by AEE.

³⁰ <https://www.wbif.eu/reep>

EU4Energy Transition, a regional programme funded jointly by the EU and the German Federal Ministry for Economic Cooperation and Development, is rolling out the Covenant of Mayors for Climate and Energy initiative in the Western Balkans. This programme, with the implementation up to the end of 2025, is supporting the development and implementation of municipal Sustainable Energy and Climate Action Plans. In Albania, for example, a photovoltaic system will be installed to power water pumps for agriculture needs in Lushnjë and a plan is being developed in Durres and Elbasan. Elbasan is also part of the EU Mission for 100 climate-neutral and smart cities by 2030. The selection of municipalities to benefit from Area of Support 1 could be done based on their readiness in energy and climate planning.

The Energy Efficient Schools Buildings in Albania (EnE4Schools) Project focuses on energy efficiency of selected Educational/School Buildings. Financed through a KfW loan and a WBIF grant, in the amount of EUR 31.7 million: (i) KfW Loan of EUR 26.4 million; and (ii) a WBIF grant of EUR 2.1 million. The project will:

- Assess the current situation of targeted school buildings and audit selected buildings to identify the required structural and energy efficiency interventions.
- Renovate the buildings of about 60 Educational Institutions (early childhood, primary and secondary level) to improve the energy performance of the buildings as well as the comfort, safety and the indoor health conditions.
- Provide technical assistance for project preparation:
- Assess the School Buildings Stock (628 Educational Institutions),
- Carry out Sixty (60) Energy & Structural Audits (in accordance with national and EU legislation), one Audit for each of the 60 selected Educational Institutions.)
- Prepare the Environmental and Social Management Plan (ESMP)
- Provide support to project preparation (technical designs and specifications), Management and Capacity Building

The project counterpart is the Ministry of Education. MIE will coordinate with the project to avoid overlaps in the financing of public buildings from the OP.

Programme on Energy-Efficient Rehabilitation of Dormitories of University Tirana - Student City, under implementation, supports the rehabilitation of dormitories in Student City I, specifically aiming to increase the structural integrity, energy efficiency and basic comfort. The German Government has approved and implemented grant funds of EUR 4.5 million for the first Phase of the Programme, EUR 2.032 million for Phase II, and EUR 2.927 million for Phase III. A new phase has been approved, phase IV, which is financed by KfW and WBIF:

- A Loan component of EUR 20 million provided by KfW for “Energy-Efficient Rehabilitation of Student Dormitories of Public Universities in Albania”;
- A Grant from KfW in the amount of EUR 4.8 million for “Energy-Efficient Rehabilitation of Student Dormitories of Public Universities in Albania”, a contract to complement funds provided by the European Commission through the Regional Programme for Energy Efficiency (REEP Plus) has made available additional funds under the WBIF;
- A Grant by KfW in the amount of EUR 1 million for “Accompanying Measures for Energy-Efficient Rehabilitation of Student Dormitories of Public Universities in Albania”.

Coordination will be ensured through the MIE; however, no overlaps are foreseen, while there are potential synergies at technical level on the quality of implementation of the EE measures.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

This OP is not expected to have strong interactions with other programmes under IPA III.

The Technical Assistance to Connectivity in the Western Balkans (CONNECTA) is an EU-funded technical assistance contract. One of the projects under implementation is **Technical Assistance for the Deployment of Smart and Sustainable Mobility in the Western Balkans**. Its objective is to develop strategic documentation needed for the deployment of smart and sustainable mobility in the Western Balkans and provide a detailed roadmap for the decarbonisation and digitalisation of the transport sector. Its main objective is to enhance mobility by focusing on sustainable and smart transport in the region, especially along indicative extensions of the TEN-T road network in the Western Balkans.

Expected results from the project include:

- Current state of play/plans for the deployment of e-charging stations.
- Proposal for e-charging infrastructure needed to boost electric vehicle demand up to the years 2030, 2040, 2050;
- Contractual/business models;

- Roadmap for each regional partner on extending e-charging stations.

The TA recommendations are of special interest to the OP area of support 2. Close coordination will be followed up through the MIE to ensure that the recommendations of the TA are integrated in the infrastructure locations (along the Ten-T network) and the modalities of operation of the charging network.

Area of support 3: Energy efficiency and environmental protection in the water sector

The OP will collaborate and coordinate with several donor-funded programmes within this area of support. These programmes play a crucial role in advancing the objectives and activities related to energy efficiency and renewable energy in the water sector. The coordination aims to leverage synergies, share best practices, and enhance the overall impact of the interventions. The main donor-funded programmes in relation to the area of support include the following.

The **EC/IPA 2022 funded action "EU for Water,"** co-financed and implemented by KfW with a total budget of EUR 78.1 million, which is complementary. The overall aim of the Action is to support Albania in maintaining or improving the quality status of water bodies in Albania and aligning further with the EU environment acquis. One of the expected results is to increase access to waste water collection with centralised treatment systems, and enhance the sustainability of water and sewerage utilities, notably through energy measures that also contribute to curtailing the emission of climate-impacting greenhouse gases. Specifically, the action will install Renewable Energy (RE) site capacity in the three Wastewater Treatment Plans planned to be constructed (Municipalities of Shkodra, Berat and Kamza). The supply and installation of RE solar PV plants will also be implemented as an add-on to the IPA 2018 action "EU for Water" delegated to KfW. Based on the lessons learned and success stories applied under IPA 2022, future interventions under this area of support will aim to adopt and replicate similar energy efficiency and renewable energy activities in other Water Utilities. The successful practices and approaches identified in the previous programme will serve as a foundation for expanding energy efficiency measures and promoting the use of renewable energy sources in targeted utilities.

To achieve the same purpose, the Water Sector Performance and Investment Programme/Municipal Infrastructure V is a highly relevant programme in the sector, financed by the EC/WBIF/IPA, Switzerland/SECO, and KfW. Building upon the success of the previous Municipal Infrastructure Programmes I-IV, Phase V has been allocated a total budget of EUR 129 million. The primary objective of this phase is to increase funding in the sector to implement priority investments in network infrastructure upgrades for water supply and wastewater treatment in multiple Water Utilities. The programme is scheduled to be completed by the end of 2023.

The Integrated National Sanitation Strategy & Investment Planning is supported by a grant of EUR 1,200,000.00 from the Western Balkans Investment Framework (WBIF). The Kick-off Meeting was held on 3 October 2023. This project comprises of two primary components. Component 1 involves the development of an Integrated National Sanitation Strategy and Investment Planning, including the creation of 14 regional masterplans. Component 2 is dedicated to the formulation of a masterplan for the Tirana region. The project's objectives are diverse, aiming to establish a solid foundation for mature and sustainable projects, which can be funded through domestic sources, grants from donors and development partners, as well as loans from various International Financial Institutions (IFIs). These objectives encompass territorial coverage in compliance with the Urban Waste Water Treatment Directive (UWWTD) and Sustainable Development Goal 6 (SDG6). They also entail harmonizing existing strategic documents, proposing integrated solutions, achieving full cost recovery, utilizing nature-based approaches, establishing a Geographic Information System (GIS), and supporting the reorganization of the 14 Water Supply and Sanitation (WSS) regional utilities. In essence, this project is strategically oriented towards advancing sanitation infrastructure and planning to align with both national and international sustainability goals, with a focus on energy efficiency and the introduction of nature-based solutions. This initiative will complement the outcomes of the Operational Programme by introducing energy efficiency considerations into Albania's overall policy and investment planning, specifically in Tirana, which falls outside the scope of work of the Operational Programme.

Rural communities in Albania currently lack access to water supply systems, and the planned expansion of economic and tourist activities necessitates the development of basic water supply infrastructure. These challenges contribute to difficult living conditions, health hazards, and poverty. The WBIF has provided two technical assistance grants worth a combined value of EUR 2.5 million to support the preparation of feasibility studies in various rural areas of Albania. Additionally, WBIF has facilitated the Detailed Design and Tender Dossier for the water supply and sewerage systems in the Himara Municipality. The investments, supported by a EUR 40 million

loan from KfW, will encompass the construction or reconstruction of water supply systems, including spring captures, transmission lines, reservoirs, distribution networks, and house connections, along with complementary emergency wastewater measures. The programme is expected to yield tangible results by the end of 2025.

The World Bank (WB), together with SECO, is financing the Albania National Water Supply and Sewerage Sector Modernisation programme with a total budget of USD 75 million. This programme has the objective of supporting the overall reform of the Albanian Water Sector. It aims to strengthen the national sector framework, improve the operational and financial performance of Water Supply and Sewerage (WSS) utilities, and work towards achieving universal water supply services. In relation to the OP, the WB programme will conduct Detailed Energy Efficiency audits in 8-12 priority WSS Utilities. These audits will assess their energy consumption and identify potential opportunities for energy cost savings. Based on the findings, the programme will determine the necessary investments required to enhance energy efficiency within the WSS Utilities. The OP envisages investments that complement the WB assistance on energy efficiency. The WB will also prepare a number of business plans for WSS that include the identification of priority investments necessary to enhance operational efficiency, service levels, and financial viability, including energy efficiency measures. The exact number of business plans is yet to be determined, but they will be tailored to the specific needs and circumstances of each WSS utility. According to the OP Intermediate body (AKUM), a series of plans and prioritisation results regarding the main energy efficiency measures for Water Supply Schemes are expected to be available in early 2024. Specific interventions under this area of support will utilise the studies and recommendations from the business plans and audit reports to assess and prioritise support to the Water Utilities. These will provide valuable insights into the energy efficiency and renewable energy potential of different Water Utilities, identifying areas for improvement and opportunities for intervention.

The ADF and AKUM are collaborating on a new project, with a value of EUR 61 million, aimed at enhancing the operational performance of the Durrës Water authorities. This project, driven by a commitment to economic development, inequality reduction, and sector governance, seeks to bolster the Republic of Albania by specifically focusing on the improvement of the Durrës Water Utility (DWSU), aligning with its five-year strategy approved in 2018. The project encompasses several key initiatives: the renewal of the distribution network in the city of Durrës; the rehabilitation of the Fushe Kuqe pumping station and water transfer pipeline; the implementation of the sewerage master plan for the region of Durrës; and consultancy services to ensure effective project management and smooth implementation of components.

4.2. Description of the programme

4.2.1. Intervention Logic

The Overall Objective/Impact of this action is to promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, and accelerating the shift towards a low-carbon economy.

Area of support 1: Support to renewables and energy efficiency of buildings

The Specific Objectives of this action in the Area of support 1 are:

Outcome 1: Energy efficiency increased and greenhouse gas emissions reduced.

Outcome 2: Renewable energy production increased.

Outcome 3: Energy poverty mitigated.

The Outputs to be delivered by this action in the Area of Support 1 contributing to Outcome 1 are:

Output 1.1 Energy efficiency of public buildings improved.

