

Extractive Industries
Transparency Initiative in
Albania

Report for the years
2017 and 2018

December 2020



The Albanian Working Group
c/o Ministry of Infrastructure and Energy
"Deshmoret e Kombit" Blvd.
Tirana, Albania

Report of factual findings - assembly and reconciliation of cash flows

We were engaged to perform the procedures agreed with you with regard to the reconciliation of cash flows from the petroleum, mining and hydropower sectors, and to the compilation of the contextual information as part of the implementation of the Extractive Industries Transparency Initiative (EITI) in Albania for the years 2017 and 2018.

In performing our work, we referred to the International Standard on Related Services ("ISRS") 4400 "Engagements to perform agreed upon procedures regarding Financial Information", published by the International Federation of Accountants ("IFAC").

Our procedures are listed in Chapter 9 of the report. Our findings are presented in Chapter 10 and in Appendices 1, 2, and 3.

Because the agreed-upon procedures do not constitute either an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the financial information provided in this report, including both payments reported by the companies and government institutions. The information presented in our report, or information provided by licensees or government institutions, has not been subject to control or verification procedures unless otherwise stated in the report. Had we performed additional procedures, or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention, which would have been reported.

The enclosed EITI report for 2017 and 2018 consists of eleven chapters covering, among other things, contextual information on the industries in scope, a description of the compilation and reconciliation processes, related findings, as well as lessons learned during these years' reconciliation and summarized recommendations.

The information presented in Chapters 1 through 6, and other information in addition to payment streams that were subject to the reconciliation process and our procedures, is provided mainly by AlbEiti, the Ministry of Infrastructure and Energy, the National Agency of Natural Resources in Albania, Albpetrol, the Albanian Customs Administrate, the Energy Regulatory Authority, and the Albanian Geological Service. We did not carry audit or other testing procedures to validate the completeness and accuracy of such information.

The objective of this report is to enhance transparency within the petroleum, mining, and hydropower industries. Our procedures are not designed to identify fraud or misstatements made by licensees or government bodies.

December 20, 2020

Tirana, Albania

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Executive summary

Albania stands among 52 countries adhering to the Extractive Industry Transparency Initiative (“EITI”), a global initiative which seeks to improve the governance of the extractives sector.

As part of the ongoing implementation of EITI, the Albanian Government publishes this informative report on the extraction of oil, gas and other minerals and their contribution to the State budget and Albanian Economy. The report provides an overview of activities in the upstream oil and gas sector, mining sector and hydropower, the reconciliation of main flows paid by licensees and collected from the government agencies in these sectors, and an assessment of the appropriateness of disclosures in the sector in line with the EITI standard.

An overview of the regulatory and fiscal regimes companies in the three sectors operate in are presented in Chapters 3, 4, and 5. Chapters 6 through 10 discuss public and private entity reporting. Chapter 11 lists lessons learned, and recommendations based on our data collection and reconciliation procedures, as well as our assessment of EITI compliance in the country.

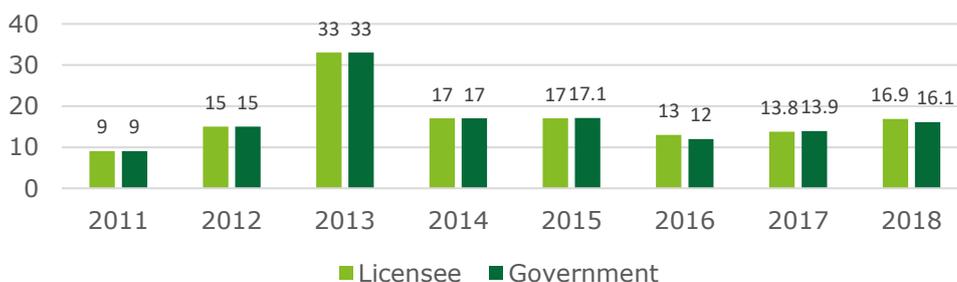
Reconciliation of the cash flows

The reconciliation and reporting according to the EITI standard covered all companies operating an exploration license and production license in oil and gas, 17 hydropower companies, and 128 mining companies for 2017 and 132 for 2018.

By the date of this Report cash flows were reconciled to 97.72% and 99.45% of total cash flows reported from the licensees and the Government, in 2017 and 2018 respectively. Chapter 10 presents the reconciliation on an aggregated level. Company-by-company reconciliation is presented in the appendices to the report.

Chart 1 on the right presents the trend of the cash flow reconciliation from year 2011 to 2018. Flows reconciled in 2011 and 2012 include Government’s revenues from the extractive sectors of oil and mining. In 2013 the Government of Albania voluntarily added the hydropower sector in the scope of EITI reporting. Additionally, flows reconciled in 2013 include a material transaction concerning the privatisation of three medium hydropower plants (Kurum) in the amount of ALL 15 billion.

Chart 1 - Reconciled cash flows in ALL billion



Level of flows reconciled have increased from 2017 to 2018 due to an increase in energy production by HPPs.

1. Introduction

This Report is the 8th Albanian Extractive Industry Transparency Initiative Report and covers years 2017 & 2018.

1.1 What is EITI?

The Extractive Industries Transparency Initiative (“EITI”) is a voluntary international coalition of governments, extractive industry companies and civil society organizations engaged in management and use of natural resources, such as oil, gas and minerals (see also: www.eiti.org). Its final aim is to promote transparency in order to prevent corruption as well as provide citizens with a basis for demanding fair use of the revenue generated from these sectors.

The EITI is regulated through an international standard, the “EITI Standard” (<https://eiti.org/document/standard>), which sets the principles and minimum disclosures required to achieve transparency through the effective engagement of the governments, companies, and civil society.

Adhering countries must provide transparency on the basis for allocating mineral licenses and rights, contracts and licensees, production levels, benefits earned from the use the natural resources, how these revenue are managed to the benefit of the civil society and contribution to overall economic development of the country.

1.2 EITI in Albania

Albania joined EITI as a candidate in May 2009 and obtained the EITI compliant status in May 2013. Since its initial candidature, Albania has published annual reports summarizing the activities and cash flows year on year from 2009 to 2016. This report covers the years 2017 & 2018.

The implementation of the initiatives guided by the EITI standard is overseen by the Albanian Multi-stakeholder Group (“MSG” or the “Albanian Working Group”), regulated by Public Order of the Prime Minister No. 71 dated 21 July 2011. The MSG is composed of various EITI stakeholders including the Government, extractive companies, civil society etc. and chaired by the Deputy Minister of the Ministry of Infrastructure and Energy. The EITI Albania Secretariat (“AlbEiti”) supports the MSG throughout the initiative implementation.

The EITI reports, along with activities of EITI in Albania, are published in the AlbEiti website: www.AlbEiti.org.

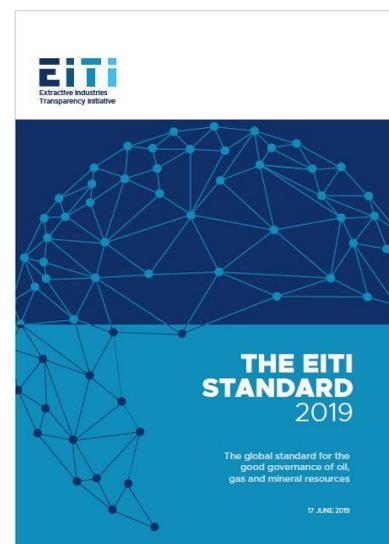
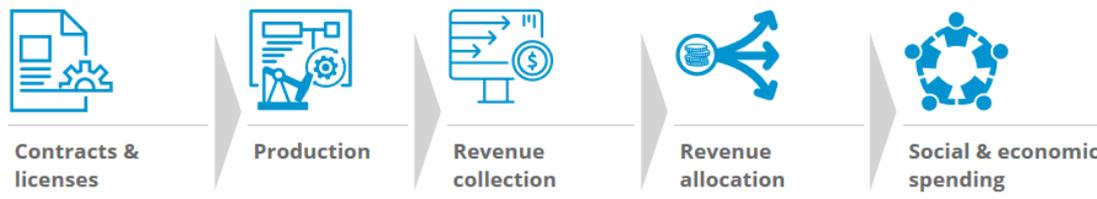


Figure 1 The EITI Standard 2019

1.3 Annual reporting

The EITI Standard requires countries and companies to disclose information on the key steps in the governance of oil, gas and mining revenues including:



In addition to the disclosure of contracts, licence allocation procedures, production data, revenue collection & allocation methods, and social & economic contributions, the EITI standard requires that both the licensees and Government bodies report all material payments made, and revenues received annually, and that these payments be reconciled by an independent administrator.

From 2013, the Albanian Government decided to also include the hydropower sector in EITI reporting, as the sector was judged to have a substantial contribution in the national economy.

In this context, the MSG analysed and selected material flows, recipient government entities and companies engaged contributing to a large share of production and exploration activities. An overview of selected flows, companies and recipient government entities is presented in chapter 8.

1.4 The effects of Covid-19

We cannot overlook the effect of Covid-19 on this reporting cycle. The uncertainty created by the unprecedented situation, combined with the financial challenges resulting from the quarantine imposed by the state, and the burden of having to adapt to unforeseen situations (such as working from home) resulted in substantial delays in reporting from both private and public institutions.

The fear and uncertainty instilled in people regarding their economic future, as well as the virus itself had a substantial impact on all business activities, and as a result, on EITI reporting which was not a priority for neither private nor public institutions. The measures imposed by the state added an additional barrier to timely reporting. Most of the reporting from public entities was partial, and they were rarely available to provide further explanations or clarifications.

Companies experienced high employee turnover and a halt in sales due to the virus. Governmental entities were faced with the challenge of creating the appropriate conditions to minimize the effects of the virus. Points of contact in both public and private companies faced both the health and economic implications of Covid-19 throughout the reporting cycle. Due to these reasons, they were allowed more time to deliver reports on EITI numbers, and clarifications explaining discrepancies.

Details regarding the impact of Covid-19 are discussed in Chapter 9.

2. Overview of the extractive sector and hydropower sector in Albania

2.1 Key facts

2.1.1 Energy and resources in Albania

Albania is rich in energy resources such as oil, gas, coal, wood, bitumen, and also enjoys a sizable hydropower potential. Combined they contribute in different ways to meet energy demands in the country.

Based on preliminary results published by INSTAT shown in chart 3, the industrial sector, excluding processing / refining, accounted for approximately 5.1% of GDP in 2017, and 6.1% in 2018¹. INSTAT does not disclose disaggregated data for oil, mining and power sector separately.

Based on the data reported by INSTAT, production growth in the energy and extractive sectors during 2017 and 2018 was as follows:

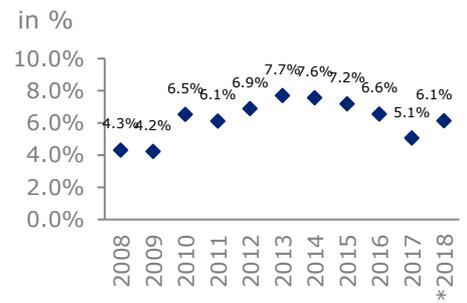


The fluctuation in growth in the power industry is due to 2017 being a relatively bad hydrologic year, while in 2018 domestic energy production registered at a record high.

Exports from the extractive sector represented 15% and 18% of total exports for the years 2017 and 2018 respectively (Chart 3).

¹ Starting from 2016, INSTAT changed the classification of GDP by economic sectors. The industrial contribution to GDP includes: extractive industries; electrical power, gas, steam and air condition supply, water supply, transport and other related to waste management.

Chart 2 - Contribution of the industries to GDP in %



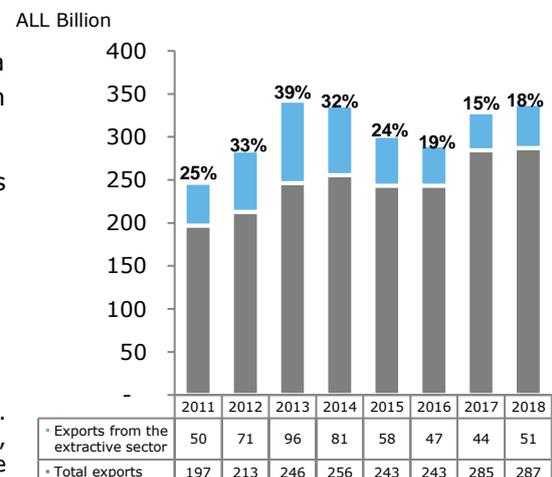
*2018 Semi-final

Source: INSTAT-Annual National Accounts (based on economic activity)

Year	GDP	Industry
2008	1,082,801	46,847
2009	1,147,700	48,562
2010	1,239,354	81,153
2011	1,300,851	79,759
2012	1,334,599	91,947
2013	1,350,053	104,152
2014	1,395,305	105,634
2015	1,434,307	103,049
2016	1,472,479	96,519
2017	1,550,645	78,504
2018	1,635,715	100,534

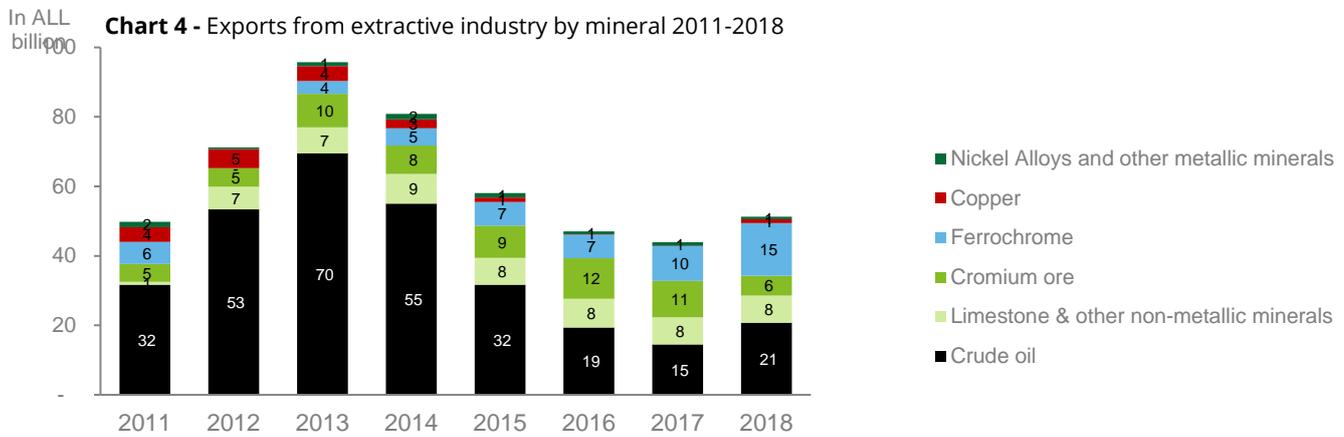
Chart 3 - Exports from extractive sector vs. total exports

- Exports from the extractive sector
- Total exports



Source: Albanian Custom Administration, and

As shown in Chart 4, exports are mostly represented by crude oil and ferrochrome. The increase in exports of ferrochrome results from the increase of domestic mineral processing.