Output 1.2 Energy efficiency of private dwellings improved.

The Outputs to be delivered by this action in the Area of Support 1 contributing to Outcome 2 are:

Output 2.1 Production capacity for renewable energy added in private buildings.

Output 2.2 Production capacity for renewable energy added in public buildings.

The Output to be delivered by this action in the Area of support 1 contributing to Outcome 3 is:

Output 3.1 Energy Poor Households supported through the grant scheme.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

The Specific Objective (Outcome 4) of this action in the Area of support 2 is Sustainable mobility promoted as part of transition to a net zero carbon economy.

The Outputs to be delivered by this action in the Area of support 2 contributing to Outcome 4 are:

Output 4.1 New or amended legislation for recharging stations prepared.

Output 4.2 Alternative fuels infrastructure added.

Area of support 3: Energy efficiency and environmental protection in the water sector

The Specific Objective (Outcome 5) of this action in the Area of support 3 is **Energy efficiency increased and greenhouse gas emissions reduced in water utilities.**

The Outputs to be delivered by this action in the Area of support 3: Energy efficiency and environmental protection in the water sector, contributing to Outcome 5 are:

Output 5.1 Energy efficiency of water utilities improved

Output 5.2 Additional operational capacity installed for renewable energy in Water utilities.

The mentioned outputs, namely the energy efficiency of water utilities improved and the additional operational capacity installed for renewable energy in water utilities, are expected to contribute to the desired outcome of increased energy efficiency and reduced greenhouse gas emissions in the water sector.

Area of Support 4: Other Support

The Outcome of this action in the Other support area (Technical assistance), is: Capacities of Managing Authority, intermediate Bodies, Partners and end recipients for the efficient implementation of the Operational Programme, strengthened.

The Outputs to be delivered by this action in the Other Support - Area of Support 4, contributing to the corresponding Outcome are:

Output 6.1 Preparation of project documentation and programme implementation supported.

Output 6.2 Administrative capacities for the management and implementation of the programme increased.

4.2.2 Detailed description of each area of support

Area of support 1: Support to renewables and energy efficiency of buildings

Rationale:

Under the National Determined Contribution for Albania, measure E1 states the following: Improving the energy performance in buildings keeping into account the local and climatic conditions of the country, interior comfort of buildings and cost effective. Renovation of public building stock each year by 2% of the heated /cooled area for buildings that are under administration of, or used by a public authority, or provide a public service, with a view to meeting the minimum energy performance requirements.

As recognised from the EC Report 2022, Albania has made considerable progress in the alignment of the legal framework with the EU in Energy Efficiency as well as preparation of strategic plans and documents. Further work is needed however to finalise the secondary legislation, strengthen the AEE and create concrete financial schemes to implement EE measure in public and private buildings. The failure to reach the target on energy savings can be attributed to the weak implementing mechanisms of the strategic objectives.

The inefficient energy use in the residential and public sector puts pressure on energy usage and typical high rates of energy products imports.

Starting from 2022, the public sector has been charged with implementing the objective that 3% of the total area of the stock of public buildings with heating and/or cooling, owned and occupied by central government bodies, and 2% of the total area of the stock of other public buildings be renovated every year to meet the minimum requirements for energy performance. While there is increasing awareness and interest from the municipalities to work on climate policies and specifically energy efficiency measures, the limited know how and in particular budget constraints, leave them little opportunity to finance these types of interventions. Public buildings at local level, such as schools, kindergartens, offices and dormitories, are relatively large energy

consumers. The public buildings stock was built mostly in the 1970s when virtually no energy efficiency norms existed. Reconstruction efforts on these buildings have been partial and with little focus on EE measures. There is an obvious need for the renovation of local public buildings focussed on the envelope and technical systems of the building. Where possible, renewable sources must be integrated in the renovation projects.

The very high, almost unique, dependency of Albania on hydro generation for electricity calls for urgent diversification measures. The Albanian National Action Plan on Renewable Energy recommends several actions to introduce economic diversification and promote energy production from renewable sources, including integrating renewable energy sources (RES) to achieve the national target of 38% share of renewables in the gross final consumption of energy³¹. This will be achieved by increasing the use of renewable energy in the transport sector, the residential sector for heating and cooling, and the production of electricity. Private investments in large scale PV have already started, while there is an increased interest from prosumers³² to invest in small scale from households and SMEs. The AEE has successfully piloted a grant scheme to support households to install solar water heaters. The Government financed up to 70 % of the investment costs, while the remaining 30 % was invested from the households themselves. The grant scheme supported around 2,000 families across the country.

Albania is one of the countries with the highest energy poverty rates in the region with estimation of up to 37 % of HH-s³³. 29 %³⁴ of electricity consumers receive support from the Government for energy bills. Through targeted support to energy poor households in the installation of renewables and Energy Efficiency measures (such as heat pumps and efficient biomass stoves), it is possible to contribute to energy poverty mitigation.

The OP is built based on the strengths as analysed in the Swot Analysis:

- Strategic framework and primary legislation for EE and RES is approved while Considerable progress has been made for the preparation of the secondary legislation.
- A large number of energy auditors are already certified.
- There is some previous experience in the country on public and private multi storey buildings retrofitting.
- Previous experiences in national schemes for small scale renewables (solar heaters).
- There are capable human resources in the engineering services and construction sector to conduct Energy Efficiency measures.

The OP is also built on the opportunities analysed:

- The Residential and public sector constitutes a large share of the energy consumption in Albania. Most of the building stock is old and built before the EE legal framework was in place; there is significant potential to save energy through EE measures.
- There is political will to prepare/update the strategic and legal framework based on EC Directives.
- Synergy with other donor projects creates good ground for cooperation.

The OP directly targets some of the weaknesses noted:

- Energy Efficiency funding mechanisms are not yet in place. The building stock requiring EE measure is quite large, and the financing needs could be very high.
- The Institutional responsibilities for investment in public buildings are not always clear and are scattered amongst different actors.
- Limited previous experience from the proposed involved bodies to implement retrofitting of public and private buildings and small-scale renewable grant schemes.

While it contributes to mitigate the threats identified:

³¹ This is an objective for 2020, the action plan on EE as part of the NCEAP has not been detailed yet. The actual renewables share in the annual generation is highly volatile depending on the hydro electricity production in a given year, so highly dependent from meteorological conditions.

³² Prosumers are allowed to invest in solar PV systems up to 500 kw installed power only for self-consumption.

³³ "Policy guidelines by the energy community secretariat on identifying and addressing energy poverty in the energy community contracting parties" Energy Community, August 2022 .pg. 8

³⁴ Ibid pg.13

- AEE operational capacities are not enhanced.
- Delays in implementing the legislation in the EE area.

Applicable EU legislation:

- Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings.
- Directive 2012/27/EU on energy efficiency.
- Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources.
- Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency.

The Regulation on the governance of the energy union and climate action (EU)2018/1999³⁵.

Commission Recommendation (EU) 2020/1563 of 14 October 2020 on energy poverty.

The specific objectives of this area of support are identified as follows:

Outcome 1: Energy efficiency increased and greenhouse gas emissions reduced.

Outcome 2: Renewable energy production increased.

Outcome 3: Energy poverty mitigated.

Typologies of outputs:

The typology of outputs for this area of support includes the following:

- Energy efficiency of public buildings improved.
- Energy efficiency of private dwellings improved.
- Production capacity for renewable energy added in private buildings.
- Production capacity for renewable energy added in public buildings.

Impact, Outcome and output indicators:

Results	Objective	Indicator	Metrics	Baseline	Target (2032)
Impact	To promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, and accelerating the shift towards a low-carbon economy.	Share of Renewable Energy in the gross final energy consumption	%	38 %	54.4% ³⁶

³⁵ [EUR-Lex - 32018R1999 - EN - EUR-Lex \(europa.eu\)](#)

³⁶ Baseline (2018) and targets defined as part of the NECP (WAM scenario). The target is considerably different from the Energy Strategy where renewables share in final energy consumption is 42%. We are referring to NCEP since it is the latest document approved and has considered and updated the Energy Strategy target for renewables.

Outcome 1	Energy efficiency increased and greenhouse gas emissions reduced.	Energy savings as a result of energy efficiency measures including in support of climate change adaptation	Public buildings Mwh/year Or Kwh/m2/year	8,536 388 ³⁷	2,737 ³⁸ 124.4
		Greenhouse gas (GHG) emissions avoided with IPA III support	tonnes CO2 eq./year ³⁹	3.693	1.184
Outcome 2	Renewable energy production increased.	Total renewable energy produced (of which: electricity, thermal)	Mwh/year electricity	0	21.5 Mhwh/year ⁴⁰
Outcome 3	Energy poverty is mitigated.	Reduced number of energy poor households	Percentage	37 ⁴¹	35
Output 1.1 contributing to Outcome 1	Energy efficiency of public buildings improved	Number of public buildings audited for energy consumption	Number of buildings	0	50
Output 1.2 contributing to Outcome 1	Energy efficiency of public buildings improved.	Public buildings with improved energy performance	Net m2	0	22.000 ⁴²

³⁷ Based on a research project from The Polytechnical University of Tirana “For the Calculation of the Optimal Cost for the minimal requirements in buildings”, Zavalani, Profka, Malka 2021. Simulations were made on different typologies of buildings, including a public building a government office based on which we based our data. There are certain limitations: the condition of the actual building to be renovated will only be known when the auditing process will be carried out, this particular building is in Tirana, one might get different results in other municipalities, besides offices we have other typologies of buildings such as kindergartens. The energy saving in this exercise is about 68%; in the absence of concrete data from monitoring reports, an average of 50 % is estimated to be closer to reality.

³⁸ Based on the assumption that 22,000 m2 will be renovated.

³⁹ <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator#results> Greenhouse Gas Equivalencies Calculator as per the United States Environmental Protection Agency.

⁴⁰ The figure includes generation form RES installed in the private houses and the public buildings.

⁴¹ “In Albania, 37% of all households declare that they cannot keep their homes adequately warm. The value of 37% can be considered as an upper limit for the estimated number of energy poor households in Albania, as disaggregated data that would enable calculation of the indicator for the first four deciles was not provided” The indicator is based on self-assessment of the household owners.

⁴² Assumption made EUR 11 million available for investments cost per square meter (EUR 500/m2), based on recent investments in the Country.

Output 1.3 contributing to Outcome 1	Energy efficiency of private dwellings improved	Dwellings with improved energy performance	No. of dwellings	0	2000 ⁴³
Output 2.1 contributing to Outcome 2	Production capacity for renewable energy added in private buildings.	Additional production capacity for renewable energy (of which: electricity, thermal)	MW	Private buildings 0	Private buildings electric 16 MW ⁴⁴
Output 2.2 contributing to Outcome 2	Production capacity for renewable energy added in public buildings.	Additional production capacity for renewable energy (of which: electricity, thermal)	MW	Public buildings 0	Public buildings PV 0.75 MW ⁴⁵
Output 3.1 contributing to Outcome 3	Energy poor households supported from the grant scheme	Number of energy poor households supported ⁴⁶ .	Number of households	0	2000 ⁴⁷

Eligible Activities:

In the Area of Support 1 (AoS 1), the OP will support the following:

Investments. The OP will finance Energy efficiency measures in local public buildings. The investments in this activity will be focused on public buildings in four preselected municipalities⁴⁸ that are property of the municipalities such as offices, kindergartens⁴⁹, libraries, social and cultural centres etc. The investment costs will be co-financed by the EU and the Central Government. The investments will include EE measures such as works and supplies in the building envelope and systems and where possible in renewable capacity installations, mostly solar PVs, solar thermal collectors, nature -based solutions and similar measures as identified during the audits.

Grant scheme. The OP will also co-finance RES and EE measures in private houses, single houses or (when possible) in single family dwellings within multistorey buildings. Eligible types of investments to be supported might include: solar photovoltaic systems, solar thermal collectors, heat pumps replacements, biomass stoves replacements, small wind turbines and similar measures that will be described in the respective calls. . The

⁴³ The assumption made here is that there are EUR 23.4 million available for investments (Incl hh-s co-financing as an average of 30%). Average investment per HH EUR 2,500 around 8.000 HH-s benefit. Around 75 % investments in renewables and 25 % EE measures such as heat pump replacement and/or stove replacement (form wood logs to biomass).

⁴⁴ 4000 Households x 4 kw (average) installed power (rooftop solar PV or mini wind turbines).

⁴⁵ 30 public buildings x 25 kw installed power.

⁴⁶ "Policy guidelines by the Energy Community Secretariat on identifying and addressing energy poverty in the Energy Community Contracting Parties" provides guidelines on the indicators that can be used from the contracting parties to identify energy poor households.

⁴⁷ It is assumed that around 20-25% of the grant beneficiaries could be energy poor. The design of the grant mechanism is very relevant to reach this target.

⁴⁸ Shkoder, Berat, Përmet and Korce are the four partner municipalities of SEMP projects supported by the Swiss Government , where Local Climate and Energy Plans are being prepared.

⁴⁹ Schools will not be targeted through the programme, due to potential overlap with ongoing KfW and EU financed projects.

investment costs will be co-financed by the EU, the Central Government and the beneficiary households. In principle the grant scheme will be open to all households; specific conditions may apply to target energy poor households, or geographical restrictions identified due to the nature of the technology supported. Beneficiary households will be co-finance the investments, exceptions apply for energy poor households.

Technical studies. For public buildings, the technical assistance will support energy auditing (of a larger number of buildings) and then the preparation of intervention designs. The studies will also consider the potential to apply nature-based solutions, whenever possible. Energy audits will serve as a prioritisation exercise to select the most cost-effective possible investments. It will also finance the supervision of works.

For the private buildings, the TA will support the design of the grant scheme rules and procedures, will design or upgrade the IT system for accepting and evaluating applications, generating monitoring and financial reports. It will also strengthen the capacities of the Managing Authority and Intermediary body⁵⁰ to implement the grant scheme. The TA will also provide for support the promotion of the financing scheme for private households to the eligible applicants in general and more specifically to the energy poor households including Roma population.

Indication of the main type of activities required under this Area of Support, broken down per year

2024	2025	2026	2027
Public buildings Technical audits Preparation of detailed designs and cost estimation	Public buildings Investments	Public buildings Investments	Public buildings Investments
Grant Scheme	Grant Scheme Technical assistance, grant scheme preparation IT system. Launching of the first call.	Grant Scheme Launching of the second call. Promotion campaign .	Grant Scheme. Launching of the third call. Promotion campaign

Delivery methods:

Delivery methods that will be considered for this area of support may include services, supply and works procurements as well as the possibility of a grant scheme.

End recipients and target groups:

For the Local public buildings: Municipalities, user associations, teachers and students (kindergartens), citizens.
For the Investments in private households: Households in general, energy poor households (including the Roma population).

Conditions. The following conditions are identified for this area of support of the OP:

- Co-financing from the Central Government is provided.
- Obligation of municipalities to ensure the maintenance of the public buildings.
- Obligation of beneficiary households to co-finance the investments (exception for energy poor households).

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

Rationale: After a decade of rapid growth, in 2020 the global electric car stock hit the 10 million marks, a 43% increase over 2019, and representing a 1% stock share. Battery electric vehicles (BEVs) accounted for two-thirds

⁵⁰ AEE has already a good experience in managing a grant scheme supporting solar thermal collectors across the country for private households at smaller scale.

of new electric car registrations and two-thirds of the stock in 2020. While most charging of EVs is done at home and work, roll-out of publicly accessible charging will be critical as countries leading in EV deployment enter a stage where simpler and improved autonomy will be demanded by EV owners. Publicly accessible chargers reached 1.3 million units in 2020, of which 30% are fast chargers⁵¹.

The EU Directive 2014/94/EU (on Alternative Fuels Infrastructure Deployment – AFID), is the key policy regulating the deployment of public electric charging stations in the European Union. The directive aims to ensure that EV-s can circulate “...at least in urban/suburban agglomerations and other densely populated areas, and, where appropriate, within networks determined by the Member States” . It also aims for a public network allowing for an interconnected network that allows for long journeys along the TEN-T Core Network, public transport stations as well as maritime or inland ports.

A Report of the Commission on the application of the directive recognizes the importance of the deployment of the network to reach the climate goals.⁵²

Publicly accessed chargers are deemed to be one of the most important policies facilitating the scale up of EV-s since they enable longer trips and encourage new users without access to private charging. The lack of public charging infrastructure is seen as main disincentive for EV market penetration and more frequent travel via EVs. Transport is the major sector in terms of energy consumed in the country (around 42% in 2019). Road transport is the biggest subsector, and it is heavily reliant on fossil fuels. Albania has a low share of Electrical vehicles, only 0.4 % of its automotive fleet. There is an encouraging growth trend where in the first trimester of 2023 the share of EVs is 3.1 %⁵³ of the newly registered vehicles.

The Albanian NDC under E2 mitigation measure on transport states that the share of electrical vehicles (EV) is increasing in the passenger cars fleet (up to 10% of passenger.km in 2030).

The EV share of the market in Albania is expected to reach 8-10 % of the total number of vehicles in 2030⁵⁴. The National Energy and Climate Plan (2021) has an explicit target of the installation of 250-300 charging stations by 2025.

The public sector of Albania has not constructed any Electric Vehicle Charging Stations (EVCS)⁵⁵. Most of the existing EVCS have been constructed by the private sector (Taxi companies, specialised e-charging companies, auto dealers, fuel stations, etc.). The procedure for the deployment of an EVCS includes the following basic steps: (i) The location of EVCS is approved by the competent authority (Municipality or the Albanian Road Authority); (ii) The National Agency for electricity provides electricity (connection to the grid); (iii) The provider (EVCS developer) finances and constructs the EVCS (as they want- based on their own analysis- assessment). No operation license is required⁵⁶.

The OP is build based on the *strengths* as analysed in the Swot Analysis:

- Strategic framework reference for deployment of EVCSs in place. (NCEP: 250-300 chargers by 2025 target).
- High potential for Energy Saving and Emission Reduction, especially considering that the electricity mix generation in Albania is dominated from renewables (Hydro).
- Expected growing number of EVs in Albania, in line with the EU trends.
- There is some limited experience in the country for the installation, operation and maintenance of the charging stations.

⁵¹ Global EV Outlook, IAEA, 2021. <https://www.iea.org/reports/global-ev-outlook-2021/trends-and-developments-in-electric-vehicle-markets>.

⁵² Report from the Commission to the European Parliament and the Council on the application of Directive 2014/94/eu on the deployment of alternative fuels infrastructure, 2021.

⁵³ Data from the public database of General Directorate of Trasport Services on cars registered in Albania.

⁵⁴ “Proposal on e-charging infrastructure on the TEN-T network in the Western Balkans needed to boost electric vehicle demand up to 2030, 2040, 2050”. Technical Assistance to connectivity in the Western Balkans, draft January 2023

⁵⁵ The Agency for Energy Efficiency conducting a public procurement to install 10 chargers (at least 50 kw) in different locations in Albania.

⁵⁶ “Proposal on e-charging infrastructure on the TEN-T network in the Western Balkans needed to boost electric vehicle demand up to 2030, 2040, 2050”. Technical Assistance to connectivity in the Western Balkans, draft January 2023

- AEE has prepared a feasibility study for the installation of the charging stations across the country that can serve as a basis for further development. Assumptions are made on the market growth and charging stations distribution.
- EU CONNECTA programme has prepared a proposal for the deployment of charging stations on the TEN-T network in Albania⁵⁷.

The OP is also built on the *opportunities* analysed:

- Considerable potential to avoid CO2 emissions due to growth in EV trips in the country.
- Deployment of Charging stations is an explicit priority in the Economic Investment Plan, Green Agenda for the Western Balkans and NECP.

The OP directly targets some of the *weaknesses* noticed:

- Regulatory aspect (including eventual compliance with State aid EU rules) for the management of EV charging stations is almost fully missing.
- The Institutional responsibilities and the management model are not clear.
- Limited public funding under state budget funds.

While it contributes to mitigate *the threats identified*:

- - High coordination costs due to the multitude of actors could result in delayed decision making.
- - The electricity network limited capacities might result in higher than anticipated costs

Applicable EU legislation:

Directive 2023/1804⁵⁸ of the European Parliament and of the Council of 13 September 2023 on the deployment of alternative fuels infrastructure. This directive is the key EU legislation on the deployment of electric (and other alternative fuels): Albania needs to make substantial efforts to harmonize with the directive. The OP has foreseen the preparation of the relevant national legal framework.

Other relevant legislation:

Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU. The directive, (especially article 33 on the integration of electromobility into the electricity network), is relevant for the role of DSO-s and regulators on ensuring access to the grid.

Directive (EU) 2019/1161 of the European Parliament and of the Council of 20 June 2019 amending Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles.

Regulation (EU) 2023/851 of the European Parliament and of the Council of 19 April 2023 amending Regulation (EU) 2019/631 as regards strengthening the CO2 emission performance standards for new passenger cars and new light commercial vehicles in line with the Union's increased climate ambition.

The specific objectives of this area of support are:

Outcome 4: Sustainable mobility promoted as part of transition to a net zero carbon economy.

Typologies of outputs. The typology of outputs for this area of support includes the following:

- Alternative fuels infrastructure added.
- Legislative framework prepared and approved to facilitate the deployment of ECVS.