Source: Albanian Customs Administration

Based on data reported from the DPT, companies operating in the extractive and energy industries employed over 40,000 people in 2017 and 2018.²

2.2 Key Sectors

An overview of the activities in each sector, the regulatory and fiscal framework, and their contributions to the national budget, are found in Chapter 3, 4, and 5 respectively. The sections below summarize the activity in each sector.

2.2.1 Oil and gas

Crude oil comprised the primary source of energy produced in Albania, measured in *toe* (tonne of oil equivalent). Crude oil accounted for 57.7% of domestic energy from primary sources in 2017, and 45.6% in 2018. It is followed by the hydropower sector with representing about 23.4% of energy produced from primary sources in 2017, and 36.8% in 2018³. The difference is mostly due to an increase in power production, rather than a drop in the extraction of crude oil.

Throughout 2017 and 2018, the oil and gas sector counted six companies engaged in crude oil extraction and four companies engaged in exploration activities.

The State participated in the upstream oil sector through direct ownership of Albpetrol, a state-owned enterprise engaged in the exploration, development and production of oil and gas. Albpetrol holds shares as a primary licensee in all oil fields discovered up until 1993. In order to pursue efficient operations,

² This data is based on DPT reporting, and does not only include producers in the sector, but rather all companies involved throughout the supply chain of these industries, as the DPT is unable to single out producers in the hydropower and extractive sectors.

³ Source: Production and consumption of primary energy, 2015-2019 – (INSTAT: www.instat.gov.al)

Albpetrol sub-granted its rights to private oil companies. Production of crude oil has more than doubled since 2003, when private oil companies started operating in the sector.

Albpetrol reported domestic crude oil production at 955 thousand tons in 2017, and 911 thousand tons in 2018. Bankers Petroleum, operating in the Patos-Marinza oilfield, extracted about 87% of total crude oil output in both reporting years. Whereas, Albpetrol production accounted for about 10% of domestic output.

The employee number in the sector fell substantially over the last six years. These changes were due to transfer of production operations from Albpetrol to the private oil companies. Further reductions are expected due to the low stability of Albpetrol's performance. Albpetrol was the largest employer in the sector in both 2017 and 2018, comprising about 70% of total employment in the sector. Still, MIE reports an increase in employment in country as a result of the increase of exploration and exploitation activities in the oil and gas sector. Many of the companies engaged in these activities use domestic and foreign contractors to conduct their activities, indirectly contributing to the increase of employment.

Oil produced in the country is mostly exported to be refined abroad. Domestic consumption of refined oil is fulfilled through imported refined oil. As shown in chart 4, exports of crude oil were at ALL 15 billion in 2017 and ALL 21 billion in 2018. Crude oil comprised 33% of total exports from the extractive sector in 2017, and 41% in 2018.

2.2.2 Mining sector

As a traditional mining country, Albania has an increasing number of medium, small-scale mining and quarry companies, and only a few large-scale industrial mining companies. In December 2018, AKBN reported approximately 600 mining licenses, out of which 165 licenses were reported as passive and not operating.

As per AKBN reporting, domestic mining output, not including the value added through mineral processing, was estimated at ALL 51.61 billion (USD 433 million) in 2017 and ALL 83.14 billion (USD 770 million) in 2018. The increase in production value in 2018 is mostly due to the resuming of copper extraction activities in 2018. Methods and inputs for estimation of the mining output value are provided in chapter 4. Chromium represented approximately ALL 25 billion of the total production value. 2017 and 2018 noted an increase in the domestic processing of chromium, leading to larger exports of ferrochromium.

Mining sector employment, not including processing, accounted for 0.46% of total registered workforce at the end of 2018, whereas chromium sub-sector employed about 64% of mining workforce in both 2017 and 2018.

2.2.3 Hydro-energy sector

The hydropower production in Albania is dominated by the public sector. The State owns and operates the Albanian Electrical Power Corporation (KESH), the Transmission System Operator (OST) and Electricity Power Distribution Operator (OSHEE). The sector is regulated by the Energy Regulatory

Authority (ERE), an independent public institution charged with reporting on, governing and monitoring of the energy sector.

KESH is the largest producer in the country. With an installed capacity of 1,350 MW built in a cascade over Drini River in the north, KESH contributed with 64% of power output in 2017 and 68% in 2018.

Domestic hydropower output in 2017 was about 81% of the total energy consumption; in 2018 output was 146% of total consumption. A substantial portion of the power transmitted is lost in the distribution system because of its poor technical conditions and informal connections to the system. The Government of Albania and OSHEE are actively working on reducing both technical and financial losses estimated at 25% of consumption in 2017 and 23% in 2018.

The power sector creates value through multiple activities, including power generation, public supply, transmission and distribution. Additionally, hydropower companies contribute to the state infrastructure through their operations, including the construction of roads, dams, and the maintenance of river beds.

The Government of Albania has constantly sought to benefit from the country's hydrologic potential through concessions and private investments. At the end of 2016, AKBN reported 451 HPPs granted though 244 concessions, where only 33% have started production. AKBN informs that a large number of HPPs granted on concessions have not yet started construction, or are still under construction as of the date of this report, showing delays of two or more years.

Currently, Albania is undergoing a power sector reform towards liberalization of the energy market. In July 2016, the Council of Ministers approved the new model of the energy market that will gradually replace the regulated energy market. At the date of this report, the Government is still in the process of drafting the transitional measures for the transition from a regulated market, which were supposed to take effect in 2018. ERE reports on the implemented reforms and issues in their annual report.

2.3 Government's revenue from the three industries

Table 1: Statement of Governments revenue from the extractive sector for 2017

Payment stream	Albpetrol	AKBN	ERE	OSHEE	National Budget	Total in MALL	Total in M\$
Share of oil production	2,305	-	-	-	-	2,305	19.35
Bonuses	14	12	-	-	-	26	0.22
Concession fee	-	-	-	211	-	211	1.77
Regulatory payments to ERE	-	-	25	-	-	25	0.21
Royalty	-	-	-	-	5,022	5,022	42.17
Tax on profit	-	-	-	-	5,421	5,421	45.52
Social & health insurance and personal income tax	-	-	-	-	8,261	8,261	69.36
VAT	-	-	-	-	8,867	8,867	74.45
Dividends	-	-	-	-	323	323	2.71
Other	-	-	-	-	4,877	4,877	40.95
Total	2,319	12	25	211	32,770	35,336	296.69
Oil and gas	2,319	12	-	-	5,785	8,116	68.14
Mining	-	-	-	-	14,718	14,718	123.58
Hydro-energy	-	-	25	211	12,267	12,502	104.97

Table 2: Statement of Governments revenue from the extractive sector for 2018

Payment stream	Albpetrol	AKBN	ERE	OSHEE	National Budget	Total in MALL	Total in M\$
Share of oil production	2,020	-	-	-	-	2,020	18.7
Bonuses	11	162	-	-	-	173	1.6
Concession fee	-	-	-	295	-	295	2.74
Regulatory payments to ERE	-	-	32	-	-	32	0.3
Royalty	-	-	-	-	4,566	4,566	42.27
Tax on profit	-	-	-	-	7,539	7,539	69.8
Social & health insurance and personal income tax	-	-	-	-	9,329	9,329	86.3
VAT	-	-	-	-	10,462	10,462	96.87
Dividends	-	-	-	-	221	221	2.04
Other	-	-	-	-	3,733	3,733	34.56
Total	2,031	162	32	295	35,866	38,387	355
Oil and gas	2,031	162	-	-	5,621	7,814	72.3
Mining	-	-	-	-	14,652	14,652	135.65
Hydro-energy	-	-	32.3	295.4	15,593	15,921	147.4

Payment streams listed above include only the significant payments made by the licensees to the State Budget, AKBN, ERE, KESH and Albpetrol which are selected for reconciliation in this Report. The list does not represent a list of all payments streams. Such comprehensive disclosure is not supported by the Government's information systems.

VAT, paid on internal sales, comprises the largest revenue stream for both reporting years. **Employment-related payments** including social and health security contributions and personal income tax comprise the second largest revenue stream contributed to the National Budget collectively by the extractive sectors of oil, gas and mining and hydropower sector.

Regarding the extractive sector, **Royalty** comprises one of the main revenue streams to the national budget; royalty is contributed by the extractive sectors of oil, gas and mining. **Share of oil production** is the second largest revenue stream collected from the oil sector. Private oil companies collectively transferred (in-kind) a share of oil production of 56.6 thousand tons in 2017, and 78.3 thousand tons in 2018.

Other payments include taxes collected by the Albanian Customs Administration including VAT paid on imports, carbon tax, excise tax, circulation tax and other custom import duties. These flows are included because they are reported as material flows by the licenses and, apart from the VAT paid on import, were part of the reconciliation procedure in 2017 and 2018. In some instances, VAT collected on imports is partially or fully refunded to the operating licensees based on certain criteria and additional data are required to conclude on the total government's revenue from the sectors in focus.

Values shown above for share of oil production were estimated using the Albpetrol's average sales prices applied during 2017 and 2018 respectively. Details are found in Chapter 3.

Amounts in USD were converted in ALL using the average rate of the Bank of Albania:

- **2017:** USD 1 → ALL 119.1
- **2018:** USD 1 → ALL 108.01

2.3.1 Public institutions and entities governing the sector

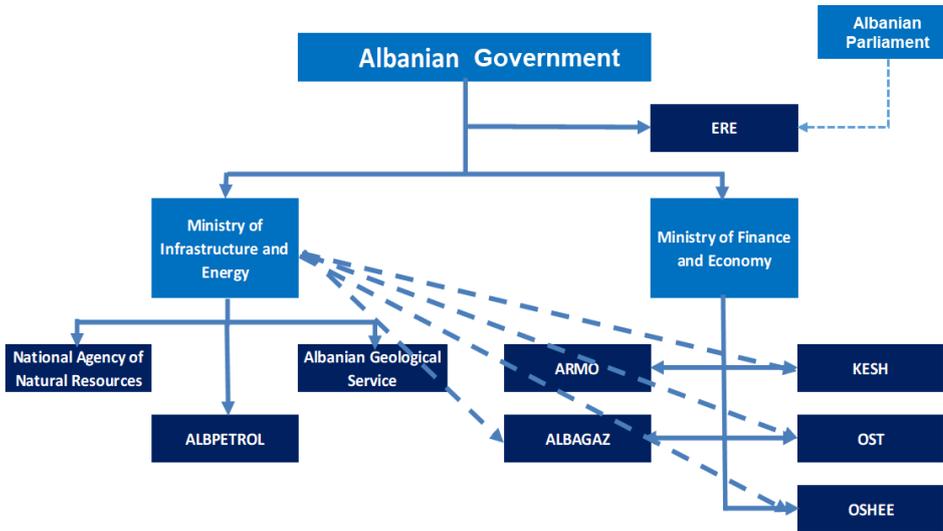


Figure 2 Key public institutions and reporting lines as applicable in 2018

Ministry of Infrastructure and Energy (MIE)

MIE⁴ is the Ministry responsible for making public policy and monitoring the implementation of legislation in the energy and resources sector. It operates through its directorates, which are responsible for the development of public policies in the petroleum, mining, hydropower, renewable energy sources and energy efficiency. MIE, and the institutions it oversees, are also responsible for setting technical standards for the industries in scope.

The mission of the Ministry in the energy sector is to promote constant and sustainable economic development through:

1. The encouragement of private investment, domestic or foreign, in the energy sector with an attractive legal climate for these investments.
2. The development of market reforms in the energy sector to achieve national objectives to support EU integration, and the development of a Regional Electricity Market.

MIE is responsible for granting exploration and production licenses in the mining sector, and for evaluating applications for petroleum agreements and concession rights for the construction of hydropower plants in Albania. Petroleum agreements and hydropower concessions are approved by the Council of Ministers, and undersigned by the Minister responsible for Energy on behalf of the Contracting Authority.

MIE is primarily financed by the State Budget in accordance with Budget law. Revenues generated by the energy sector include service tariffs and license fees.

MIE is the ministry responsible for energy and is primarily financed by the State Budget in accordance with Budget law.

MIE is responsible for licensing, as well as creating and monitoring the implementation of the strategies of the industries in scope.

⁴ Link to website: www.energija.gov.al

The Ministry operates through the State Treasury System, where revenue collected and disbursements for expenditures are pooled from the State's joint bank accounts. MIE publishes financial information on expenses by nature and program in the following link:

<http://www.energjia.gov.al/al/publikime/trasparence-per-publikun/te-dhena-financiare-te-mej>.

National Agency of Natural Resources (AKBN)

AKBN was established as a public agency reporting to the Minister responsible for Energy pursuant to DCM no. 547 dated 9 August 2006, amended. Its main purpose is to develop the sector strategies and supervise the rational deployment of natural resources in the mining, petroleum and energy sector based on governing policies in force.

AKBN is responsible for the supervision of exploration and exploitation activities in the oil sector, mining and hydropower sectors. It is also accountable for the planning of energy needs and compilation of the national and regional energy balance in accordance with the requirements of EUROSTAT⁵ and the International Energy Agency⁶. AKBN acts as a specialized technical expert in studies and projects implemented in the sectors, negotiates and monitors the implementation of petroleum and mining agreements, and monitors the implementation of the concessionary agreements in the hydropower sector.

AKBN is headed by the Board of Directors staffed by seven members, including the Chairman and the Executive Director. All members are nominated by the Minister of Energy and Industry. The entity performs its public functions through the directorates of petroleum, mining, and hydropower and renewable energy.

AKBN is organized as a non-budgetary institution and administers its own bank accounts, where it deposits its surplus funds. AKBN makes no payments to and receives no financing from the State budget, except when AKBN implements specific projects foreseen in the State Budget. Any surplus of annual income over expenditures, is carried forward in the next fiscal year. AKBN's activity is primarily financed by the revenue collected from the supervised petroleum agreements, tariffs applied for technical expert review and other services and projects.

AKBN's annual financial accounts were not made available for public access and EITI's review at the date of this report.

Albanian Geological Survey (AGS or SHGJSH)

SHGJSH operates as a scientific institution in geo-sciences in accordance with Law no. 111/2015 "On Albanian Geological service"⁷. SHGJSH is responsible for several scientific studies on hydrocarbons, mining, and

AKBN's activity is primarily financed by the revenue collected from the supervised petroleum agreements, tariffs applied for technical expert review, as well as other services.

AKBN's annual financial accounts were not made available for public access and EITI's review at the date of this report.

⁵ <http://ec.europa.eu/eurostat/web/energy/data/energy-balances>

⁶ <http://www.iea.org/>

⁷ This law abrogated the law no. 8366, dated 2 July 1998 "On Geological service", amended by law no. 9221, dated 15 April 2004 and law no. 10227, dated 4 February 2010.

hydropower, as well as other fields not subject of this report. Among other duties, SHGJSH is responsible for promoting and negotiating exploration licenses in mining sector, and for monitoring the project implementation under each exploration license granted. SHGJSH is financed by the State Budget, service fees and tariffs for technical reviews and geological surveys.