⁵⁷ "Proposal on e-charging infrastructure on the TEN-T network in the Western Balkans needed to boost electric vehicle demand up to 2030, 2040, 2050". Technical Assistance to connectivity in the Western Balkans, draft January 2023.

⁵⁸ [Regulation - 2023/1804 - EN - EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/reg/2023/1804/oj)

Impact, Outcome and output indicators:

Results	Objective	Indicator	Metrics	Baseline	Target (2032)
Impact	To promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, and accelerating the shift towards a low-carbon economy.	Share of Renewable Energy in the gross final energy consumption	%	38 %	54.4%
Outcome 4	Sustainable mobility promoted as part of transition to a net zero carbon economy.	Density of Electric Vehicles Charging points	N/kmq; Number	0 ⁵⁹	0.45 ⁶⁰
Output 4.1 contributing to Outcome 4	Legislative framework prepared and approved to facilitate the deployment of ECVS	New or amended legislation for recharging stations approved	Number (of acts approved)	0	3
Output 4.2 contributing to Outcome 4	Alternative fuels infrastructure added.	Number of new recharging points for clean vehicles financed through supported projects.	Number	0	130 ⁶¹
		The electronic system for the rechargers mapping and management fully functional	Number (of systems)	0	1

Eligible Activities:

The OP is the Area of Support 1 will support the following typologies of activities:

⁵⁹ Based on the assumption that there are no publicly available charging stations currently installed in Albania (there might be few , statistically insignificant).

⁶⁰ ACEA, The European Automobile Manufacturers' Association <https://www.acea.auto/press-release/electric-cars-half-of-all-chargers-in-eu-concentrated-in-just-two-countries/> Number of Charging Stations/Sq.km of the country.

⁶¹ The preliminary cost calculation is based on the assumption that all the chargers to be installed will be fast chargers (at least 150 kw of power), most of them brownfield locations. The current assumption is that the EVCS will be developed though public funds and the support of this OP. If the FS will show that alternative scenarios are more viable, than the investment costs are expected to be substantially lower.

The cost per one charging station (based on the market study Connecta 2022) is calculated to be:

150 Kw: EUR 60-80,000 for a brownfield EVCS development (depending on the need to install a power transformer) plus EUR 10,000 per greenfield development.

220 Kw: EUR 80-100,000 for brownfield EVCS development (depending on the need to install a power transformer) plus EUR 10,000 per greenfield development.

350 Kw: EUR 150,000-170,000 for brownfield EVCS development (depending on the need to install a power transformer) plus EUR 10,000 per greenfield development.

Total investment cost ca. EUR 11.5 million for 130 EVCS (100-150 Kw; 15 – 220 Kw, 15-350 Kw).

Acquis related legislative approximation and harmonisation especially regarding the Directives 2014/94 and 2019/944. Preparation of new laws and bylaws or amendment of existing legislation to harmonize with these Directives.

Technical studies: Preparation of a feasibility study on the location of the EVCS including the Environmental Impact Assessment (EIA) and Climate Risk Assessment (CRA) components, technical specifications of the chargers, cost estimates for investment, operation and maintenance costs. Detailed designs and EIA preparation and CRA, technical and legal documents preparation to obtain the relevant permits and licenses from the authorities. Promotional campaigns and awareness activities on the availability and location of charging infrastructure with the relevant stakeholders.

Investment⁶²: Supply and installation of charging stations⁶², connections to the grid, power transformers (if necessary), infrastructure preparation (for greenfield development locations), IT system to manage the Charging Stations Network (location and availability information, billing system, monitoring etc). Investment related services such as supervision.

Capacity building: Capacity building for the MA and Intermediary bodies on the installation, operation and maintenance of the Charging stations and the new legislative framework to be developed.

Indication of the main type of activities required under this Area of Support, broken down per year

2024	2025	2026	2027
	Legislative framework preparation Feasibility study	Legislative framework approval Investments supply and installation of charging stations. Capacity building Promotion campaign Investments IT System	Investments supply and installation of charging stations. Promotion campaign.

Delivery methods

Delivery methods that will be considered for this area of support may include services and supply procurements, and twinning.

End recipients and target groups:

The end recipients include: the AEE, and the MIE as policy implementation and Municipalities.

Target groups:

- Current and potential Albanian owners of Electrical Vehicles, tourists and other travellers in the country,
- The population at large will benefit from reduced GHG emissions.
- Related businesses such as retail car sales, fuel stations.

Conditions:

- Co-financing by the national beneficiaries.
- Legal and institutional clarity on installation and operation; electricity retail regulation for the EVs.

⁶² Investments in this area of support will only be triggered if the legal framework prepared will allow for public investments for chargers, and if that is the case, dependent on the feasibility study outcomes, only in areas where private investment will not be duplicated.

Area of support 3: Energy efficiency and environmental protection in the water sector

The proposed action, including the implementation of combined energy efficiency and renewable energy activities, will make a significant contribution to addressing the pressing needs of the water sector. Currently, the sector faces challenges such as excessive water pumping, low energy performance, and outdated pumping equipment (for example, in the case of Shkodra Utility, equipment dating back to 1968), leading to high energy consumption for the same amount of water supplied.

To initiate energy efficiency improvements, it is essential to conduct high-quality energy audits and introduce energy management rules aligned with international standards such as ISO 50001. These measures will enable water utilities to identify and address energy inefficiencies. Subsequently, interventions can be mapped out to optimize energy utilisation, resulting in reduced energy consumption. As a result, excessive water pumping, water resource use, and low energy efficiency (considering the 2-3 times higher consumption for the same amount of water pumped and supplied) that contribute to high energy consumption will be mitigated.

By integrating new renewable energy sources like solar or wind, selected water utilities can generate clean energy internally for self-consumption, reducing their reliance on the grid. This shift from carbon-emitting energy sources to clean and renewable energy will lower electricity consumption from the grid and consequently reduce equivalent CO₂ emissions. This will directly contribute to the mitigation measures under the Albanian NDC which indicates the need for the reduction of emissions from industries based on energy efficiency.

Specifically, the targeted group to benefit from the combined activities on energy efficiency and renewable energy will be approximately 7-10 water utilities, representing 70% of total energy consumption or 85 GWh/year. Achieving a reduction in this consumption will be a milestone for the entire sector at the national level. The activities under this support area, with anticipated savings of at least 25% compared to a conservative baseline, can result in a reduction of 20 GWh of energy consumption per year. It is estimated that achieving this reduction in consumption can consequently lead to a reduction of 860 tCO₂eq per year in greenhouse gas emissions. Over the economic lifetime, this reduction corresponds to a total of 17,200 tCO₂eq. By implementing energy efficiency measures and increasing the utilisation of self-generated renewable energy, the sectors can reduce their reliance on carbon-emitting energy sources.

Additionally, the implementation of these energy efficiency and renewable energy measures can bring financial benefits to the sectors. Energy consumption poses a major challenge affecting the operational and maintenance (O&M) budgets of the sector. Reducing energy consumption will lead to lower operational costs, as energy constitutes a significant portion of the operating and maintenance budgets (on average 26% of operational costs, with levels reaching up to 78% in some water utilities). By renovating and adopting advanced energy-efficient pumping systems, water utilities can minimize water losses and excessive energy consumption while maintaining the same water output. The substantial increase in energy costs experienced in 2021 and 2022 poses a threat to the financial sustainability of the Government of Albania, and water utilities must play a role in mitigating excessive consumption. Along with increasing costs, the current funding levels in the water sector are insufficient to meet comprehensive needs, hindering infrastructure modernisation, service expansion, and necessary reforms. Therefore, water utilities are called upon to reduce operational costs associated with energy consumption. This reduction in energy costs will bridge the financial gap by decreasing expenses and contribute to the financial stability of water utilities, enabling them to achieve full cost recovery and allocate capital expenditures for repairs, replacements, and the construction of new facilities as needed.

To ensure a favourable regulatory environment for energy efficiency and renewable energy measures, it is vital to provide horizontal support that aligns pending energy efficiency and renewable energy legislation relevant to water utilities with the necessary requirements. This support will streamline the implementation process, remove barriers, and facilitate the adoption of sustainable practices across the sectors.

The proposed intervention also has broader implications by indirectly addressing capacity building and investment shortages necessary to comply with the required investments for the Drinking Water and Urban Wastewater Treatment Directives. This support will enhance the capacities of water utilities, enabling them to meet reform requirements and align with EU standards. By complying with energy efficiency regulatory requirements, the sectors can ensure the protection of ecosystems and biodiversity, improve water quality, and contribute to sustainable water management practices.

Increasing tourist activities place additional strain on water supply and wastewater management systems. Proactive planning and investment are necessary to meet the growing demand. By implementing energy efficiency measures and utilizing renewable energy sources, the water sector can improve its capacity to meet the increased water demand caused by tourism. The reduction in energy consumption from the grid and the increased utilisation of self-generated renewable energy will ensure a more reliable and sustainable water supply and wastewater management system, thereby addressing the strain caused by tourism.

The reduction of energy consumption from the grid and the increased utilisation of self-generated renewable energy will lead to cost-effective and environmentally friendly outcomes. Achieving energy independence through self-generated renewable energy will decrease reliance on carbon-emitting energy sources, resulting in a more environmentally friendly water supply and wastewater management system. These achievements will be adequately promoted to raise awareness among the population and public agencies/municipalities, serving as a good example to be replicated.

Regarding the **applicable EU legislation**, the first expected output will directly contribute to Albania aligning with the requirements of Directive 2012/27/EU.

Furthermore, this output will also contribute to the alignment with the broader requirements of Directive 2006/118/EC, also known as the Groundwater Directive.

The expected outcome under this area of support will specifically contribute to the alignment with Directive 2000/60/EC (WFD). The WFD requires authorities, including in this case AKUM and water utilities, to conduct economic analyses of water use and implement cost-recovery mechanisms to ensure the sustainable use of water resources.

Outcome: The specific objective in this Area of Support is to increase Energy efficiency and reduce greenhouse gas emissions in the water utilities.

Implementing energy performance technology across various utilities, several results can be achieved in the water supply and sewerage sector. These include optimizing energy consumption, reducing energy losses, and improving overall energy performance. Moreover, the introduction of renewable energy capacity within water utilities will enable them to generate clean energy for their operations. This transition towards self-sustainability in energy generation is expected to make these utilities carbon emission neutral, thus supporting the country's efforts to further reduce greenhouse gas emissions.

Typologies of outputs:

The typology of outputs for this area of support includes the following:

- Energy efficiency of water utilities improved
- Additional operational capacity installed for renewable energy in Water utilities.

Outcome and output indicators (incl. baselines and targets)

Results	Objective	Indicator	Metrics or Unit of Measurement	Baseline	Target (2032)
Impact	To promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, and accelerating the shift towards a low-carbon economy.	Share of Renewable Energy in the gross final energy consumption	%	38.8%	54.4%
Outcome 5	Energy efficiency increased and greenhouse gas emissions reduced in the water utilities.	Energy savings (%) because of energy efficiency measures including in support of climate change adaptation in the Water sector	Percentage of energy consumption (mostly electricity) saved = (Initial electricity consumption - Final electricity consumption) / Initial electricity consumption * 100	0	At least 25%
		1.1) Greenhouse gas (GHG) emissions from the operation of Water Utilities avoided with IPA III support	tonnes CO2 eq./year	0	TBD
Outputs contributing to Outcome 5	Output 5.1: Energy efficiency of in water utilities improved. ⁶³	Municipal water utilities with improved energy performance	Number of Water Utilities	0	at least in 7 Water Utilities
	Output 5.2 Additional operational capacity installed for renewable energy in Water utilities	Installed or generated capacity for renewable energy	Installed or generated electricity in (MW) in Water utilities	0	Up to 15 MW additionally installed.

Delivery methods

Capacity Building: training activities for the staff at AKUM and water utilities regarding energy efficiency (EE) practices and energy performance monitoring.

Investment: supply of industrial EE measures (pumping system replacement and similar) in the Water Supply infrastructure. Installation of independent small photovoltaic (PV) plants.

⁶³ Considering a total of 14 water utilities across the country and its 61 units.

Technical Studies: feasibility studies, energy audits, an energy management manual and procedures, technical specifications, detailed design. Preparation of the Land easement and acquisition plan (if needed); Environmental impact assessment; Support for Permitting and licensing procedures.

Awareness-raising: Promotion campaign and awareness-raising activities

Indication of the main type of activities required under this Area of Support, broken down per year.

2024	2025	2026	2027
	Investment Capacity building	Investment Capacity building Awareness campaign	Capacity building Awareness campaign

Considering the activities that have been identified, the proposed **delivery methods** may encompass the following options:

Services, supply or work procurements, as well as twinning contracts

End recipients and target groups:

The end recipients include: the water utilities, OSHEE and AKUM/MIE as policy implementation and shareholder in the water utilities and Municipalities.

Target groups: The local water user and consumers will benefit from the increased performance of services delivered by the water utilities.

Conditions:

- Co-financing from the government
- Water utilities business plans and organisational charts, maintenance of equipment and infrastructure ensured by water utilities/AKUM.

Area of Support - Cost estimates

The cost estimates are determined by considering the following factors:

- The total number of energy audits to be conducted, both existing and upcoming.
- The number of pumping stations and water utilities that will be specifically focused on within this intervention.
- The quantity of independent solar power systems and the installed power generation capacity measured in megawatts (MW).

Area of support 4: Other Support

Rationale.

The intervention under "Other Support" will support the Managing Authority and other entities in the management and control system for the implementation of the OP, i.e., the Intermediate Body for Policy Management and the Intermediate Body for Financial Management, as well as the OP partners and end recipients, as appropriate. It should be noted that the IPA III multi-annual operational programmes 2024-2027 are the first OPs implemented in Albania. In this context, the institutional capacity for the effective and efficient implementation of Programme activities, monitoring and control is one of the most important factors to be considered. This assistance will encompass areas such as management, monitoring, evaluation, visibility, communication, as well as support in the Operational Programme preparation, including project pipeline and studies. To assess the efficiency and effectiveness of the Operational Programme on Energy, the Managing Authority will establish an internal monitoring system. This system will allow for regular monitoring of implementation progress and ensure systematic and timely collection of data on relevant indicators. In addition, the data collected will support the preparation of annual reports and provide valuable insights into the performance of the programme.

This Operational Programme on Energy will also serve as an initial pilot that will provide institutions with a foundation of the administrative capacity needed for effective implementation.

Furthermore, the intervention will be supporting retention of the staff of the entrusted bodies for the implementation of the OP through provision of fixed compensation to the salaries of the selected staff due to the

increased workload. The percentage envisaged for top-ups will be 12.59% of the total budget under Other Support. The overall goal is to facilitate the smooth implementation of the Operational Programme.

The applicable EU legislation: Interventions under this Area of Other Support are not part of the EU acquis. Outcome 6 (Specific objective 6): Capacities of Managing Authority, Intermediate Bodies, Partners and end recipients for the efficient implementation of the Operational Programme, strengthened. The outcome in this area of support will enable the successful attainment of the Operational Programme's objectives, facilitated by increased administrative capabilities of the Operational Programme entities and partners, along with an increased ability to absorb IPA III funds.

Typologies of outputs:

- Preparation of project documentation and programme implementation supported.
- Administrative capacities for the management of the programme increased.

Impact, Outcome and output indicators (incl. baselines and targets)

Results	Objective	Indicator	Metrics or Unit of Measurement	Baseline	Target (2032)
Impact	To promote the green agenda by reinforcing environmental protection, contributing to mitigation, increasing resilience to climate change, and accelerating the shift towards a low-carbon economy.	Share of Renewable Energy in the gross final energy consumption	%	38.8%	54.4%
Outcome 6	Administrative capacity required to achieve the objectives of the Operational Programme are increased through support to Operational Programme bodies and Partners, as well as to increase the IPA III funds' absorption capacity.	Actual Disbursement of OP Contracts in Relation to the Planned Budget	Budget disbursed against total budget allocation	0	100%
Outputs contributing to Outcome 6	Output 6.1: Preparation of project documentation and programme implementation supported.	Infrastructure projects prepared and ready to tender	Number of documents to facilitate the procurement of goods, services, or works.	0	Minimum 4 Tender Dossiers
	Output 6.2: Administrative capacities for the management of the programme increased	The number of civil servants trained.	Number	0	Up to 40 civil servants
		Staff benefiting from additional compensation of salaries	Number	N/A	42 civil servants ⁶⁴ (2030)

⁶⁴ Total number as sum of 17 staff from MA & IBPM and 25 staff from the IBFM and horizontal structures.

		due to increased workload			
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Type of activities:

Output 6.1 - Preparation of project documentation and programme implementation supported.

The activities related to project documentation (feasibility/technical studies, energy audits, technical designs, ToR etc) will support the MA, IBPM and IPFM in the preparation of tenders and grant schemes and in carrying out studies and analyses essential for the implementation of the Programme.

Support will also be provided for programme implementation as regards communication and visibility and evaluation.

Output 6.2 - Administrative capacities for the management of the programme increased.

Capacity building activities: training the staff at MIE/AKUM/AEE/CFCU (including on-the-job training), coaching, study visits, implement awareness raising, visibility and communication campaigns.

The activities will support on the implementation of measures to achieve the effective and efficient implementation of actions related to the programming, management, monitoring, evaluation and control of the OP in accordance with the current legislation and existing best practices, as well as to provide adequate and timely information and raising public awareness of the funding opportunities under the OP, the criteria, rules and procedures for participation in its implementation and communication of its results, as well as measures directed to strengthening the capacity of the beneficiaries of the OP through the provision of appropriate compensation as regards the salaries of selected staff due to their increased workload for the OP implementation.

The capacity building activities will be launched as soon as the structures for OP implementation will be created and will continue throughout the whole period of OP realisation depending on the needs. The roadmap for building administrative capacity related to ERDF preparations will also be developed, as part of preparations for Chapter 2022.

A further measure directed to strengthening the capacity of the structures of the OP will be through the provision of appropriate compensation as regards the salaries of selected staff due to their increased workload for the OP implementation.

Indication of the main type of activities required under this Area of Support, broken down per year:

2024	2025	2026	2027
Capacity building	Capacity building	Technical Study Capacity building	Technical Study Capacity building Awareness campaign

Considering the activities that have been identified, the proposed **delivery methods** may encompass the options of service procurements and/or twinning contracts.

End recipients and target groups:

End recipients are the following:

- Ministry of Infrastructure and Energy
- AEE
- AKUM

Target groups are the following:

- Selected Municipalities
- Households, including energy poor households
- Water Utilities
- Current and potential (Albanian) owners of Electrical Vehicles
- Others identified during Programme implementation.
- Citizens

Conditions:

- Programme structures are adequately staffed based on the workload analysis.
- Internal procedures (interinstitutional agreements) are in place for enabling effective collaboration.

4.2.3 ‘Indicative list of major projects per each area of support’

Not Applicable.

4.3 Mainstreaming**4.3.1 Environmental Protection, Climate Change and Biodiversity**

The Energy OP is focused on Energy Efficiency and renewable energy measures, fully aligned with the green agenda and national priorities such as the climate and energy plan. The OP is expected to have significant positive environmental impact through saved energy in the public buildings, private households and water utilities, new small scale renewable generation capacities in the private and public buildings and through the creation of infrastructure publicly accessible to electricity usage for transport in Albania. The OP will contribute to the reduction of greenhouse gas emissions and will reduce the dependency on fossil fuels and oil.

The OP will not require a specific Strategic Environmental Assessment (SEAs in any of the Areas of Support. The Ministry of Energy and Infrastructure has prepared a Strategic Environmental Assessment for the draft National Energy and Climate Plan 2021-2030 submitted to the Energy Community Secretariat and approved by the Albanian Government in December 2021 with DCM No. 872, dated 29.12.2021. The SEA prepared has examined all the policies listed in the plan, including the ones that match the areas of support in the proposed OP, against key environmental objectives. Therefore, it is understood that the SEA conducted for the NECP is viable for the purposes of the environmental considerations as far as it contributes to the achievement of NECP targets for EE, RES and reductions of GHG-s.

Environmental Impact Assessments or Screening checklists will need to be prepared as part of the documentation for construction (i.e. in the case of building renovations or greenfield charging stations development).

The European Commission’s technical guidance on the climate proofing of infrastructure (2021/C 373/01) integrates climate change mitigation and adaptation measures into the development of infrastructure projects and shall be followed as appropriate. Climate Risk Assessments (CRA) will be applied for relevant investments, as a part of EIA, or as a dedicated study during the design phase.

Further mainstreaming of environment impact and climate change will be ensured by promoting green public procurement, the use of Best Available Technologies and life cycle costing as appropriate for physical investments. Furthermore, a set of environmental, including climate change, criteria will be developed and applied by the implementing agencies when evaluation and selecting the investment projects to be supported within the OP. In addition, the „do no significant harm” (DNSH) principle within the meaning of Article 17 of Regulation (EU) 2020/852 will be respected, to ensure that the EU budget will not support investments which make a significant harm to any of the six environmental objectives of the EU Taxonomy Regulation.

4.3.2 Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes this programme is labelled as G0. However, energy policy is not gender neutral and might impact differently men and women. Therefore, the gender dimension has been taken fully into consideration.

Typically, women spend more time at home and are therefore more dependent than men on heating and indoor air quality. In addition, women are more dependent on energy to use household devices⁶⁵. Poor housing conditions (such as poorly insulated environments) and pollutant electronic devices and fuels may have a negative impact on women’s health. The OP targets energy efficiency improvements for the heating of private households which will have positive outcomes on women’s health and comfort.