The entity publishes projects implemented or under implementation in its website: www.gsa.gov.al.

Energy Regulatory Authority (ERE)

ERE is an independent public authority responsible for the regulation of activities in the power and natural gas sector, organized in accordance with the provisions of Law No. No.43 /2015 dated 30 April 2015 "On power sector"⁸, amended, and Law No. 102/2015 dated 23 September 2015 "On gas sector"⁹.

ERE is the competent authority for issuing licenses for the generation, transmission, distribution, supply and trading of power. It is directed by a Board of Commissioners appointed by the Albanian Parliament. ERE is financed by regulatory license fees and regulatory tariffs paid by the licensees in generation, transmission, distribution, trade of electrical power and licensees in transmission and distribution of gas etc.

ERE reports annually to the Albanian Parliament "On Power Sector Situation and ERE's Activity". The report approved by the Parliament, is published in the ERE's website: www.ere.gov.al within three months from the end of the reporting period. ERE's annual financial statements are audited by independent statutory auditors in line with audit law and regulation applicable in Albania and are published in ERE's annual report.

Agency for Concession and PPP (ATRAKO)

ATRAKO is a public agency established overseen by the Ministry of Finance and Economy (MFE) based on DCM no. 150, dated 22 March 2007 "On organization and functioning of ATRAKO", as amended. ATRAKO provides support to the contracting authority through the assessment of concession opportunities and negotiation of concession contracts, including hydropower concessions. ATRAKO publishes in its website law and regulatory acts applicable to concessions, and a summary of instructions for the procedures applied from identification of concession and PPPs opportunities to allocation of contracts. www.atrako.gov.al.

Since 2015, in accordance with the Law no. 125/2013 "On concessions and PPPs", as amended, ATRAKO is responsible for maintaining the Concession Register. This register, along with a list of hydropower concession contracts in force can be accessed in the official website of ATRAKO (link: http://www.atrako.gov.al/?page_id=112).

ERE is the competent authority for issuing licenses for the generation, transmission, distribution, supply and trading of power and gas.

ERE is financed by regulatory license fees and regulatory tariffs paid by the licensees in generation, transmission, distribution, trade of electrical power and licensees in transmission and distribution of gas etc.

⁸ This law abrogated Law no. 9072, dated 22.05.2003 "On the Electric Power Sector", amended.

⁹ This law abrogated Law No. 9946 dated 30 June 2008 "On the gas sector"

Ministry of Tourism and Environment (MTM)

As pertains to the scope of this report, the Ministry of Tourism and Environment (also referred to as the Ministry of environment throughout the report), is responsible for establishing policies, strategies and action plans for the protection and administration of the environment, forests, waters and fisheries in order to achieve sustainable development, with the aim of improving the quality of life and taking steps towards EU integration.

MTM issues water and environmental licenses for all thermal-power plants, hydropower plants, wind-power plants and other power generating resources in accordance with Law no. 10 440, dated 7 July 2011, as amended. The ministry is also the national focal point for UNFCCC and Kyoto Protocol.

State-owned enterprises in the energy and resources (SoEs)

Definition

State-owned enterprises are defined by article 213 of the Law 9901 dated 14.04.2008 "On entrepreneurs and commercial entities", as commercial entities owned and controlled directly or indirectly by central or local government, where control is the power to govern activities of the commercial entities¹⁰. This law suggests that in case of matters requiring a qualified majority, the Shareholders' Assembly may take valid decisions if shareholders hold more than half of the voting shares.

For matters requiring a simple majority, the Shareholder's Assembly can make effective decisions, if shareholders holding more than 30% of the voting shares are present or represented.

In addition to control, the law defines significant influence as holding voting rights of 30% or the right to appoint members representing 30% of the voting rights¹¹.

State-owned enterprises

MIE has its own representatives in the Board of Directors of the SoEs in the energy and resources sector. The Ministry of Finance and Economy (MFE) responsible for economic policies, holds shares in the sector through ownership of:

1. Albpetrol Sh.a (100% shareholding) – engaged in upstream oil & gas operations
2. Transnafta sh.a. (89% shareholding) – engaged in oil transport and vehicle maintenance
3. Uzina Mekanike e Naftës Sh.a. (100% shareholding) – engaged in mechanic servicing of oil industrial plants.
4. ARMO (effectively controlling the company with 15% shareholding) – oil refining
5. Korporata Elektroenergjitike Shqiptare Sh.a ("KESH") (100% of shares) – engaged in power eneration though its HPPs

Albpetrol a State-owned enterprise engaged in the exploration and production of oil and gas.

KESH is engaged in hydropower production. It is by far the largest prouder fulfilling the domestic needs for energy.

¹⁰ Law 9901 dated 14.04.2008 "On entrepreneurs and commercial entities", article 207, point 1.

¹¹ Law 9901 dated 14.04.2008 "On entrepreneurs and commercial entities", article 207, point 2.

6. Operatori i Sistemit të Transmetimit Sh.a. ("OST") (100% of shares) – engaged in power transmission
7. Operatori i Shpërndarjes së Energjisë Elektrike Sh.a. ("OSHEE") (100% of shares) – engaged in power distribution
8. Albgaz (100% of shares) – engaged in the maintenance, distribution and transmission of natural gas

The role of Albpetrol, Transnafta, Uzina Mekanike e Naftes and ARMO is explained in chapter 3 Oil and gas sector. The role of KESH, OST and OSHEE is explained in chapter 5 Hydro-energy sector.

In addition, the Government holds a percentage in the shareholding of three mining companies, including Elbasan Cement Factory sh.p.k (21%), Italb - Mermeri - Muhur sh.p.k. (25%), and United Quarries sh.p.k. (13%). Information on the activity of these companies is disclosed in Chapter 4.

2.3.2 Membership in Regional Energy initiatives

Albania became a member of the Regional Energy Community in 2006 – part of European Union initiatives for the creation of the European energy market.

Energy Community is an international organization, founded with the aim of developing of a common energy policy in South-eastern Europe, and supporting the region's integration into the European Union's energy market, through the creation of an integrated energy market allowing for cross-border energy trading.

By signing the Energy Community Treaty, Albania is committed to the implementation of the relevant *acquis communautaire*, by developing the appropriate regulatory framework to support the liberalization of the energy market in line with the *acquis*. Details of the community goals and activities can be found at www.energy-community.org. Updates on Albania's progress are disclosed in Chapter 5.

2.3.3 Creation of the Open Data portal

In chapters 3, 4 and 5 the current framework on contract disclosure and the websites where a licence registry is maintained has been disclosed for each sector. However, the registers are not updated regularly, and accessing contracts between companies and the state can sometimes be a tedious process. In order to satisfy Requirement 2.2 of the EITI Standard, EITI Albania has been working on creating a platform which will contain a wide array of information regarding the extractive and hydropower industry.

Currently, EITI Albania is finalizing a portal in an Open Data format. Among others, the portal will also contain information on licences awarded and transferred.

Requirements of the portal

The main objective of the service is to:

- Collect, produce and present the full technical, economic, legal, social data presented in Albanian EITI Reports
- To build and operate an online public information platform which will inform the public at home and abroad – individuals and entities interested the industry

- Support the sustainable development of these industries by achieving the objective of increasing the visibility and impact of Albania EITI reports.

The OpenData portal should offer the opportunity to visitors and interested parties to easily view and search relevant data of the three industries, and the relevant companies operating in the sector. The information published through the portal will be managed by a team in AlbEiti.



3. Oil and gas

Albania has an extensive untapped reserve of oil and natural gas. The domestic oil sector has grown in past years through private exploitation and exploration initiatives. Currently, natural gas reserves remain unexploited.

3.1 Exploration and production

The oil sector has been strategically important and the main contributor to the economic development in the country before the 90s. Oil exploration in Albania began in 1918. Since then, oil bearing fields have been discovered onshore and offshore. In an attempt to support these discoveries, the country developed a complex oil refining industry in 1970-1980¹².

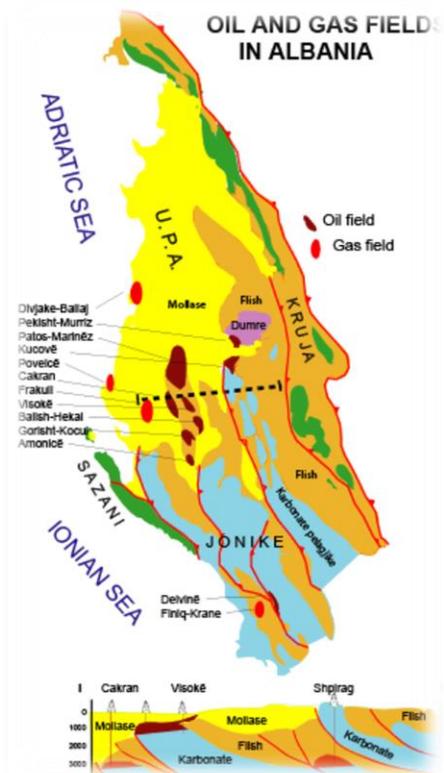
AKBN maintains information related to the geological oil structure, the history of oil development, the existing onshore and offshore exploration blocks and oilfields and as well as their technical details. These, as well as new investment opportunities, are presented in AKBN's publication "Petroleum exploration and exploitation opportunities in Albania" accessible on their website www.akbn.gov.al.

3.1.1 Oil reserves

Albanian oil sources, which are distributed along the western and south-western part of Albania (figure 2), mainly occur in two structures: sandstone and limestone. These sources have considerable reserves, but their full potential remains difficult to exploit due to the geological composition of the oil fields and the depth of the reserves.

According to studies performed by foreign companies and Albpetrol¹³ between years 1985 and 1990, petroleum reserves at existing Albanian drill sites totalled at about 437.6 million tons. However, due to the extraction methods applied throughout that time, recoverable stocks are estimated to have amounted to only 81 million tons. Estimated geological reserves from sandstone structures comprised 77.4% of total geological reserves, however their recovery has been assessed at 13%. Recovery of geological reserves from limestone formations varied from 24% to 53%. The oil extracted from the reserves of Marineza and Bubullima has surpassed what the study has evaluated as "recoverable oil". The Albanian Government has not undertaken

Figure 3 Oilfields in Albania



Source: AKBN

¹² Source: "Petroleum exploration and exploitation opportunities in Albania" published by AKBN - www.akbn.gov.al.

¹³ Information on reserves and cumulative production is provided by Albpetrol. Aggregated data are disclosed in the following link: <http://www.albpetrol.al/rezervat-gjeologjike/>

further studies to reassess oil and gas reserves in accordance with current international standards. Albpetrol uses these measurements as a base point and regularly deducts the annual output of oil and gas from it, updating the remainder of the recoverable reserves.

Table 3 summarizes the reserves assessed through studies performed between years 1985 and 1990 and the updated recovered reserves of oil and gas associated with petroleum at the end of 2018.¹⁴

Table 3: Geological and recoverable oil reserves based on studies dating 1985-1990, cumulative oil production until December 2016, and oil produced in 2017 and 2018

Oil Fields	Geological reserves in 000'ton	Recoverable reserves in 000'ton	Cumulative production up to 2016 in 000'ton	Oil output in 2017 in 000'ton	Oil output in 2018 in 000'ton
Cakran-Mollaj	16,128.0	8,144.0	4,320.2	12.9	14.4
Ballsh-Hekal	19,269.0	6,360.0	5,125.1	22.1	17.3
Gorisht-Kocul	30,500.0	14,674.0	12,084.3	30.0	32.2
Karbunarë	411.0	136.0	94.7	0.2	0.2
Amonicë	2,836.0	1,503.0	717.1	4.4	5.9
Visokë-Kolonjë	28,362.0	6,807.0	6,287.2	20.6	18.9
Delvinë	335.0	134.0	19.2	0.0	0.0
Finiq-Krane	1,027.0	154.0	9.9	0.1	0.1
Drashovicë	80.0	24.0	8.1	0.0	0.0
Total Limestone	98,948.0	37,936.0	28,666	90.5	89.0
¹⁵ Patos-Marinëz	258,394.0	31,120.0	28,350.7	844.2	800.2
Kuçovë	78,332.0	11,772.0	4,328.6	21.1	16.3
Rasë-Pekisht	1,970.0	197.0	17.8	0.4	0.3
Total Sandstone	338,696.0	43,089.0	31,831.4	865.7	821.7
Total ¹⁶	437,644.0	81,025.0	60,407.0	956.1	910.7

Albpetrol reports that Albania's known natural gas reserves have been estimated at 3,052 million Nm³ and are found mainly in the Kuçova and Patos areas. Cumulative natural gas produced up till the end of 2018 was 3,036.3 million Nm³¹⁷ (99.5% of reserves). Accompanying gas reserves have been estimated at 14,132.1 million Nm³, of which 10,186.1 million Nm³ has been recovered. Gas produced domestically is mostly accompanying gas, most of

¹⁴ Information officially reported by Albpetrol for the purpose of this Report.

¹⁵ Composed of the fields: Bubullima, Marineza, Driza and Gorani.

¹⁶ Differences from the production reported below are due to rounding.

¹⁷ <http://www.albpetrol.al/rezervat-gjeologjike/>

which is not used commercially; the infrastructure required to exploit the s reserve is not present in the country, thus a majority of the gas produced is released. Natural gas was not produced in 2017 and 2018.

Private oil companies conduct their own studies of the reserves of their blocks during the exploration phase, and as a result, report substantially higher reserves on their websites than those sourced by Albpetrol and summarized above. For example, Bankers Petroleum, operating the Patos-Marinza oilfield reported proven reserves at 122.9 million barrels (equivalent to 18.6 million ton¹⁸ of crude oil) and proven plus probable reserves at 190.3 million barrels (equivalent to 28.9 million ton of crude oil) at the end of 2015. These numbers were over 6 times higher than Albpetrol’s reported reserves.

Bankers and MIE have clarified that these differences are due to the enhanced horizontal drilling method currently used in the oilfields, which are able to increase the recovery opportunities of certain geological reserves previously classified as non-recoverable.

As disclosed in the EITI report for 2015, the Government official responsible for the Development of policies in the petroleum sector within MIE announced that the Ministry plans to reassess the reserves according to standards applicable in the EU until year 2020¹⁹. At the date of this report, these studies have not been published.

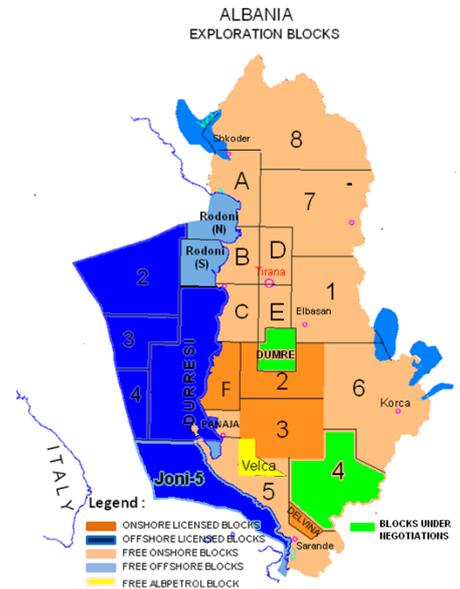
3.1.2 Exploration activities

The Albanian Government granted several PSAs for exploration blocks in Albania over the last decade and counted one commercial discovery of light oil in well Shpiragu-2. This discovery was announced in 2013, by the joint venture of Petromanas Albania GmbH and Shell Upstream Albania B.V. (Shell) In February 2016, Shell signed an agreement to purchase 100% of the interests in the PSA for block 2 and 3, and the Albanian operations of Petromanas Albania GmbH for USD 45 million.