⁶⁵ “Review of the Implementation in the EU of area K of the Beijing Platform for Action: Women and the Environment Gender Equality and Climate Change”, European Institute for Gender Equality, 2012.

European Commission research⁶⁶ suggests that more women than men may be subject to energy poverty, especially elderly women and lone women family headed households. The OP specifically targets energy poor households through grant schemes. Specific gender related criteria might be agreed during the design of the grant scheme rules and procedures.

The launch of the grant schemes will be accompanied by awareness-raising activities on the opportunities offered through the OP which shall include specific outreach to women. In general, any harmful practices of stereotypical gender representation in communication and promotion activities shall be prevented and addressed.

4.3.3. Human Rights

The activities planned under this OP will be implemented based on the principles of non-discrimination. The targeted support for the energy poor for EE and RES measures foreseen in the OP will be directed to vulnerable groups in the population, in order to guarantee the right to an adequate standard of living and the right to the highest attainable standard of health. The National Action Plan for Equality, Inclusion and Participation of Roma and Egyptians recognizes the difficulties of Roma and Egyptian people to pay electrical energy bills. Specific actions are planned to recognise this need and include members of these community in the Energy subsidies packages.

4.3.4. Disability

As per OECD Disability DAC codes identified in section 1.1, this programme is labelled as D0. This implies that although not a significant objective of this OP, specific measures nevertheless will be relevant. More specifically, specific criteria may be designed to ensure the prioritisation of households including persons with disabilities in the grant scheme targeting energy poor households. Under the support for investment for the renovation of local public buildings such as offices, libraries, cultural centres, education buildings etc, for energy efficiency, whenever possible, measures to ensure access to the respective public buildings as envisaged in the relevant national strategies⁶⁷, and based on the principles of universal design.

4.4 Risks and Assumptions

Area of support 1: Support to renewables and energy efficiency of buildings

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
2-To planning, processes and systems;	The AEE does not have the needed operational capabilities to implement the AoS 1 components.	M	H	The OP foresees capacity building measures and technical assistance to support the whole process. Capacity building measures will be mainstreamed in the TA measures.
2-To planning, processes and systems	The beneficiary municipalities from the public buildings' renovations will not have the capacities and resources to carry out the proper maintenance.	M	M	Capacity building measures will be offered to the responsible staff of the municipality to ensure the operation and maintenance of the buildings including the energy management for the public buildings.

⁶⁶ Ibid.

⁶⁷ "National Action Plan for persons with Disabilities 2021-2025" Ministry of Health and Social Affairs. Specific Objective 1 of this action plan is to ensure access to premises for persons with disabilities.

4-To legality and regularity aspects	The co-financing from the government is not available on time	L	H	The co-financing will be committed in the respective financing agreement and the OP will be approved through a DCM. The co-financing will be part of the Medium Term Budget Programme.
5-To communication and information.	There is no interest to apply and co-finance small scale RES and EE measures from the private households especially poor energy households.	M	H	An intensive communication and promotional campaign will demonstrate the benefits of EE and RES measures for the households. Different co-financing rules will be applied to mitigate energy poverty.
5-To communication and information.	There are technical and administrative barriers for private households to apply in the grant schemes	M	M	The OP foresees an intensive communication campaign and a technical assistance for the preparation of rules and procedures of the grant scheme including guidance documents.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
4-To planning, processes and systems ;	Missing legal framework for the operation of charging stations that will be financed through the OP and	H	H	The OP will support the preparation of the legal framework for the publicly available charging stations to harmonize with the relevant European Directives (see section 4.2)
3-to people and the organisation	The institutional responsibilities for the installation and operation of the Charging stations are not clear.	H	H	The OP will assist through a TA to define the best possible arrangement to ensure clarity on the institutional responsibilities (through the feasibility study and the preparation of the legal framework).
2-to planning, processes and systems	Land ownership issues for greenfield development might delay implementation.	M	M	A feasibility study will examine in detail all the proposed locations. Clear land ownership will be one of the criteria analysed when defining the locations.
1-to the external environment	Very high and/or unpredictable energy costs impact the usage of the EVs and consequently the charging stations	L	H	The legal framework that will be developed through the OP will suggest appropriate measures to protect the consumers from unaffordable electricity prices.
3-to people and the organisation	Lack of technical capabilities contractors and professionals to deliver largescale investments in Albania where no previous experience at this scale exists.	L	M	The transparent procurement process applied for OP implementation will ensure participation from highly qualified professionals and suppliers.

Area of support 3: Energy efficiency and environmental protection in the water sector

Category	Risks	Likelihood	Impact (High/	Mitigating measures
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		(High/ Medium/ Low)	Medium/ Low)	
2-to planning, processes and systems	Potential weak connection between policy objectives and the financial allocations for implementing the national plan on energy efficiency. Risk of insufficient financial provisions in the water utilities' business plans, including budgetary allocations, to effectively fulfil their legal responsibilities concerning water management.	M	M	Through the provision of technical assistance, investment, and grants, the action aims to address and reduce risks associated with unfunded mandates. Furthermore, by ensuring alignment in the MTBP process, this risk will be mitigated. The assessment of financial capacities to manage and operate the facilities after investment will be a criterion for selection.
3-to people and the organisation	The impact of the capacity-building measures may be hindered by challenges such as limited absorption capacity and inadequate human resources to carry out technical and organisational processes in both AKUM and Water Utilities. These factors could potentially limit the effectiveness and success of the capacity-building efforts.	H	H	Accurate and coordinated planning of capacity building activities. Opportunities for blended learning and on the job training maximised.
1-The external environment	The costs associated with the installation of Solar Power Plants, including works and supplies, can undergo significant changes. These fluctuations in costs can have a notable impact on the overall expenses related to the installation process.	M	L	The envisaged activities will be planned and budgeted in a prudent manner, including contingencies. This approach ensures that all aspects of the action are carefully considered and allocated appropriate resources, taking into account potential unforeseen circumstances.
4-to legality and regulatory aspects	Obtaining the relevant permits necessary for these activities might also pose challenges and contribute to potential delays.	M	M	AKUM, MIE, and AEE (on Energy Auditing) will coordinate with relevant authorities to ensure the effective management of the permitting and other regulation processes.

Area of support 4: Other Support

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
3-people and the organisation	The entrusted institutions (MIE, AKUM, AEE, CFCU) face challenges due to an insufficient number of staff assigned to OP management. Moreover, a high turnover and lack of relevant skills pose obstacles to absorbing the necessary capacity building in planning, programming, and monitoring. High staff turnover disrupts the learning curve of	M	H	The Albanian School for Public Administration (ASPA) will be actively involved, contributing to the implementation of a sustainable training programme specifically designed for civil servants. This programme will include compulsory training on IPA/OP responsibilities, ensuring comprehensive knowledge among the staff.

	public officials involved in preparing high-quality project pipelines and mature documentation or in managing and monitoring the OP.			To address staff turnover, a staff retention policy will be established, alongside a transparent promotion system that takes into account the responsibilities and complexity of tasks. Furthermore, salaries will be linked to these factors, ensuring fair compensation for the staff. In the MTBP, earmarked funds will be allocated to cover the costs associated with the preparation of feasibility studies, the implementation of a grant scheme, tender procedures, and the development of technical documents necessary for OP implementation. This financial allocation demonstrates a commitment to supporting these crucial activities and facilitating their smooth progress.
5-Communication and information	The lack of effective sector coordination among various entities, including MIE, AKUM, AEE, Road Authority, OSHEE, Municipalities, MFE/CFCU, and others, coupled with insufficient information sharing, poses obstacles to the action's progress. This weak coordination hampers the smooth implementation of the initiatives and hinders the timely exchange of important information among the relevant stakeholders.	H	H	A continuous and proactive engagement mechanism will be adopted to foster strong collaboration with stakeholders and decision-makers. By actively engaging with stakeholders, the project will promote awareness and understanding of the positive impacts, encouraging their active involvement and support throughout the process.

1-to the external environment; 2-to planning, processes and systems; 3-to people and the organisation; 4-to legality and regularity aspects; 5-to communication and information

External Assumptions

- General assumption: Government co-financing is provided on time.

Area of support 1: Support to renewables and energy efficiency of buildings

Assumptions:

- The Government shows its commitment towards EE measures.
- Municipalities show interest in participating in EE and are willing and able to co-finance.
- Private Households understand the benefits and are willing to co-finance small-scale (self-consumption) RES and EE measures.
- Energy poor households including disadvantaged groups understand the benefits of small scale (self-consumption) RES and EE measures and are not burdened by co-financing beyond their means.
- The beneficiary municipalities have technical know-how and resources to ensure the operation and maintenance of the public buildings after investment.
- The AEE will strengthen its operational capabilities to ensure the implementation of the financial volume envisaged in the OP.

Area of support 2: Deployment of electric high-speed recharging infrastructure for clean road vehicles

Assumptions:

- Albania will adopt a legal framework in place harmonised with the relevant EU Directives to allow for the proper operation of publicly available charging stations for EVs in the country.
- There are clear institutional arrangements in place to avoid overlaps in the installation, management and operation of the Charging Stations in the country.
- The transparent procurement process will ensure the quality and experience of suppliers and consultants to deliver a high quality product.
- The electricity tariffs for EV charging will not be unaffordable or highly fluctuating.

Area of support 3: Energy efficiency and environmental protection in the water sector

Assumptions:

- The Government of Albania remains fully committed to transpose and implement EU energy and water acquis and related activities.
- AKUM actions for implementing the upcoming Energy Efficiency Action Plan that will be part of the National Energy and Climate Plan 2030 will accompany the mentioned outputs.
- The adoption and implementation of a new law on water supply and sewerage, as well as a revised water code, will start enforcement 2024.
- The approved road map on the aggregation of water utilities in 2021 is fully implemented in all 15 new utilities.
- The Water Utilities reform is implemented with incentives and specific management plans in place, to promote energy efficiency and renewable energy adoption.
- AKUM and the water utilities will take necessary steps to ensure the timely provision of state-owned land and coordinate the permitting process.
- Comprehensive management and maintenance plans, accompanied by corresponding budgets, will be readily available from AKUM or the water utilities' own budget to support effective management and long-term sustainability of energy efficiency and environmental protection measures.
- There are enough technical capacities and business operators available in the market to carry out high-quality energy audits.

Area of support 4: Other Support

Assumptions:

- The Government places significant emphasis on prioritising energy efficiency and the Energy Community Treaty within its agenda.
- An interinstitutional agreement on IPA III has been adopted.
- The entrusted structures in Albania are adequately staffed based on workload analysis to ensure optimal functioning. These structures have established internal procedures, enabling effective collaboration and coordination among them.