The following table lists the companies currently conducting exploration activities, as reported by AKBN for the purpose of this report. There are certain discrepancies between AKBN and Albpetrol’s reporting. The fields highlighted in table 4 are not reported by AKBN. MIE’s reporting is more closely aligned with the reporting of AKBN.

As shown in the table, only one exploration PSA was awarded in the reporting years.

Figure 4 Oil & gas exploration blocks in Albania



¹⁸1 Metric Ton of crude oil is converted into 6.5939 Barrels as reported by US Energy Information Administration for Albania at: <http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=94&pid=57&aid=32&cid=AL,&syid=2010&eyid=2014&unit=BCOPMT>

¹⁹ Information confirmed by Mr. Dritan Spahiu, Director for the Development of policies in the petroleum sector for the purpose of this Report.

Table 4: Exploration Companies

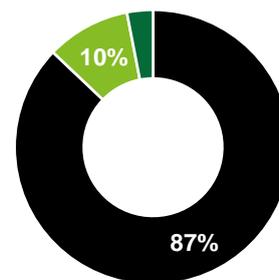
Company	Date of PSA / contract	Term	NUIS	Employees	Block	Object of exploration
Shell Upstream Albania B.V.	31.07.2009	27 years (7 exploration + 20 production)	L21807009I	52	Block 2 – 3	Oil & Gas
Shell Albania Block 4 B.V.	Approved via DCM no.350, dated 06.06.2018; Published in the Official Gazette on 14.06.2018; Effective on 14.06.2019	32 years (7 exploration + 25 production)	L91821018P	-	Block 4	Oil & Gas
San Leon Energy Plc.	21.09.2004	12 years	K81421014P	4	Durrës Block	Oil & Gas
Emanuelle Adriatic Energy Limited	25.05.2012	25+5 years	L22024003A	-	Adriatic blocks 2, 3 and 4	Oil

3.1.3 Crude oil production

Crude oil production in Albania began in 1929, with the production of 750 tons of crude oil. After World War II production increased steadily and recorded the highest peak in 1974 with an annual production of 2.25 million tons (equivalent to 38,408 barrels/day). In the 80s oil production fell under 1 million tons per year and did not pick up until 2012.

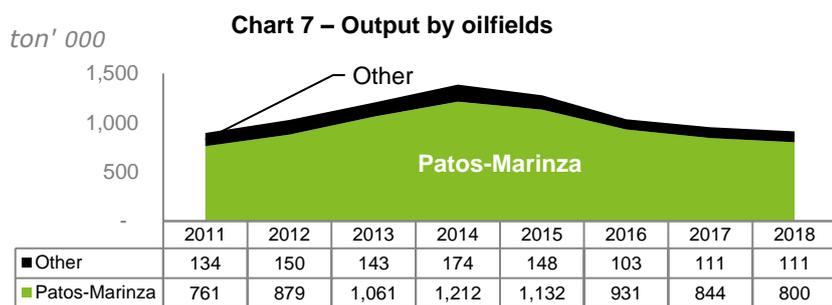
Chart 5 - Production of Crude oil in 2017 and 2018

- Bankers Petroleum
- Albpetrol
- Other



Source: MEI disclosure for this report

Chart 6 - Output by oilfields



Albpetrol reported a production of 93.1 thousand tons of crude oil in 2017 and 89.5 thousand tons in 2018 amounting to 10% of total production for both reporting years.²⁰

Oil produced by private licensees operating in the petroleum sector represented 90% of total oil produced in the reporting years. This production was extracted mainly from the Patos-Marinza oil fields as shown in chart 7,

	2017		2018	
	Ton	%	Ton	%
Bankers	836,630.90	87.60%	793,614.50	87.14%
Albpetrol	93096.05	9.75%	89477.24	9.83%
Other	25340.91	2.65%	27,597	3.03%

²⁰ Price was based on average export price; 29,434 ALL/ton in 2017 and 35,687 ALL/ton in 2018.

operated by Bankers Petroleum, which produced 87% of total oil production in both 2017 (**ALL 23,370 million**) and 2018 (**ALL 29,857 million**) (chart 5). The details on oil produced and exported is shown in table 6.

The following table (5) presents the companies operating a production license in 2018, as reported by AKBN. As with exploration licenses, there are certain differences in the reporting of MIE, AKBN and Albpetrol. Based on AKBN reporting, the following changes (contracts awarded / transferred) occurred between 2017 and 2018:

- TransAtlantic Albania was replaced by Anio Oil & gas (Contract transfer). TransAtlantic Albania operated the oil field of Ballsh-Hekal until 02.05.2018.
- Phoenix Petroleum's interests have been transferred to Fin-Pek Petroleum as of 10.05.2016. Until 2016, Phoenix Petroleum was still reported on separately. Based on AKBN reporting, Phoenix Petroleum's oil fields have not been transferred to Fin-Pek Petroleum as of 2018.

Albpetrol reported on the transferred contracts separately. This report has considered AKBN's reporting, as it was more closely aligned with the Ministry.

Table 5: Exploitation (Production) Companies as of 2018

Company	Date	Term	NUIS	Employees	Oil field	By-product produced
Bankers Petroleum Albania Ltd	07/06/2004	25 years	K43128401L	575	Patos-Marinza	Oil & Gas
Anio Oil&Gas Sha (TransAtlantic Albania Ltd)	04/07/2007 (Transferred on May 5 th 2018)	25 years	L42223008U	96	Ballsh-Hekal	Oil & Gas
Delvina Gas Company LTD	04/07/2007	25 years	L61416039U	12	Delvina	Gas & Condensate
TransOil Group sh.a.(IEC Visok)	02/12/2008	25 years	L11725004I	131	Vioska	Oil & Gas
Sherwood International Petroleum Ltd	07/06/2007	25 years	L01607016G	14	Kuçova	Oil & Gas
Fin Pek Petroleum Sh.a (Phoenix Petroleum sh.a)	26/08/2013 (Transferred on May 10 th 2016)	25 years	L01410008B	14	Pekisht-Murriz, Finiq-Krane	Oil & Gas
TransAtlantic Albania Ltd	04/07/2007	25 years	K72205016 P	-	Ballsh-Hekal	Oil & Gas
Phoenix Petroleum sh.a	16/07/2013	25 years	K92927401K	60	Amonicë, Drashocë, Frakull, Divjakë, Ballaj-Kryevith, Povelçë and Panaja	Oil & Gas

Bankers Petroleum

As shown in the charts regarding crude oil production, Bankers is the main producer of oil in the country.

Bankers Petroleum Ltd (www.bankerspetroleum.com) currently operates three PSAs in Albania through its wholly owned subsidiaries: **Bankers Petroleum Albania Ltd** in charge of Patos-Marinza oilfield and exploration block F, and **Sherwood International Ltd** in charge of Kucova oilfield.

Bankers has been present in Albania since 2004 when it acquired 100% interest in the Patos-Marinza oilfield, the largest onshore oilfield in continental Europe. In 2008, Bankers acquired 100% interest in the Kucova oilfield; in 2010 they acquired 100% interest in the exploration Block F.

Bankers operates the Patos-Marinza and Kucova sandstone formation oilfields by applying an enhanced horizontal drilling method, substantially enhancing the recoverability of the oil reserves in these formations. Bankers has reported proven reserves at 122.9 million barrels (bbl) equivalent to 18.6 million tons²¹ of crude oil and proven plus probable reserves at 190.3 million barrels equivalent to 28.9 million ton of crude oil.

Since 2016, Geo-Jade Petroleum owns 100% of shares of Bankers Petroleum and its interests in the Patos-Marinza oilfield and Kucova oilfield. Following AKBN's reporting, Bankers is not currently conducting exploration activities in Block F.

Gas production

Albpetrol reported production of associated gas of 3 million Nm³ in 2017 and 2018. Companies may sell or dispose the associated gas during the operations. Output of associated gas has not generated material commercial benefits to Albpetrol or the private oil companies. Albpetrol reported earning ALL 10.5 million and ALL 7.6 million in 2017 and 2018 respectively, in revenue from sales of gas, amounting to less than 1% of their total revenue (0.11% in 2017 and 0.17% in 2018)

All petroleum agreements for development and production of oil and gas, presented in table 5, were administered by Albpetrol in its capacity as primary licensee in the area. Accordingly, Albpetrol holds a share of the oil produced under these agreements.

Oil output and exports

The following table links production and exports of crude oil. Details regarding the export of crude oil are discussed in the following section.

²¹1 Metric Ton of crude oil is converted into 6.5939 Barrels as reported by US Energy Information Administration for Albania at: <http://www.eia.gov/cfapps/ipdbproject/iedindex3.cfm?tid=94&pid=57&aid=32&cid=AL,&syid=2010&eyid=2014&unit=BCOPMT>

Table 6: Key facts about oil output and exports in 2017 and 2018

Years	Oil output in 000'ton	Oil exports in 000'ton	Share of oil output exported ²²	Oil refined in Albania in 000'ton	Average export price in US\$	Value of oil output in M\$ (i)	Exports in M\$	Average ER applied (ii)
2011	895	697	78%	209	450.9	403.3	314.2	100.90
2012	1,029	1,001	97%	107	500.3	514.9	500.7	106.57
2013	1,204	1,252	104%	62	525.7	632.7	657.9	105.70
2014	1,386	1,069	77%	300	488.0	676.4	521.8	105.50
2015	1,279	991	77%	354	253.8	324.7	251.5	125.96
2016	1,034	899	87%	171	173.3	179.3	155.8	124.14
2017	955	494	52%	-	247.14	236.04	122.1	119.1
2018	911	583	64%	-	330.4	300.89	192.6	108.01

(i) Oil output value is assessed with average export prices

(ii) Rate applied to convert amounts from ALL to USD is derived as the average rate of USD/ALL for each respective year.

3.1.4 Exports of crude oil

Bankers was the only exporter of crude oil during 2017 based on export data reported by customs authorities. Albpetrol and Bankers exported crude oil in 2018. Crude oil is mostly exported to be refined abroad, while domestic consumption requirements are fulfilled through imported refined oil.

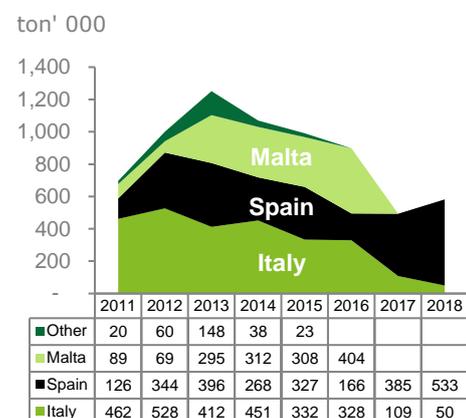
In the reporting years, most of the crude oil was exported to Spain. 494 and 583 thousand tons of crude oil were exported in 2017 and 2018 respectively. This amounted to ALL 14.5 billion (USD 122 million) in 2017, and ALL 20.8 billion (USD 193 million) in 2018.

As shown in chart 9, there was a significant drop in crude oil exports in 2017 and 2018, which is directly linked to a drop in production. Oil is also stored at Petrolifera until it reaches tanker capacity.

During the last five years, petroleum was exported mainly to Western European countries. As shown in chart 7, Italy has been the main destination for Albanian crude oil until 2016. In 2017 and 2018, the majority of crude oil was exported to Spain.

3.1.5 Oil refining

Oil refining in the country has historically focused on production of bitumen, petroleum coke and diesel 10 ppm, as well as virgin naphtha, which needs to be further refined in order to be consumed. ARMO Sh.a. ("ARMO") used to be the only refining company operating in Albania. MIE reported that ARMO has

Chart 7 - Exports of crude oil 2011-2018

Source: Albanian Custom Administration

²² Share of oil output exported is derived by dividing the exported quantity with the produced quantity in 2016.

filed for bankruptcy, and its assets have been seized by the creditors of the former ARMO, which are currently owned by various private companies.

In 2016, the Government announced that ARMO reached an agreement with its creditor to allow transfer of its refineries in Ballsh and Fier to Ionian Refining and Trading Co. – IRTC SH.A. (“IRTC”). Flows and benefits arising from IRTC operations are not disclosed for public access.

In January 2018, media announced that the creditor bank sold the refinery of Fieri to local investors for the price of 5 million EUR²³. The debts owed by ARMO are still unsettled and remain an issue for the sector.

New oil refining concessions

License concessions for the refineries are awarded in accordance with Law no. 8450, dated 24.02.1999 "On refining and transportation of oil, gas and their by-products", as amended and the DCM no. 19, dated 04.01.2015 "Procedures and terms for allocation and renewal of the concession licenses for the refining of oil and production of oil by-products".

In 2016 the Government of Albania allocated two new licenses for oil refining to RBH BELINE (tax number: L22524401A) and AM-OIL (tax number: K94210401A). License terms approved by Decision of the Council of Ministers are disclosed attached to the decisions and summarized as follows:

Table 7: Concessions in oil refining

Entity	AM-OIL	RBH BELINE
Approval	DCM no. 355 dated 11.5.2016	DCM no. 808, dated 16.11.2016
License term and renewal option ²⁴	30 years + renewal option upon payment of ALL 5,000,000	30 years + renewal option upon payment of ALL 5,000,000
Capacity	500 ton/24 hour	600 ton/24 hour
Facility	Constructed and owned by the State	Constructed and owned by the company
Operation start		31 December 2016
Signature bonus	ALL 1,001,000	n/a
Annual training bonuses	USD 2,000	n/a
License tariff	ALL 30,000,000 ²⁵	ALL 20,000,000 ²⁶

²³ Source: MIE reporting, and <http://top-channel.tv/2018/01/19/shitet-rafineria-e-fierit-armo-mban-rafinerine-e-ballshit-bashke-me-borxhet/>

²⁴As per currently enforce license renewal payment referred in article V/4 of DCM no. 19, dated 14.01.2015, amended by DCM no. 717, dated 12.10.2016

²⁵License payment referred in article III/6 of DCM no. 19, dated 14.01.2015.

²⁶License payment referred in article III/6 of DCM no. 19, dated 14.01.2015, amended by DCM no. 717, dated 12.10.2016.

Refined oil

For the years 2011-2016, MIE announced that both refineries processed about 200 thousand tons of crude oil per year, which is far below to their annual capacity. MIE did not report on the amount of oil refined in 2017 and 2018.

MIE has reported oil refined domestically on their website for the years 2011-2016; the figures have not been disclosed for 2017 onwards.

<https://www.infrastruktura.gov.al/perpunimi-i-naftes/>

3.1.6 Oil transportation

Currently, crude oil is transported via oil tanks from the oil fields to the costal terminal of La Petrolifera Italo-Albanese Sh.a. in the Port of Vlora. There are no requirements to use any State services in the oil transportation. Bankers Petroleum has previously confirmed that oil transportation companies are selected at its own discretion.

The extent of activities performed by SoE Transnafta sh.a., and any Government's share on the activities performed by Transnafta are not known at the date of this report.

Based on the information on Albrail's website, Bankers' crude oil is also transported via an appropriated railway, from the oilfields to Petrolifera. The extent to which this service is used is not known at the date of this report.

Oil transporting capacities also include two crude oil pipelines that connect the two refineries of Ballsh and Fier to each other, and with the Vlora oil terminal. In total, the oil pipeline network is 188 km long and has a capacity of 2.5 million tons per year²⁷. Both pipelines are outdated and non-operational.

3.1.7 Oil storage

La Petrolifera Italo-Albanese Sh.a. (PIA) with fiscal number K71906007R operates the costal terminal for crude oil, LPG and their derivatives, in the port of Vlora. The terminal serves the upstream oil and gas companies with the storage for the crude oil to be exported. PIA holds two concession agreements approved by Law 9213 dated 13 May 2004 to:

- i. Build, operate and own (BOO) a terminal in the Bay of Vlora for the storage and related handling of oil and other products on behalf of third parties (it cannot trade nor sell products on its own). Under this agreement the Company owns the land and storage facilities.
- ii. Build, operate and transfer (BOT) the related port infrastructure for processing of oil ships. Under this agreement the Company does not own the port infrastructure but has the right to exclusively use the port infrastructure for a period of 30 years with the option to renew it for an additional 30 years.

PIA completed the construction of the terminal and commenced operations in June 2009.

²⁷ Sourced from: Emergency Oil Stocks in the Energy Community Level, Petroleum Development Consultant Limited, Energetski Institut Hrvoje Požar, April 2011.

Currently PIA, *does not pay a concession fee* to the Government for the 30-year concession period, and may set and apply service fees at its own discretion. Under the BOT, PIA may renew the concession for another 30 years by paying to the Government a combination of lump sum fee and a fee per m² per annum.

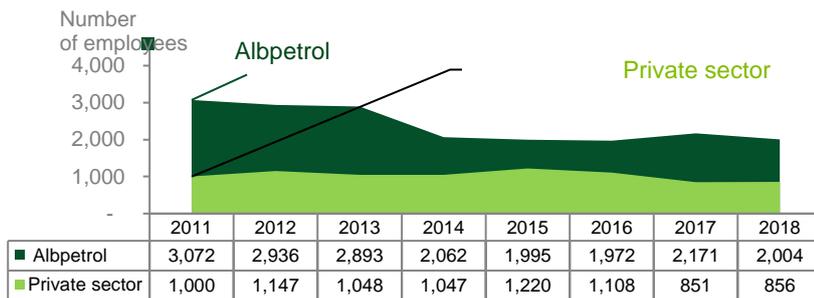
Information on the company, the concession facilities and the tariffs can be found at the company’s website <http://www.gruppopir.com/en/la-petroliera-italo-albanese> and Foreign Investors Association of Albania (FIAA): <http://fiaalbania.al/members-list/la-petrolifera-italo-albanese-sh-a/>.

Porto Romano, located in Durrës, currently only stores refined imported oil and its byproducts.²⁸

3.1.8 Employment in the upstream oil and gas sector

MIE reports that in the 70s and 80s, when the petroleum upstream and downstream sectors were entirely owned and administered by the State, the sectors employed approximately 25,000 staff²⁹.

Chart 8 - Employment in the upstream oil sector 2011 - 2018



Source: MIE and Albpetrol

Albpetrol reported 2171 and 2004 employees on average in 2017 and 2018 respectively. This represents approximately 70% of the sector’s employees. Based on the data reported by AKBN, Albpetrol is the largest employer in the sector.

Employee number in the sector dropped by 21% from 2011 to 2014, when it stabilised to its current level. This drop is attributed to the transfer of production operations from Albpetrol to the private oil companies in accordance with PSA in force. PSAs suggest, but do not force, the private oil companies to employ Albpetrol’s former staff previously working at the wells which have been transferred. Albpetrol could not provide statistics on the number of previous Albpetrol’s staff employed from the PSA operators.

In 2017 and 2018, the employee number remained stable, however it is expected to decrease further due to Albpetrol’s ongoing restructuring and termination of some of the PSAs. Albpetrol’s declining profit may also lead to reductions in staff (see section 3.2.7).

²⁸Source: <https://kastratigroup.al/sq/storage> and <https://www.romanoport.com.al/index.php>.

²⁹ Source: <http://www.energjia.gov.al/al/publikime/nafta/prodhimi-i-naftes>

Safety regulations for workers

The applicable Albanian legislation on occupational health and safety laws does not stipulate any particular and specific administrative authorizations/approval/qualification for the performance of gas and oil operations. With such regard, the general applicable legislation on such scope shall apply:

- a. Law on Safety at Work;
- b. Decision no. 692;
- c. Decision no. 419;
- d. Decision no. 207;
- e. Decision no. 107;
- f. Decision no. 108;
- g. Joint Instruction no. 2; and
- h. Decision no. 594.

Notwithstanding the above, the Law on the Status of Workers, in consideration of the particular character of the work performed by the workers in the petroleum industry and of the potential impact in their health, aims to provide certain benefits and guarantees concerning legal, social and financial aspects.

The law sets a higher minimum salary than the general one, namely the salary of a worker in the oil and gas industry shall not be less than 150% (*one hundred and fifty percent*) of the minimal wage on national basis and provides financial compensation in case of unemployment. Moreover, it establishes a special regime for the beginning of the pension, and provides additional financial benefits in its calculation, due to the particularities of the activity. The Law on the Status of Workers provides further benefits in the form of medical and social benefits.

Additionally, for difficult and hazardous works, the Albanian law (Albanian Labor Code and specific law) provides for lower overtime thresholds. Specifically, subject to Decision no. 207, the work in the oil and oil by-products industries is classified as difficult/hazardous profession and the maximum working time in such field should not exceed 48 hours per week.

3.2 Organization and governance of the petroleum sector

3.2.1 Legal framework and fiscal regime

Exploration, development, and production of oil and gas in Albania are regulated by the Petroleum Law and its accompanying regulatory acts.

Gas operations in the Republic of Albania are also regulated by Law on natural gas. The Law on natural gas stipulates the rules for the organization and functioning of the natural gas market, gaining access in the market, the criteria and procedures applicable for obtaining approvals for the transmission, distribution, supply and deposit of natural gas, as well as system functioning.

Article 57 of the Law on natural gas provides that, all subjects engaged in activities of production of natural gas are subject to the Petroleum Law and such law shall provide the applicable legal framework with regard to such activities.

The Petroleum Law establishes the state ownership for all natural gas and petroleum deposits existing in their natural condition *in strata* within the jurisdiction of the Republic of Albania and designates the responsible Ministry of the energy sector (the “*Ministry*”) as a representative of the State in this regard³⁰.

The avobementioned law enshrines *the benefit of Albanian people* as the main guiding principle in the management of these natural resources³¹. MIE publishes and updates in its website www.infrastruktura.gov.al the full list and content of laws and regulatory acts applicable in the sector.

The Ministry, by the means of a petroleum agreement, may confer to interested parties rights to explore, develop and produce oil or gas (*petroleum operations*), for a limited period and for a specific zone.

A petroleum agreement is defined by the Petroleum Law³² as an agreement entered into by the Ministry in accordance with this law, which authorizes the contractor to conduct petroleum operations in the contract zone and may take the form of a “Production Sharing Agreement” or any other form as long as it does not violate the law (“*Petroleum Agreement*”).

“Albpetrol Agreement”³³ is a special Petroleum Agreement entered into between the Ministry and Albpetrol, which in addition to the authorization to conduct petroleum operations entitles Albpetrol to transfer any or all of the rights for a specific zone under its management, to another subject.

The procedures for concluding Petroleum Agreements for exploration, development and production of hydrocarbons are initiated through:

- a. Initiative of the Ministry, through an announcement to invite interested entities in participating through applications;
- b. Notification of the Ministry to invite other entities for applications, after the submission of a request for a certain zone/s by an interested entity/subject.

The winning bidder of such procedure shall enter into the Petroleum Agreement in the quality of “*Contractor*” and shall abide by its terms and conditions.

A Petroleum Agreement³⁴ may confer to the Contractor:

- **The exclusive right to perform extractive activities:**
 - i. For exploration on the contract zone for a period up to 5 (*five*) years, subject to certain exceptions when the Contractor successfully argues that due to specific occurring conditions a longer period is necessitated, but in every case no more than 7 (*seven*) years in total.

³⁰ Article 3 of Petroleum Law.

³¹ Ibid.

³² Article 2, point 10 of Petroleum Law.

³³ Article 2, point 9 of Petroleum Law.

³⁴ Article 5 of Petroleum Law.

When the Contractor makes a discovery, in order to evaluate it, it may request to the Ministry the extension of the exploration period up to 3 (*three*) years, in accordance with the discovery assessment plan.

- ii. For development and production of petroleum in the contract zone for up to 25 (*twenty-five*) years in accordance with a development plan as approved by the Ministry. This right is renewable for another period of no more than 5 (*five*) years if and to the extent as provided by the Petroleum Agreement.
- **Ownership over the respective amount of the produced petroleum and/or natural gas, including the provision of guarantees and recognition of rights related to the free disposal of the revenue stemming from such operation.**

Moreover, the Petroleum Agreement may include fiscal stabilization clauses. Pursuant to the Petroleum Law³⁵, a stabilization clause included in a Petroleum Agreement cannot be valid for more than 12 (*twelve*) years from the beginning of production. The stabilization clause is not effective and does not apply to laws and regulation related to national security, labor law, environment protection, safety laws, international treaties and method of calculation of tax payments as per the applicable provisions of the local tax legislation.

In case the Contractor is a foreign investor, the parties may choose the international arbitration as venue for the dispute resolution.

The Albanian upstream petroleum regulatory system does not provide a model contract designed for each zone (onshore or offshore) and/or each quality of crude, hence it demands the company which files the application to propose the main terms of the agreement with respect to the major aspects of the Petroleum Agreement model as defined in the Petroleum Law. Almost all terms are open to negotiation other than those as clearly defined as such by the Petroleum Law or its by-laws.

Nonetheless, Petroleum Law provides the outline of some of the engagements that every Contractor has to undertake³⁶, including the observance of the domestic legislation on the sector and environmental protection in performing petroleum operations, indemnification of State in case of damage caused by its activity, reporting of discovery and submission for approval of a development plan, and also prioritizing the domestic workers for employment and domestic goods and service for its activity.

MIE provides the main terms and conditions of the petroleum agreement on its website: <http://www.energija.gov.al/al/publikime/blloqet-e-lira-te-kerkimit>.

When a Contractor has entered into a Petroleum Agreement with the Ministry, the State shall grant to the Contractor or ensure that it is provided with all other permits, licenses, approvals or other authorizations that may request

Detailed terms of signed petroleum agreements are considered confidential and are not currently disclosed for public access.

In order to fully disclose PSAs to public, the MIE and the private oil companies shall both grant their explicit authorization.

³⁵ Article 5, paragraph 3), letter d) of Petroleum Law.

³⁶ Article 6 of Petroleum Law.

in a timely manner for the conduct of petroleum operations in accordance with the Petroleum Agreement.

Types of petroleum agreements

The Petroleum Agreement can take any form agreed in between the Parties insomuch as it complies with the Petroleum Law, including that of production sharing agreement ("**PSA**") which is the main form used in Albania.

PSA is defined by the Petroleum Law as a specific form of Petroleum Agreement, which provides the division of the remaining amount of hydrocarbons produced in the contract zone (referred to sometimes as "*profit oil*") between the State and the Contractor, after the recovery of petroleum costs and payment of royalty taxes from the Contractor pursuant to the applicable tax law ("*cost oil*").

Apart from these, the Ministry has concluded in 26 July 1993 a special type of Petroleum Agreement with Albpetrol.³⁷, a state owned company, namely the "*Albpetrol Agreement*".

As mentioned above, in addition to the general terms and conditions for the petroleum operations in the respective contract zones indicated thereto, the Albpetrol Agreement confers to Albpetrol the entitlement to transfer to another subject all or part of its rights and title for a particular contract zone, in accordance with the a prior authorization issued by the Minister for that particular zone, referred to as the "*License Agreement*".

In such scenario, the Petroleum Agreement for the particular contract zone is concluded between the Contractor and Albpetrol duly acting based on the respective License Agreement for that specific contract zone.

3.2.2 Taxation of petroleum activities

Taxation on petroleum, regulated by President's Decree no. 782 "On fiscal system in petroleum sector" dated 22 February 1994 ("Law on petroleum taxation") is levied at 50% flat tax on taxable profit. Under this law, taxable profit is equal to accumulated revenue less accumulated capital and operating expenses as specified in the terms of the Petroleum Agreement. Accordingly, profit tax is applied when cumulative revenue exceeds capital and operating expenses accumulated since the start of operations. This includes all costs generated through exploration activities, before a company starts production.

Foreign investors becoming part of a petroleum agreement may negotiate fiscal stability terms to prevent future changes in certain taxes. Since February 2017, the Petroleum law limits the implementation period of the stability terms up to the first 12 years of the petroleum agreement term³⁸.

In 2016, MIE announced changes in the cost recovery model; the changes state that oil companies pay profit tax since the start of the production phase. According to this new model, 90% of revenue will be allocated for cost

³⁷ Agreement for the authorization of the petroleum operations, entered into on 26 July 1993 between the Ministry of Industry, Mining and Energy Resources (the responsible Ministry) and Albpetrol, as amended.

³⁸ Law no. 7746 on Petroleum (Exploration and Production), Article 5, amended by Law no. 6/2017

recovery purpose, while 10% of revenue will be classified as net profit and taxed in accordance with Petroleum profit tax law and regulation.

The new cost recovery model described above, and limitations in fiscal stability clauses, were incorporated in one of the most recent PSA granted in 2017 for block Velca to Pennine Petroleum Albania. The Albanian version of this PSA is published attached to the DCM no. 685, dated 22.11.2017, in the official gazette no 210/2017.

3.2.3 Allocation of Petroleum Agreements

As abovementioned, a Contractor enters into a Petroleum Agreement for a contract zone with the Ministry or Albpetrol for the areas under its management.

Every Petroleum Agreement has to obtain the approval of the Council of Ministers and becomes effective only after its decision, in accordance with article 13, paragraph 2 of the Petroleum Law.

The main criteria for allocating Petroleum Agreements pursuant to article 5, paragraph 2 of the Petroleum Law are the financial resources and the necessary technical competence of the applicant.

However, neither the Petroleum Law, nor other related bylaws, do not specify or clarify these criteria. In this regard, the assessment remains at the discretion of the involved bodies.