5. Overview of the consultation process for the preparation of the Operational Programme

The consultation process for the Operational Programme encompasses multiple steps aimed at ensuring the active participation of relevant partners and civil society. This OP has been prepared in compliance with the European Code of Conduct of Partnership [Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds] based on the methodology for the application of the partnership principle and the selection of partners developed for the Operational Programmes 2024-2027 in the Republic of Albania under IPA III.

In accordance with the European Code of Conduct on Partnership, the European Commission played an important role in engaging in discussions and technical consultation sessions throughout the preparation phase.⁶⁸

The partnership for the OP comprises representatives from the following:

- Relevant public authorities, including representatives of local authorities.
- Representatives of Development Partners in Albania.
- National public authorities responsible for implementing the horizontal principles.
- Economic and social partners
- Organisations representing civil society.

The partnership was established by the SASPAC office, under the Prime Minister's Office, which, as the NIPAC, is coordinating the programming process for IPA III. The list of all the partners and actors consulted is included in an annex to this OP. The drafting of the Operational Programme was scheduled to allow for the full participation of the partnership at different stages of drafting, facilitating the co-drafting process.

The first consultation meeting, gathering more than 25 relevant stakeholders from donor's community in Albania, was held on 6 June 2023, and a summary PowerPoint presentation of the Operational Programme was shared with the donors in advance. The meeting aimed to discuss key aspects such as expected results, budget allocation, institutional setup, scope of the areas of support, including objectives and indicators. Valuable feedback and pertinent questions were received from donors such as KfW, EU, Swiss Cooperation Office, EBRD, WHO, and UN.

The second consultation meeting was held on 7 June 2023, and it included 15 relevant stakeholders such as CSOs⁶⁹, representatives from central government agencies, local government, business associations, and academia. The discussion in the meeting primarily focused on the expected results and scope of the areas of support, with particular emphasis on activities and target groups. Sectorial experts assisted during the consultation meetings.

To ensure that the consultation meetings met the required standards of timeliness, significance, and transparency, and maximise their inputs, drafts of relevant sections were shared with the stakeholders in advance. Following the consultation meetings, all invited stakeholders were given the opportunity to submit their comments and feedback in written form to the SASPAC office.

Considering the comments from the European Commission, a final round of consultation with the partners is planned, along with a public consultation. This consultation will be conducted in accordance with the guidelines outlined in Law No 146/2014, Order No. 3/January 2021, and the European Code of Conduct on Partnership. The purpose is to facilitate the adoption of the Operational Programme-related financing agreement in the Council of Ministers.⁷⁰

⁶⁸ <https://op.europa.eu/en/publication-detail/-/publication/93c4192d-aa07-43f6-b78e-f1d236b54cb8>

⁶⁹ Mainly those active in the promotion of social inclusion, environmental protection, urban planning, and non-discrimination.

⁷⁰ The Decision of Council of Ministers on the adoption of the Operational Programme related financing agreement with the EC.

6. Implementation arrangements

6.1 Financing Agreement

In order to implement this programme, it is envisaged to conclude a financing agreement between the Commission and the Republic of Albania

6.2 Methods of implementation

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the programme with EU restrictive measures⁷¹.

Indirect Management with an IPA III beneficiary

This programme will be implemented under indirect management by the Republic of Albania.

The managing authority responsible for the execution of the programme is Ministry of Infrastructure and Energy (MIE). The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility, and reporting of IPA III activities.

The managing authority shall rely on sectoral expertise and technical competence of the following intermediate bodies for policy management: Agency for Energy Efficiency (AEE); National Water and Waste Management Agency (AKUM). They shall ensure sound financial management of the programme.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments, and revenue operations, shall be entrusted to the following intermediate body for financial management: Central Finance and Contracting Unit (CFCU). It shall ensure legality and regularity of expenditure.

6.3 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this programme impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

⁷¹ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

7 Financial tables by areas of support and by year (including co-financing rates if applicable)

	2024			2025			2026			2027			TOTAL		
	EU contribution (euro)	IPA III beneficiary co-financing (euro)	Total expenditure (Euro)	EU contribution (euro)	IPA III beneficiary co-financing (euro)	Total expenditure (Euro)	EU contribution (euro)	IPA III beneficiary co-financing (euro)	Total expenditure (Euro)	EU contribution (euro)	IPA III beneficiary co-financing (euro)	Total expenditure (Euro)	EU contribution (euro)	IPA III beneficiary co-financing (euro)	Total expenditure (Euro)
Area of Support 1	2 000 000	500 000	2 500 000	7 000 000	4 400 000	11 400 000	4 900 000	4 100 000	9 000 000	10 100 000	1 500 000	11 600 000	24 000 000	10 500 000	34 500 000
Area of Support 2			-			-	6 000 000	5 500 000	11 500 000		2 000 000	2 000 000	6 000 000	7 500 000	13 500 000
Area of Support 3			-	8 000 000	7 340 000	15 340 000	7 100 000	1 438 000	8 538 000	734 000	388 000	1 122 000	15 834 000	9 166 000	25 000 000
Other Support	2 000 000	500 000	2 500 000	-	140 000	140 000	-	105 000	105 000	2 166 000	1 089 000	3 255 000	4 166 000	1 834 000	6 000 000
TOTAL OP	4 000 000	1 000 000	5 000 000	15 000 000	11 880 000	26 880 000	18 000 000	11 143 000	29 143 000	13 000 000	4 977 000	17 977 000	50 000 000	29 000 000	79 000 000

Note: The IPA co-financing rate is maximum 85% at the level of each individual Area of Support
Add relevant columns for adding additional budget years or split in single tables for each budget year.

A separate decision will cover the expenditures related to Strategic Communication, Public Diplomacy, Audit and Evaluation.

8 Performance Measurement

8.1 Monitoring and Reporting

Monitoring the implementation of the Operational Programme will aim at collecting and analysing data to inform on progress towards achievement of planned results, to feed decision-making processes and to report on the use of resources.

The day-to-day technical and financial monitoring of the implementation of this Operational Programme will be a continuous process, and part of the implementing partner's responsibilities. To this end, the Managing Authority shall establish a permanent internal, technical, and financial monitoring system for the programme and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of the implementation of the Operational Programme, any difficulties encountered, the changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators.

The Commission may undertake additional monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

As envisaged under the IPA III Results framework, institutions will report values for all relevant indicators as part of the annual data collection exercise. A variety of tools and methods will be used as sources of information for the indicators, as indicated in Section 4.2.2. Where surveys, tracer studies or similar are required, they shall be financed through the Operational Programme.

The collection of data related to achievement of indicators for all Areas of support, under this Operational programme are broadly under the responsibility of the MIE and its sub-ordinated agencies such as AEE and AKUM. Collection of data on indicators related to social inclusion is in the mandate of the Ministry of Health and Social Inclusion, INSTAT, MIE, AEE, OSHEE, AKUM and Municipalities. Gender equality will be monitored through the collection of disaggregated data as envisaged Law No.9970, date 24.07.2008 on Gender equality in Society, as well by ad-hoc data collection for specific indicators.

At the level of the Operational programme, an internal monitoring system will be established by the Managing Authority which will allow the progress of implementation to be monitored, allow for the systemised and timely collection of data on the indicators and support annual reporting. A Programme implementation dashboard will provide the basis for communicative and results-oriented reporting and allow for implementation progress and achievements to be presented visually.

The Sectoral Monitoring Committee, as foreseen in Article 53 of the Financial Framework Partnership Agreement, plays a key role in monitoring and reporting of the implementation of the Operational Programme. The Sectoral Monitoring Committee will include representatives from the partners in compliance with the European Code of Conduct of Partnership [Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds] on the basis of the methodology for the application of the partnership principle and the selection of partners developed for the Operational Programmes 2024-2027 in the Republic of Albania under IPA III.

The partnership for the Operational Programme includes representatives from:

- Relevant public authorities, including representatives of local government units.
- Representatives of Development Partners in Albania.
- National public authorities responsible for implementing the horizontal principles.
- Economic and social partners
- Organisations representing civil society.

Where appropriate, umbrella organisations were included in the partnership.

The Ministry of Infrastructure and Energy, in the role of Managing Authority will act as the Secretariat for the OP Sectoral Monitoring Committee. The active and meaningful participation of the stakeholders will be ensured through:

- Channels for stakeholder engagement identified by area of support and where applicable formalised.
- Participation of stakeholders in Monitoring Committees.
- Participation of stakeholders in field visits.
- Regular provision of information to stakeholders.
- In case of localised investment, local beneficiaries will be involved.

As regards the accountability mechanisms, a Grievance Redress Mechanism shall be established (if not already regularly in place) and provide information on:

- Accessibility of channels to submit grievances.
- Publicisation of the grievance mechanism.
- How any grievance shall be handled.
- Monitoring cases and grievance redress mechanism effectiveness.
- Supporting the functioning of grievance redress mechanisms.

Since case gender equality is not targeted but has been mainstreamed, a mechanism shall be in place to monitor and report on the “entry points” included under section 4.3.2. Gender disaggregated statistics will be collected under activities where this is made possible.

On the basis of the reports provided by the Managing Authority prior to the meetings, it shall in particular:

- Review the effectiveness, efficiency, quality, coordination and compliance of the implementation of the programmes;
- Review the progress towards meeting the objectives, achieving the planned outputs and results, and assessing the impact and sustainability of IPA III assistance, while ensuring coherence with the policy dialogue, the related central and regional sector strategies and multi-country or regional activities in the IPA III beneficiary;
- Review annual implementation reports, including financial execution of the programmes;
- Examine relevant findings and conclusions as well as proposals for remedial follow-up actions stemming from the on-the-spot checks, monitoring, evaluations and audits if available;
- Discuss any relevant aspects of the functioning of the management and control systems;
- Discuss any problematic issues and actions;
- If necessary, consider or make proposals to amend programmes and take any other corrective action to ensure the achievement of the objectives and enhance the efficiency, effectiveness, impact and sustainability of IPA III assistance;
- Review information, publicity, transparency, communication and visibility measures taken.

8.2 Evaluation

Having regard to the importance of the programme, a mid-term evaluation and a final evaluation will be carried out for the areas of support falling under this Operational Programme contracted by the IPA III beneficiary, and should be included in the Area of support “Other support” as indicated in Section 4.2.2.

The evaluations will be carried out by experts or bodies, internal or external, functionally independent from the management and control system.

The mid-term evaluation will be carried out for problem solving, learning purposes, in particular with respect to complementing the existing knowledge base on deploying Energy efficiency measures, build and operate renewable energy sources.

Final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the implementation of energy efficiency measures and the establishment of RES require a multidisciplinary approach involving engineering, finance, and policy-making. This evaluation will also emphasize the importance of monitoring and assessing the long-term environmental and economic impacts of these initiatives, as well as identifying any potential barriers or challenges in their implementation.