Both, the Petroleum Agreement signed by the Ministry and the one signed by Albpetrol for the zones under its operation, follow the same procedure for their approval and entry into force, *(with the exception that Albpetrol has to follow simultaneously the procedure for the issuance of the License Agreement for the particular area)*.

The main principles of the procedure are provided in the Petroleum Law. The Regulation on approval procedures of the Petroleum Agreement further details the applicable rules and terms per each stage: initiation, drafting and negotiation, and the final approval.

Pursuant to article 5 of the Petroleum Law, the procedure for entering into a Petroleum Agreement may be initiated in one of the ways as provided below:

- i. Through the initiative of the Ministry, by the means of a notification inviting interested subjects to submit applications for the respective contract zone;
- ii. Following the submission of a request from an interested subject for a potential contract zone, through the notification of the Ministry inviting other subjects for applications regarding this contract zone.

Therefore, even in case of unsolicited proposals by interested parties for a specific contract zone, the Ministry has to grant the possibility for competitive bidding to other potential suitors with regard to the specific zone/oilfield.

The notification for the bidding procedure for a specific zone along with the application form is published in the official websites of the Ministry, AKBN and Albpetrol (for the respective zones). In the case of an invitation for other subjects, in a procedure initiated by an unsolicited proposal from an

interested party, the deadline for applications is fixed in 90 (*ninety*) days from the date of notifications.

Following the receipt of applications of the interested subjects, respectively Albpetrol for the applications regarding the zones under its operation and AKBN for the other zones, evaluate the financial resources and technical capability of the applicant(s) and submit to the Ministry their evaluation accompanied with the respective documents and the request for the initiation of negotiations.

Based on these documents, the Ministry makes its assessment and may grant the approval for the initiation of negotiations for the general terms and conditions of the Petroleum Agreement with the selected applicant. Further the Ministry proceeds by establishing a negotiation group.

After negotiations, AKBN or Albpetrol submit the negotiated general terms and conditions of the Petroleum Agreement within 10 (*ten*) days of their signature to the Ministry for approval. The Ministry may issue its approval or refusal for the general terms and conditions of the agreement within 20 (*twenty*) days after of the receipt of the signed document. This term may be extended in the discretion of the Ministry. In case of approval, the negotiating group continues with the negotiation of the complete text of the Petroleum Agreement.

It should be noted that for the zones under the management of Albpetrol, following the above-mentioned approval, Albpetrol has to simultaneously begin the procedures for the drafting and approval of the License Agreement. After successful negotiation between the interested subjects and Albpetrol, the final draft is proposed for approval to the Ministry.

The draft of the Petroleum Agreement has to be prepared in two languages, English and Albanian, and to be submitted to the Ministry within 15 (*fifteen*) days of being signed by the parties.

The Ministry submits this draft for opinions to the Ministry of Finance, State Advocate and other bodies to whom it may concern at its discretion. In case of different opinions, the draft is renegotiated between the parties in consideration of the observations and remarks put forward by these bodies.

In the end of the negotiations and the above procedure, the final negotiated draft is submitted to the Ministry for approval in case of Albpetrol and for both approval and signature from AKBN. The Petroleum Agreements are signed respectively by Albpetrol and the Ministry. In the case of Albpetrol, the Ministry also signs the License Agreement after giving the approval for the complete draft text of the respective Petroleum Agreement.

Following the conclusion, the Petroleum Agreements are submitted to the Council of Ministers for the final approval enabling their entry into force pursuant to article 13, paragraph 2 of the Petroleum Law. The decision of the Council of Ministers approving the Petroleum Agreement is published in the Official Gazette of the Republic of Albania.

The applicable legislation does not make specific reference with regard to the potential transfer of the Petroleum Agreement. In practice, Petroleum Agreements provide such provisions in their text that stipulate the terms, conditions and relevant procedures to be followed in case of transfer. However, from the interpretation of the applicable legislation and observance

of the common practice, any transfer has to involve the expression of will of the State, which usually adheres to certain instrument of transfers.

The Petroleum Law expressly provides that the Ministry, on the grounds of national security, may refuse the execution of a Petroleum Agreement or transfer to other parties of the shares of the agreements in place.

3.2.4 Contract disclosure

The Petroleum Law does not provide any regulation with regard to the public disclosure of Petroleum Agreements. As above mentioned, Petroleum Agreements enter into force by the approval of the Council of Ministers *i.e.* Decision of Council of Ministers ("**DCM**") which are published in the Official Gazette and should contain attached the Petroleum Agreement.

Therefore, presumably, Petroleum Agreements have to be disclosed and made publicly available at least in the Official Gazette. However, the applicable legislation does not prohibit the inclusion of confidentiality clauses in the Petroleum Agreements. In this context, the matter of public disclosure of the Petroleum Agreement is left completely to the will of the parties thereto.

The Government of Albania is positive towards contract disclosure; however, this does not constitute an unnegotiable condition during the negotiations. It results that some Contractors have chosen to insert confidentiality clause in the Petroleum Agreements, impeding their public disclosure. The confidentiality clause extends even to the publication in the Official Gazette, with several DCM containing only the act of approval and no attached text thereto.

MIE reported that petroleum agreements are available on the Official Gazette website: <https://qbz.gov.al/>

Resource Contract - <http://www.resourcecontracts.org/countries/al>

ResourceContracts.org is a repository of publicly available oil, gas, and mining contracts aiming to promote greater transparency of investments in the extractive industries, and facilitates a better understanding of the contracts that govern them. The repository counts for 1,514 contracts awarded for 45 petroleum and mineral resources across 90 counties.

The organization is supported by many international development partners including the World Bank.

Open data - <http://open.data.al/sq/corporates/list/>

Open Data Albania is a project pursued by the Albanian Institute of Science aiming to promote transparency and accountability of the public sector and engage citizens' participation.

The repository provides several disclosures of public concessions contracts, procurements and local government spending and counts on the support of several international donors.

3.2.5 Register of licenses

As per article 9, paragraph 1, letter a) of the Petroleum Law, the Ministry has the prerogative to enact regulations with regard to the registrations and registers of Contractors.

As of the date of this report, we have identified no relevant regulations or other legal acts are in force. Thus, it results that the legal framework of the sector does not include any regulation of the publication in the form of register of the Petroleum Agreements and/or register of Contractors.

However, the list of the Contractors and the Petroleum Agreements allocated are constantly published and updated in the official websites of the Ministry, AKBN and Albpetrol as follows:

- <https://www.infrastruktura.gov.al/kompanite-2/>
- <http://www.akbn.gov.al/informacion-per-gjendjen-aktuale-te-marreveshjeve-hidrokarbure/>
- <https://albpetrol.al/marreveshjet-hidrokarbure-2/kompanite/>

These publications are not fully compliant with EITI Requirement 2.3, b), because they lack certain information with regard to the Petroleum Agreements such as the duration of the license, and do not show the commodity being produced (in case where the production has begun). Additionally, these registers are rarely updated with modifications of licenses / agreements.

The Ministry does not publish a full updated register of licenses in line with the EITI requirement 2.3. Information on oil and gas exploration fields and blocks is scattered across the websites of MIE, AKBN, Albpetrol and AlbEiti.

AKBN and Albpetrol provide listing of the PSAs under their administration and the license holders in their official websites www.akbn.gov.al and www.albpetrol.al. These listings however do not disclose the date of applications, date of contract award, coordinates of the contract area and may contain outdated information.

AlbEiti's engagement and role

In order to ensure compliance with EITI requirement 2.3, AlbEiti maintains a public register of licensees holding PSA in oil and gas in its website (Link: <http://www.AlbEiti.org/licensat-hidrokarbure/>) providing the following information:

1. Full name of the contractor including its Tax ID number,
2. Date the petroleum agreement entered in force,
3. Contract term in years,
4. Type of licenses (exploration and/or production),
5. Oil field(s) and/or exploration block(s) granted and their respective coordinates,
6. Commodity produced,
7. Information on subsequent transfer of rights, and
8. Other supplementary information such as headquarters location, number of staff employed etc.

AlbEiti collects information from MIE, AKBN and Albpetrol, and updates the register semi-annually. Respectively at:

- a. the end of July including information updated up to June, and
- b. the end of January including information updated up to December of the preceding reporting period.

The public register compiled by AlbEiti discloses all information listed in the EITI requirement 2.3, with except to the date of application. MIE, AKBN and AlbEiti could not provide this information for PSA granted in the past because of time elapsed since contract award practice.

3.2.6 Role of key government / state actors in the market

The Ministry responsible for the energy sector (“Ministry”)

As mentioned above, the Petroleum Law provides that the representative of the State in performing its rights and duties in the oil and gas sector is the Ministry (responsible for the sector of energy in the Republic of Albania).

Besides the prerogative of entering into Petroleum Agreements for specific contract zones, pursuant to Article 9 of the Petroleum Law, the Ministry has the authority to approve binding regulations with regard to the following:

- Registration of Contractors
- The form of reports, data, information and accounts submitted from the Contractor
- Measures required in relation to the conservation of hydrocarbon resources, safety, health, environmental protection;
- Division of the zones with petroleum potential into blocks or areas;
- Right of usage of public and private property in relation to petroleum operations
- Any other issue that the Ministry considers necessary.

The National Agency of Natural Resources (“AKBN”)

AKBN is a governmental agency under the Ministry, established by the DCM on establishment of AKBN, as amended, whose main competence is to develop and supervise the rational usage of national resources in the oil and gas, mining and energy sectors.

The AKBN is not an independent hydrocarbon focused regulatory agency, but has a larger portfolio including minerals and hydropower. Nevertheless, the AKBN does function as a one-stop shop institution since any interested entity has to submit its application for the rights to a Block to AKBN and the latter submits it to the Ministry.

Pursuant to article 13/2 of the Petroleum Law, AKBN performs the following tasks with regard to the petroleum operations:

- a) Implements the government policy in the oil and gas sector;
- b) Participates in the negotiations of the Petroleum Agreements;
- c) Prepares the necessary documents and practice for the granting of permits, licenses and authorization enabling the conclusion of petroleum agreements and performance of petroleum operations;
- d) Supervises the petroleum operations and ensures the compliance with the agreements and respective legislation.

Scientific Institute of Hydrocarbons (“Institute”)

The Petroleum Law³⁹ provides the foundations for the establishment of a Scientific Institute of Hydrocarbons by the Council of Ministers, under the direction of the Ministry, which would constitute a consultative institution for all scientific issues in the sector. For this purpose, the Institute would have a wide arrange of tasks inclusive of conducting studies, research, providing advice and monitoring. As of the to date, this body has not been established yet and such tasks in this sector are covered by the Albanian Geological Service, an institution which, as the name indicates, has a much broader scope of activity.

Moreover, in the context of the regulatory framework of the gas and oil industry, the Petroleum Law⁴⁰ obliges contractors who have entered into Petroleum Agreements, tax and customs authorities, and also governing authorities, to report pursuant to the EITI standard near EITI Albania according to the specific requirements as defined in bylaws issued and approved as per EITI instructions.

3.2.7 State participation in the petroleum sector

The State participates in the oil and gas industry through Albpetrol Sh.a., the state-owned oil company engaged in exploration, development and production of crude oil and gas. Albpetrol Sh.a. was incorporated on 20 March 1993. Prior to its incorporation Albpetrol formed part of the government structure responsible for the entire oil and gas operations in the country.

Albpetrol is a joint stock company with the share capital entirely owned by the State represented by the Ministry. The managing structure is organized in a two-tier system, with a managing director conducting the management and the supervisory board overseeing it. The main rules with regard to the composition and functioning of these bodies are determined in the statute of the company.

Since its incorporation, the State granted Albpetrol sh.a the administration of all existing oilfields in Albania and some exploration blocks. The extent of Albpetrol exploration and production rights were defined in a separate agreement approved on 26 July 1993 (“The Albpetrol Agreement”), amended further by DCM 279 dated 12 April 2012 and DCM 335 dated 22 April 2015.

Initial Albpetrol activities included exploration, production, refining, marketing and sales, and petroleum services. In 1999, due to restructuring process, Albpetrol was divided into the following three State-owned companies:

1. **Albpetrol Sh.a.** (“Albpetrol”, Tax number: J82916500U) which retained exploration and production activity, and inherited administration of all oil fields and exploration blocks allocated prior to this date;
2. **ARMO Sh.a.** (“ARMO”, Tax number: J82916498D) which retained refining, marketing and sales of oil; and

³⁹ Article 13/1 of Petroleum Law.

⁴⁰ Article 9, paragraph 3 of the Petroleum Law.

3. **Servcom**, which retained petroleum services⁴¹.

In pursuing better utilization of resources and production efficiency, the Law allows Albpetrol to sub-grant its exploration and production rights to oil and gas companies through petroleum agreements, subject to approval by the Ministry of Infrastructure and Energy. Albpetrol is party to the agreements when PSAs grant oil fields under its administration, and receives a portion of the oil produced.

In addition to Albpetrol, some of the oil related services were operated by the following State Owned Entities:

Table 8: Petroleum SoEs

Entity	TransNafta Sh.a.	Uzina Mekanike e Naftës Sh.a.	PetroAlba Sh.a.
Tax number	K22627401R	J98323107N	K81706017T
Established	2002	2000	2008
Activity	Transport of oil and transport vehicles' maintenance	Mechanic servicing of oil industrial plants	Retail and storing of oil
Financial information	Not disclosed. The Company has not published any financial statements at the NRC since its establishment	Not disclosed. The Company has not published any financial statements at the NRC since its establishment	Not disclosed. The Company has not published any financial statements at the NRC since its establishment
Dividends paid ⁴²	No dividends paid for the period 2011-2016.	No dividends paid for the period 2011-2016.	No dividends paid for the period 2011-2016.
Status in NRC	Active	Active	Under liquidation since 2011

Uzina Mekanike e Naftës and TransNafta merged with Albpetrol SHA respectively after DCM no. 29, dated 16.01.2003 and DCM no. 30, date 16.01.2003. However, these decisions have not been updated on the NBC website, as of the date of this report. Albpetrol shall follow up and ensure that the commercial register of each company informs on their merging with Albpetrol.

Albpetrol's governance

The General Assembly ("the Assembly") is the highest governing body of Albpetrol. The Assembly appoints the Supervisory Council ("the Council") entrusted with monitoring of operating and financial activities and internal controls of the Company. The Assembly elects the administrator of the Company with a three year mandate, based in the criteria established by the Supervisory Council. In accordance with Albpetrol's statute, the administration and supervision of the Company are two separate functions, where the administrator reports to the Supervisory Council and may not be

⁴¹ Servcom bankrupted and entered in liquidation.

⁴² Based on the information disclosed by the Ministry of Finance and Economy in its website: <http://www.financa.gov.al/al/raportime/thesari/shpenzimet-dhe-te-ardhurat/dividenti-sipas-periudhave>

a member of the Council. Among other functions, the Council is also responsible for establishment of the administrator's remuneration.

Transfers between the Government and Albpetrol

Albpetrol pays to the Government taxes, as applied to all commercial oil companies and dividends in its capacity of sole shareholder of the company. Both Albpetrol and MIE have previously informed that there are no special arrangements governing the transfers from Albpetrol to the Government and vice-versa.

Albpetrol has been profitable so far, despite its large personnel cost base. Table 9 below summarizes data derived from Albpetrol's annual financial statements, and cash payments to the State Budget reported by Albpetrol for the EITI reconciliation process, for the years 2013-2018.

Albpetrol's financials show volatile profit results. Revenue is primarily derived from sale of available oil. In 2018, Albpetrol operated at a loss.

Based on the information disclosed in its (audited) financial statements, Albpetrol has not received, nor granted any loan to the Government so far. Albpetrol has not given out a loan, nor does it have an active loan, to a private entity in 2017 and 2018. Albpetrol reported a loan of ALL 136,368 thousand. The outstanding amount is ALL 62,148 thousand owed to MFE, and 74,220 thousand to BKT, a private bank operating in Albania.

Albpetrol holds substantially large overdue trade receivables from ARMO amounting to ALL 11.5 billion at the end of 2018. These balances arise as a result of oil sold in the past to ARMO.⁴³

Albpetrol's financial statements can be accessed on the NBC website, through the process described in section 7.3.2.

Table 9: Albpetrol's key financial data

	2013	2014	2015	2016	2017	2018
Key performance indicators						
Net operating revenue in ALL million	10,405	8,371	3,101	3,995	6,677	6,375
Profit before tax (PBT) in ALL million	1,457	1,423	1	1,532	(374)	96
PBT margin	14.0%	17.0%	0.03%	38.4%	1.5%	(5.6%)
Return on Equity (PBT/Equity)	2.5%	2.4%	0.00%	2.60%	-0.64%	0.21%
Return on Assets (PBT/Total assets)	2.0%	2.0%	0.00%	2.13%	-0.53%	0.16%
Available oil in '000 ton	144.0	149.6	98.1	79.4	170.2	146.6
Own production	26%	30%	48%	64%	55%	61%
PEP and ASP collected in kind	74%	70%	52%	36%	45%	39%
Cash payments to the State Budget in ALL million	1,562	2,074	548	935	579	761

⁴³ The financial information is derived from the annual audited financial statements of Albpetrol for the fiscal years 2013-2018. Albpetrol also shared this information with Deloitte for the purpose of this Report.

Royalty paid ⁴⁴	621	829	187	139	579	564
Profit tax & related penalties paid	850	445	312	796	-	197
Dividend paid (including taxes) ⁴⁵	91	799	49	-	-	-
Cash payments in % to net revenue	15%	25%	9%	41%	9.1%	11.4%
Employee data						
Personnel costs in ALL million	2,197	2,064	1,568	1,486	1,976	1,959
Employee number	2,936	2,062	2,032	1,867	2,171	2,004

Source: Albpetrol' Financial statements

Dividend payments have also not been constant. Albpetrol and the Government have not shared any specific policy applied in determining the amount of dividend paid to the Government. The agreement between Albpetrol and the Government does not stipulate a dividend policy. According to the agreement "Albpetrol has been given the right to cooperate with domestic and foreign judicial persons, and international finance institutions, in compliance with the standards and best practices of the international oil industry" for the purposes of realizing certain operational objectives.

Quasi-fiscal expenditures

Quasi-fiscal expenditures include arrangements whereby State-owned Entities undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process. The MIE and Albpetrol informed that law and regulations governing Albpetrol's activity do not include such arrangements. However, as disclosed in section 3.1, Albpetrol employs the largest share of the petroleum workers, despite its declining activity, this could indicate Albpetrol's engagement to employ larger workforce at the cost of its operations efficiency driven by social objectives.

3.2.8 Albpetrol's share of oil

Albpetrol holds shares in oil produced by the companies operating in areas under its administration, based on estimated production (pre-existing production when the well was transferred - PEP) and incremental production (production issued from contractor's investment - ASP).

Albpetrol reported collecting 78.3 thousand tons of crude oil in 2017, and 56.6 thousand tons in 2018.

Currently enacted terms with regard to PEP and ASP for the agreements allocated before 2016 are not disclosed because of the confidentiality clauses.

⁴⁴ Royalty payable to the state for the years 2017 and 2018. Albpetrol did not specify amount paid in its financial statements.

⁴⁵ Based on MFE's website, Albpetrol did distribute dividend, however this is not represented in their cash flows. Dividend may be listed as payable.

The older version of certain PSAs, disclosed in <http://www.resourcecontracts.org/countries/al> show that:⁴⁶

- PEP is agreed as a share of the net crude oil produced in the six months before the date of well transfer. This share is reduced on a monthly exponential bases.
- ASP is agreed as a share of oil produced varying based on the level of production and cost recovery stage as measured by R factor⁴⁷.

In addition to PEP and ASP, some agreements include also Government's oil allocated based on the level of R factor. None of the companies, nor the Government, disclosed payments of the Government's oil for the period 2011-2018.

The share of production allocated to Albpetrol can be either paid in cash or in kind⁴⁸, however current petroleum agreements in the production phase foresee payments made in oil rather than cash. In order to collect the value in cash, Albpetrol and the oil companies need to agree on this change in writing. Bankers Petroleum has previously informed that it would not agree to change the payment method to cash, unless the cash delivery procedures consider all necessary handling and financial costs arising due to this change in the method of payment⁴⁹.

Albpetrol is licensed by MIE under the same terms as included in the PSAs under its administration. Hence for each PSA granted for Albpetrol's oilfield and exploration blocks, MIE and Albpetrol undersign the respective license-agreement.

3.2.9 Sale of Albpetrol's oil (commodity trading)

As mentioned above, the Petroleum Law and the Albpetrol Agreement enables Albpetrol to sell the oil produced from its operating units in the areas under its management and the oil delivered from the Contractors pursuant to the PSA-s, in accordance with the regulation provided by the Minister, for a similar price to the one set in international markets.

Order on the sale of petroleum, authorizes Albpetrol to conduct the sale of crude oil and sets out the main rules and procedures. It also outlines in an appendix attached thereto, the main terms and conditions of a contract for the sale of crude oil, from which Albpetrol cannot derogate.

Albpetrol conducts public auctions for the sale of the oil, in accordance with Law on public auction and the Rules on public auction. Accordingly, Albpetrol organizes open auctions to allocate annual oil sale contracts. The quantity of oil sold is based on the annual forecasts of oil production and share of oil

⁴⁶ This information was not sourced from an official website; the information is based on older contracts, thus it may be outdated.

⁴⁷ Factor R is calculated by dividing oil revenue accumulated since the commencement of the PSA operations by the oil costs accumulated for the same period. Royalty accrued during the period is deducted from revenue.

⁴⁸ Instruction of MIE and MF no. 1, dated 26.5.2015 "On rules and procedures for collection in cash of correspondent value of the transferable PPE and Albpetrol's share"

⁴⁹ Information shared by Bankers Petroleum for the purpose of the 2016 EITI report.

derived from PSAs. Albpetrol delivers oil and collects contract payments based on a defined schedule during the year.

A public auction is initiated only after Albpetrol has accumulated 20 000 (twenty thousand) up to 30 000 (thirty thousand) tons of crude oil and after the granting of approval for the particular amount to be sold from the responsible Minister.

Following this, Albpetrol notifies the beginning of the auction specifying the amount of product being sold, initial price, the procedure and the composition of the commission conducting the sale. Albpetrol can offer for sale both, actual and expected amounts of crude oil based on annual forecasts.

The price is determined always in advance of the auction from a group of experts chosen from Albpetrol and approved by the Ministry. The price is calculated with reference to the Brent Oil prices for oil and TTF- Title Transfer Facility for natural gas and further adjusted in consideration of the converting coefficient and the quality of the product.

The procedure is conducted under the auspices of Albpetrol through a commission comprised of 7 (seven) members, including 3 representatives from the Ministry, 2 representatives from Albpetrol, 1 representative from the State's Technical and Industrial Inspectorate ("STII") and 1 representative from AKBN. Such commission is responsible for drafting the necessary documents, managing the auction, determining the price and criteria of assessment, and the evaluation of the winning bid. Basis for award of the winning bid is highest amount offered. In conclusion, to the above-mentioned procedure, Albpetrol enters into a contract with the winner.

The Order on sale of petroleum issued by the Minister defines the contractual terms to be included in Albpetrol's oil sale contracts. Such terms include timing, method of payments, quality thresholds, allowed level of quantity changes, methods for the oil delivery, technical analysis and controls exercised and reconciliations made by the Albpetrol's representatives and its contractors, compilation of the invoice etc. Albpetrol may negotiate better terms, however is not allowed to negotiate worse terms without the Minister's approval.

Sale of Albpetrol's oil in 2017 and 2018

The table below summarizes the details of the auctions organized from 2013 to 2018.

Table 10: Summary of auctions organized 2013 – 2018

Auction year	Quantity in ton	Auction starting price	Winning bid	Non-winning applicants	Access to procedure
2013	200,000	Brent/1.65 \$/bbl. + K	Consortium between "TPD-Trading Petrol & Drilling (NUIS L21807013N)" and "Interpetrol Ltd (NUIS L52013058A)" with K = 0.12 \$/bbl.	Europetrol Durres Ltd	Filed in the Ministry of Infrastructure and Energy archive
2013	30,000	Brent/1.65 \$/bbl. + K equivalent to	Liona Sh.a. (NUIS L31731005C) with K = 0.1 \$/bbl.	No other applicants	Filed in the Albpetrol archive

		Brent x 60.61% \$/bbl. + K			
2015	100,000	Brent x 72.52% - 5.55 \$/bbl. + K	TPD-Trading Petrol & Drilling (NUIS L21807013N) with K = 0.1 \$/bbl.	No other applicants	http://www.albpetrol.al/njoftim-ankandi-per-shitjen-e-naftes-brut-sasia-100-000-ton/
2016	30,000	Brent x 69.54% - 3.53 \$/bbl. + K	Porto Romano Oil Sh.a. (NUIS K516255010) K = 0 \$/bbl.	No other applicants	Filed in the Albpetrol archive
2016	167,000	Brent x 70.48% - 4.12 \$/bbl. + K	Porto Romano Oil Sh.a. (NUIS K516255010) K = 0.1 \$/bbl.	No other applicants	Filed in the Albpetrol archive
2017	200,000	Brent x 71% - 4 \$/bbl. + K	Izvor 99 Sh.a. (NUIS J82916488T) K = 0.11 \$/bbl.	Europetrol Durrës Albania Sh.a.	Not reported
2018	56,000	Brent x 74.5% - 3.26 \$/bbl. +K	Tosk Energji sha (NUIS L51817007A) K = 0.0105 \$/bbl.	Izvor 99 Sh.a.	Not reported

Details of quantities and values of sales to each contractor during the years 2013-2018 are as follows.

Table 11: Summary of sales of Albpetrol's oil 2013-2018

Year	Contractor	Quantity (ton)	Average Price US\$/ton	Sales value in US\$
2013	"Duçellari 2010" Sh.A	36,976.00	470.00	17,410,844
2013	"Niti Petrol Company" Sh.A	9,971.00	485.00	4,835,915
2013	Interpetrol Ltd	31,754.00	416.50	13,189,167
2013	LIONA Sh.A	15,171.00	435.00	6,578,108
2013	TPD Trading Petrol & Drilling Sh.A.	33,870.00	430.71	14,265,384
		127,742.00	438.79	56,279,418
2014	LIONA Sh.A	10,482.00	433.00	4,482,997
2014	<i>Not reported</i>	8,961.00	426.50	3,831,983
2014	TPD Trading Petrol & Drilling Sh.A.	108,216.00	385.13	42,269,051
		127,659.00	400.00	50,584,031
2015	TPD Trading Petrol & Drilling Sh.A	84,623.5	181.36	15,347,387
2015	Bankers Petroleum Albania Ltd.	17,676.2	213.97	3,782,225
2015	Sherwood International Ltd.	2,026.8	242.08	490,648
		104,326.50	188.07	19,620,260
2016	TPD Trading Petrol & Drilling Sh.A	37,786.4	132.10	4,991,560

2016	Porto Romano Oil Sh.a.	39,450.8	184.85	7,292,425
		77,237.20	159.04	12,283,985
2017	Izvor 99 Sh.a.	55,272.22	278.02	15,366,675
2017	Porto Romano Oil Sh.a.	161,444.57	253.75	40,966,979
		216,716.79	265.89	56,333,654
2018	Izvor 99 Sh.a.	132,901.14	355.20	47,207,043
2018	Tosk Energji Sh.a.	31,917.17	373.51	11,921,245
		164,818.31	364.35	59,128,288

The above disclosed sales are derived from Albpetrol's reporting submitted for the EITI report. Revenue disclosed above were compared and agreed to those reported by Albpetrol in its financial statements for the years 2017 and 2018 as shown in table 12 below:

Table 12: Albpetrol sales

Year	Revenue in USD (table 11)	Exchange rate applied	Revenue in thousand ALL (table 11)	Revenue in thousand ALL (Financial Statements)	Differences in thousand ALL
2017	56,333,654	119.1	6,709,338	6,676,765	32,573
2018	59,128,288	108.01	6,386,446	6,375,144	11,302

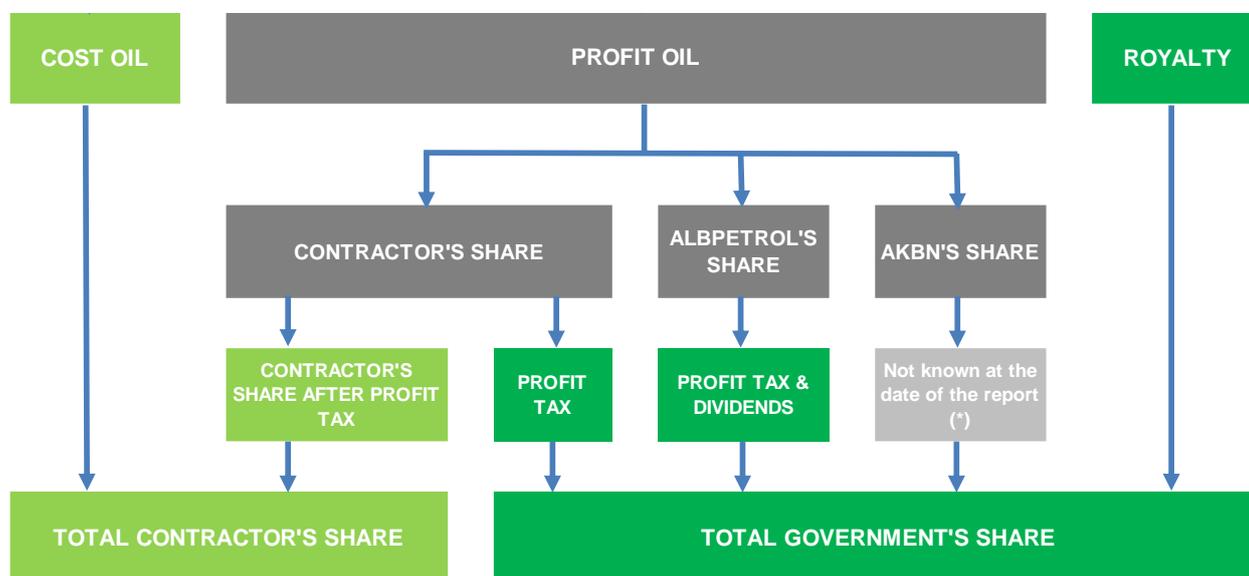
The differences shown may be due to revenue from other sources, or a misrepresentation of income. Albpetrol may have also not yet recognized the total revenue gained from the sale, in the case that the oil bought by contractors has not yet been delivered to them.