The evaluation report shall be shared with all relevant parties. The IPA III beneficiary and the Commission shall analyse the conclusions and recommendations of the evaluation and jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the support.

The indicative evaluation activities and timing for the mid-term and final evaluations are outlined as follows:

Mid-term Evaluation:

- Conduct surveys, interviews, and data analysis to gather information on the progress of activities as outlined in section 4.2.2.
- Examine relevant actual project documents, reports, and plans to assess the alignment of activities with initial goals and objectives.
- Engage with stakeholders such as project leaders, key experts, representatives from the Intermediate bodies, and beneficiaries to gather their perspectives on the effectiveness and impact of the initiatives.
- Site Visits to observe the implementation of activities, assess their functionality, and identify any issues or bottlenecks.
- Analyse the collected data, identify trends, and synthesize the findings to gain insights into the progress and effectiveness of the initiatives.

Timing: The mid-term evaluation is typically conducted in the middle of the programme timeline. Indicatively 2027.

Final Evaluation:

- Evaluation the overall impact of the deployed of major outputs outlined in 4.2.2, considering both environmental and economic factors. This will involve conducting cost-benefit analyses, assessing energy savings, greenhouse gas emission reductions, and economic returns.
- Revision of the policies and regulations related to energy efficiency and renewable energy and assess their effectiveness in supporting the initiatives. Identify areas for improvement or revision to enhance policy frameworks.
- Identification of key lessons learned throughout the project implementation process, including successes, challenges, and best practices.
- Stakeholder consultation to obtain their feedback on the outcomes and impact of the initiatives and gather recommendations for future actions.
- Preparation of a comprehensive final evaluation report that includes the findings, recommendations, and an assessment of the achievements and challenges faced during the implementation.

Timing: The final evaluation will be conducted after the completion of major activities and before the project closure.

8.3 Audit and Verifications

Technical audits for major projects are mandatory during the implementation.

Financial provisions related to audit and verifications, including technical audits if applicable, carried out by the IPA III Beneficiary should be included in the Area of support “Other support” as indicated in Section 4.2.2.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this programme, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

9 Strategic communication and public diplomacy

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document [Communicating and raising EU visibility: Guidance for external actions \(or any successor document\)](#).

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective, and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations entrusted entities, contractors, and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts. Visibility and communication measures specific to this programme shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

An Operational Programme strategic communication plan for OP Energy will be prepared and agreed with the EU Delegation in line with the Commission Guidance for external actions on Communicating and raising EU visibility. This will set out the responsibilities of the Operational Programme Managing Authority, implementing bodies and the NIPAC as regards communication.

The Operational Programme strategic communication plan will identify the key messages, the communication objectives, the communication audiences (including multipliers), the approach, envisaged communication activities, RACER key communication indicators and targets, the risks and the envisaged budget. Annual Communication Plans will be drawn up and discussed with the EU Delegation in advance to coordinate activities and maximise reach.

The NIPAC and the Managing Authority will be responsible for press engagement and managing press and media contacts.

In line with the Operational Programme strategic communication plan, a dedicated webpage and social media channels will be set up. Standards for social media use and management and the social media plan will be coordinated between the Managing Authority, implementing bodies and the NIPAC.

10 Sustainability

Programme level sustainability. The Operational Programme has been designed in order to ensure the sustainability of the benefits/results achieved beyond its implementation. Key factors impacting on sustainability are the level of ownership of the end recipients, their institutional and operational capacities and their financial and human resources for the operation and maintenance of the results. The Managing Authority will put in place a system to monitor the sustainability of the assistance under the Operational Programme during the sustainability period defined as the period between the end of the implementation period of an action and the final date for implementation of the corresponding Financing Agreement. The NIPAC and the Managing Authority will monitor sustainability within their respective scope of responsibility through the Sectoral Monitoring Committee (FFPA Article 53(4)(b)) and jointly with the Commission within the IPA Monitoring Committee (FFPA Article 52(3)). The assessment of OP sustainability will be a standard agenda item in Sectoral/OP Monitoring Committee meetings and will be included in OP evaluations.

Sustainability of Operations. End recipients shall ensure that the contracts are implemented in line with the objectives defined for the projects/contracts and that the results are measured using the indicators applicable to the projects/contracts as defined in the relevant documents. In order to ensure that results generated by projects/contracts financed under the Operational Programme last after the implementation period of projects/contracts has come to an end, the Managing Authority jointly with the relevant Intermediate Body for Policy Management and the Intermediate Body for Financial Management, shall establish the sustainability conditions applicable to tangible and intangible outputs as appropriate.

In the case of directly contracted works and supplies, cooperation mechanisms will be established between the Managing Authority and the end recipients for the planning and implementation of the envisaged actions, and responsibilities of the end recipients to ensure the sustainability of the IPA III assistance. The transfer of ownership shall be established in a formal agreement which shall also provide their commitment to provide the financial and human resources for the operation and maintenance of the results after completion. In the case of Major Projects, the Major Project Application will set out all the conditions for ensuring sustainability, including financial sustainability. In the case of public bodies, the sustainability of the financed operations will be assured through inclusion in the medium-term budget framework. In the case of grant schemes, sustainability will be a guiding principle for the selection of the operations. The grant contract will include specific provisions to ensure sustainability.

The Managing Authority will carry out sustainability checks on completed operations in line with its procedures.

The end recipients are obliged to ensure the sustainable use of the outputs in line with the Operational Programme, the contract or equivalent. The end recipients are obliged to allocate budget for ensuring the functioning and maintenance of the outputs and cover the costs of their operation and maintenance. The end recipients should recover the outputs to their initial condition in case of their damage or replace the outputs with those of minimum equal quality and functionality in case of their destruction.

The breach of the conditions for sustainability may lead to refund of the EU contribution in case the end recipients fail to take the necessary corrective measures for removing the deficiencies occurred.

Annex 1. Operational Programme 2024-2027 on Energy: List of partners

Organization
Barleti Research and Development Institute
Co-Plan
Ministry of Infrastructure and Energy
General Directorate of Road Transport Services
Build Green Group
National Agency of Natural Resources
Distribution System Operator
Albanian Road Authority
National Agency of Water Supply, Sewerage and Waste Infrastructure
National Agency of Natural Resources
National Environment Agency
Ministry of Tourism and Environment
Polis University
Polytechnic University of Tirana

Development Partner's Organization
KfW Tirana
ADA
AICS Tirana
Embassy of Israel
USAID
Embassy of Switzerland
Embassy of Bulgaria
UNOPS
EUD
EUD
EUD
WHO
UN
ILO
Embassy of the Netherlands
EIB
OSCE
Embassy of France
Embassy of Greece
EBRD
Embassy of Japan
Embassy of Japan
UNDP
UNICEF

Annex 2. Operational Programme 2024-2027 on Energy: Acronyms

AEE	Agency for Energy Efficiency
AFD	French Development Agency
AKBN	National Agency of Natural Resources
AKUM	National Water and Waste Management Agency
AMBU	Water Resources Management Agency
AO	Authorising Officer
AoS	Area of Support
ARA	Albanian Road Authority
ASPA	Albanian School for Public Administration
BEVs	Battery Electric Vehicles
CFCU	Central Financial and Contracting Unit
CfD	Contract for Difference
CONNECTA	Technical Assistance To Connectivity In The Western Balkans
COP26	Conference of The Parties, Summit under United Nations Framework Convention on Climate Change
CSOs	Civil Society Organizations
DCM	Decision of Council Ministers
DSIP	Directive Specific Implementation Plan
DSO	Distribution Systems Operator
DWD	Drinking Water Directive
DWSU	Durrës Water Utility
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECT	Energy Community Treaty
EE	Energy Efficiency
EnE4Schools	Energy Efficient Schools Buildings In Albania
EnPCs	Energy Performance Contracts
ERE	Energy Regulatory Entity
ESCO	European Skills, Competences, Qualifications And Occupations
ESMP	Environmental And Social Management Plan
EU	European Union
EUD	European Union Delegation In Tirana
EV	Electric Vehicle
EVCS	Electric Vehicle Charging Station
FFPA	Financial Framework Partnership Agreement
FIT	Feed-In Tariff.
GDP	Gross Domestic Production
GDTS	General Directorate Of Transport Services
GEFF	Green Economy Financing Facility
GHG	Greenhouse Gas
GoA	Government of Albania
GWh	Giga Watt Hour
HPPs	Hydroelectric Power Plants
IBPM	Intermediate Body For Policy Management
Instat	Institute of Statistics
IPA	Instrument of Pre- Accession
IPMGs	Integrated Policy Management Groups
IPSIS	Integrated Planning Information System
IT	Information Technology
IWM	Integrated Water Management
KESH	Albanian Electric Power Corporation.
KfW	German Bank for Development
KPIs	Key Performance Indicators
kWh	Kilowatt Hour
LGUs	Local Government Units
LPG	Liquefied Petroleum Gas
MBS	Management Of Budgetary System
MIE	Ministry of Infrastructure and Energy

MTBP	Medium Term Budget Planning
MW	Mega Watt
NCREAP	National Consolidated Renewable Energy Action Plan
NDC	Nationally Determined Contribution
NECP	National Energy and Climate Plan
NEEAP	National Energy Efficiency Action Plan
NIPAC	National IPA Coordinator
NRW	Non-Revenue-Water
NSDI	National Strategy for Development And Integration
NWC	National Water Council
O&M	Operation and Maintenance
OP	Operational Programme
OPEX	Operational Expenditure
OSHEE	Electricity Distribution Operator
OST	Transmission System Operator
PPA	Power Purchase Agreement
PPP	Public-Private Partnerships
PV	Photovoltaic
RBC	River Basin Councils
RE	Renewable Energy
REEP	Western Balkans Regional Energy Efficiency Programme
REO	Renewable Energy Operator
RES	Renewable Energy Sources
RFPs	Request for Proposals
SAA	Stabilization and Association Agreement
SASPAC	State Agency For Strategic Programming And Aid Coordination
SECO	Swiss State Secretariat For Economic Affairs
SEE	Southeastern Europe
SEMP	Smart Energy Municipalities Project In Albania
SMART	Specific, Measurable, Achievable, Relevant, Time Wise.
SSC	Sectoral Steering Committee
SWOT	Strength, Weaknesses, Opportunity, Threats
TA	Technical Assistance
tCO ₂ eq	Tonnes CO ₂ Equivalent
Tor's	Terms Of References
USS	Universal Service Supplier
UWWTD	Urban Wastewater Treatment Directive
WB	World Bank
WBIF	Western Balkans Investment Framework
WFD	Water Framework Directive
WRMA	Water Resource Management Act
WSS	Water Supply And Sanitation
WWTP	Waste Water Treatment Plan