The difference is determined to be immaterial compared to the total revenue.

3.3 Revenue from the upstream oil and gas

The Albanian State mainly derives its revenue in the oil and gas sector through share of oil, bonuses, royalty tax, profit tax and revenue from direct investments in the sector. In addition, the State collects revenue from service and license fees. The MIE has not reported revenue collected from service and license fees, for the year 2016. However, based on the information reported in previous EITI reports, these did not comprise material flows, and are not expected to be material in 2016, considering that no significant changes were introduced in the regulation of service and license fees.

The figure 5 below shows allocation of total revenue share generated by oil operations between the Albanian Government, Albpetrol, AKBN and the oil contractor. The Albanian State's interests in the PSAs are administered by Albpetrol and AKBN, which derive from PSAs: bonuses, their share of oil and other revenue arising from contract breach and termination such as penalties and executed guarantees, etc.

Figure 5 Allocation of revenue from the oil and gas sector


(*) PSAs under AKBN's administration have not entered in the production phase. Hence there is no current practice of collecting share of oil from AKBN and there are no current arrangements established between AKBN and the Government on the transfer of oil or proceeds from the sale of oil from AKBN to the Government.

Main revenue streams from the petroleum sector in 2017 and 2018, are presented in the following tables. The monetary value of Albpetrol's share of oil is estimated as per export prices; the share of oil received by Albpetrol is reported in tons in subsection 3.3.6.

Table 13: Main revenue from the oil sector 2017

a) In USD million

Revenue stream	Revenue Private sector M\$	Revenue Albpetrol M\$	Revenue Private sector M\$		
			State Budget	Albpetrol	AKBN
Royalty	16.70	4.86	21.56	(4.86)	
Tax on profit	0.0	0.18	0.18	(0.18)	
VAT	0.17	11.21	11.38	(11.21)	
Payments for social and health insurance and Personal Income Tax	6.19	3.74	9.93	(3.74)	
Tax on dividend					
Withholding tax	0.68	0.01	0.69	(0.01)	
Excise (*)	2.68	0.0	2.68	0.0	
Carbon tax (*)	0.22	0.0	0.22	0.0	
Circulation tax (*)	1.95		1.95	0.0	

Tax penalties	0.0	0.0	0.0	0.0	
Share of oil production		19.4		19.35	
Bonuses	0.22		0.0	0.12	0.1
Total	28.81	39.4	48.59	-0.53	0.10

b) In ALL million

Revenue stream	Revenue Private sector MALL	Revenue Albpetro MALL	Revenue Private sector MALL		
			State Budget	Albpetro	AKBN
Royalty	1,987.72	578.63	2,566.35	(578.63)	
Tax on profit	0.1	20.88	20.98	(20.88)	
VAT	20.33	1,334.78	1,355.11	(1,334.78)	
Payments for social and health insurance and Personal Income Tax	736.89	445.50	1,182.39	(445.50)	
Tax on dividend					
Withholding tax	80.37	1.18	81.55	(1.18)	
Excise (*)	319.53	0.33	319.86		
Carbon tax (*)	25.78	0.03	25.81		
Circulation tax (*)	232.00	0.24	232.24		
Tax penalties	0.65	0.0	0.65		
Share of oil production		2304.71		2304.71	
Bonuses	26.08			14.292	11.91
Total	3,429.45	4686.28	5,784.94	(61.97)	11.91

Table 14: Main revenue from the oil sector 2018**a) In USD Million**

Revenue stream	Revenue Private sector M\$	Revenue Albpetro M\$	Revenue Private sector M\$		
			State Budget	Albpetro	AKBN
Royalty	20.26	5.23	25.49	-5.23	
Tax on profit	0.03	1.68	1.7	-1.68	
VAT	0.34	7.38	7.71	-7.38	
Payments for social and health insurance and Personal Income Tax	5.85	4.34	10.19	-4.34	
Tax on dividend					

Withholding tax	0.54	0.2	0.74	-0.2	
Excise (*)	3.46		3.46		
Carbon tax (*)	0.28		0.28		
Circulation tax (*)	2.48		2.48		
Tax penalties					
Share of oil production		18.7		18.7	
Bonuses	1.6			0.1	1.5
Total	34.83	37.51	52.04	-0.01	1.5

b) In ALL Million

Revenue stream	Revenue Private sector MALL	Revenue Albpetrol MALL	Revenue Private sector MALL		
			State Budget	Albpetrol	AKBN
Royalty	2188.27	564.47	2752.74	-564.47	
Tax on profit	2.88	181.04	183.92	-181.04	
VAT	36.58	796.69	833.27	-796.69	
Payments for social and health insurance and Personal Income Tax	631.74	468.54	1100.28	-468.54	
Tax on dividend					
Withholding tax	58.53	21.08	79.62	-21.08	
Excise (*)	373.67		373.67		
Carbon tax (*)	29.78		29.78		
Circulation tax (*)	268.		268.		
Tax penalties					
Share of oil production		2020.06		2020.06	
Bonuses	172.82			10.8	162.02
Total	3762.26	4051.88	5621.26	-0.96	162.02

(*) These taxes are paid on imports of assets and suppliers made by the mining licenses and may relate with inputs in the extraction activities rather than taxation of benefits. VAT paid on imports is not presented as it may be credited or refunded in full or partially depending on certain criteria.

Concerning the data reported in the tables above, state revenue from the oil & gas sector is generated from private companies and Albpetrol. Based on the legal framework applicable to the sector, these revenue streams are split between the State Budget, Albpetrol (share of oil & respective bonuses) and

AKBN (respective bonuses). As all companies operating in upstream oil & gas in Albania were selected as reporting entities, the tables present the numbers reported by the receiving government institutions for the purposes of this report.

In 2017, revenue from the oil & gas sector comprised 1.3% of the national budget. In 2018, the revenue was 1.1% of the national budget.

As shown in chart 9, in 2018 approximately 72% of revenue generated from the oil and gas was directly allocated and recorded in the National Budget. About 26% of the revenue generated from the PSAs was collected by Albpetrol and very a small collected by AKBN. Albpetrol also contributed to the state budget through the payment of corporate income tax, royalty tax, VAT etc., as depicted in the tables above.

In 2017, 72% of revenue was recorded in the National budget and 28% was retained by Albpetrol. AKBN received less than 0.5%.

3.3.1 Royalty

Royalty represents the principal revenue stream paid from oil and gas sector to the State Budget. Royalty is exclusively applied to the taxable value (or fiscal value) of revenues from extractive activity in accordance with Law No. 9975 "On national taxes", dated 28 July 2008, amended. Royalty on exports is collected by the Albanian Customs Administration and royalty on domestic sales is collected by the General Tax Directorate. Under this law, royalty tax on crude oil / petroleum extractions is applied at 10%.

As set in the Law on National taxes, royalty is recorded in the National Budget and a portion is transferred to the Local government units (LGUs) at 5% of the royalty portion generated by each unit (refer to chapter 6).

3.3.2 Tax on profit

Taxation on petroleum, regulated by President's Decree no. 782 "On fiscal system in petroleum sector" dated 22 February 1994 ("Law on petroleum taxation") is levied at 50% flat tax on taxable profit. Details on the application of the tax on profit are discussed in section 3.2.2.

3.3.3 VAT

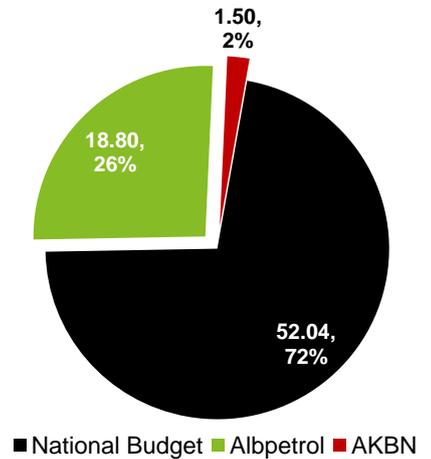
Value Added Tax (VAT) is payable at 20% of taxable sales in the country based on the Law no. 92/2014 "On Value Added Tax". VAT on exports is taxed at 0%. VAT is taxed on the sale of domestic goods and services.⁵⁰

3.3.4 Employment-related payments

Social and health insurance contributions

Compulsory payments of the social and health insurance are calculated and paid in accordance with the Law no. 9136, dated 11.9.2003, "For the collection of compulsory social and health insurance in the Republic of Albania", amended and the Law no. 10383, dated 4.2.2011 "On compulsory

Chart 9 - Revenue composition in 2018 (M\$, %)



Changes made in the Law on petroleum state that companies must pay profit tax since the start of production phase.

PSAs signed after the new changes become effective will allocate at least 10% of the revenues as net profit and pay petroleum taxes at 50%.

⁵⁰ Does not include VAT paid for imported goods. The DPT maintains a list of materials and machines for which companies holding an exploration contract do not have to pay VAT at import.

health insurance in the Republic of Albania”. These laws define the minimum payable contribution for the State pension and public health care and do not provide specific requirements applicable only to the oil sector. As disclosed in section 3.2, in 2017 the Government introduced a new law on petroleum workers that will affect costs of the PSAs in the future.

Personal income tax

Personal income tax (PIT) is calculated and paid in accordance with the provisions set in the Law no. 8438, dated 28.12.1998 “On Tax on income”, amended. Personal income tax for the hydrocarbon sector is calculated in the same way as for other sectors.

3.3.5 The State’s interest in the upstream oil sector

The State is entitled to dividends from annual financial results and revenue from potential privatization of Albpetrol. Albpetrol is also subject to taxes applicable to oil commercial entities such as profit tax, royalty, VAT etc.

Apart from the distribution of dividend, there are no other transfer policies between the State and Albpetrol.

3.3.6 Revenue generated by Albpetrol from the PSAs under its administration

Main revenue that Albpetrol generates from the PSAs include:

1. Share of oil production allocated to Albpetrol, and
2. Signature and training bonuses.

Share of oil production

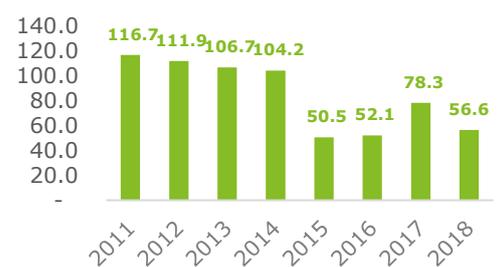
Share of oil production comprised the main flow of revenue collected from Albpetrol and the largest revenue stream from the private oil sector in 2017, and the second largest in 2018. Albpetrol collects its share in crude oil and sells the crude oil collected from the PSAs and produced by its own operations through annual public auctions, as described above.

As shown in chart 10, Albpetrol collected 78.3 thousand tons of crude oil from its contracted companies in 2017, and 56.6 thousand tons in 2018⁵¹.

3.3.7 Signature and training bonuses

Signature and training bonuses are typical features of Petroleum agreements. They are determined (based on contract negotiations) upon the granting of exploration permits or production licenses in oil and gas within the context of the specific contractual terms and conditions. The bonuses collected are shown in the tables (13 & 14) above. All the training and signature bonuses received by AKBN were paid by the subsidiaries of Shell in Albania.

Chart 10 - Share of oil allocated to Albpetrol 2011 - 2018 (ton'000)



Source: Albpetrol

⁵¹ Shared by Albpetrol for the purpose of this report.

3.3.8 Revenue generated by AKBN from the PSAs under its administration

AKBN employs and develops technical expertise in the oil and gas sector to pursue its expert role in negotiating petroleum agreements, technical reviews of the petroleum projects, monitoring implementation of negotiated petroleum projects etc.

AKBN holds shares in the petroleum agreements on behalf of the State and collects signature and training bonuses derived from PSAs. When these PSAs enter the production phase, AKBN will receive and retain the benefits from its share of profit oil as agreed in the PSAs.

None of the PSAs granted for sites administered by AKBN have entered the production phase, hence, AKBN has not collected its share in oil throughout 2017 and 2018.

3.4 Social and economic spending

3.4.1 Social expenditure

Social expenditures are material social expenditures made by companies in the benefit of the public and civil society, as mandated by law or the contract with the government.

The Government and the oil companies engaged in petroleum sector informed that currently-in-force Petroleum Agreements do not include mandatory social payments to be performed by the oil companies in the benefit of the communities.

The timing and amount of the social payments is decided by the oil companies at their discretion. The companies must disclose the budgeted expenses to AKBN / Albpetrol for approval as part of annual budget approval.

Bankers Petroleum paid USD 455 thousand and USD 448 thousand in 2017 and 2018 respectively in environmental investments. Sherwood Internacional Petroleum Ltd paid approximately USD 4,000, and Anio Oil&Gas sha paid USD 2,300 in 2018.

Infrastructure provisions and barter arrangements

Infrastructure provisions and barter arrangements involve the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities

The Government and the oil companies engaged in petroleum sector have previously informed that currently-in-force Petroleum Agreements do not include barter infrastructure provisions.

In previous reporting cycles Bankers Petroleum, the largest oil producer, has informed that infrastructure investments made so far were part the company's corporate social responsibility activities.

Regulation regarding social spending

Article 6 of the Petroleum Law contains certain general obligations for the Contractor with regard to the social impact of its activities such as:

- a. Showing due care for the welfare of the people living in the zone where the operations are performed;
- b. Considering the employment and qualification of the Albanian citizens, and the contracting of domestic services and goods, as a priority.

However, the Petroleum Law does not postulate any specific material social expenditures, nor does it enforce the elements listed above.

3.4.2 Environment protection

The main pieces of legislation governing the environmental regulatory compliance are:

- Law on Environment
- Law on Environmental Permits
- Law on Licenses and Permits
- Law on EIA
- DCM on Environmental Permits
- DCM on fees

The Law on Environment sets out the general principles, rules and procedures for the protection of the environment in the Republic of Albania. It establishes the institutional framework revolved around the National Environment Agency, which main tasks, include without being limited to, the monitoring of environment, management of environmental information and observance of the compliance with the responsibility of the operators.

The Petroleum Law clearly states that in any event the Contractor is obliged to comply with the environmental protection law in the Republic of Albania.

It stipulates that before initiating operations and in order to obtain the requirement permissions, any subject has to carry an environment impact assessment pursuant to the Law on EIA, with the aim to identify the risks and prevent them in due time.

An operator carrying out an activity with an impact on the quality of the environment is responsible pursuant to article 50, point 1 and 6 of the Law on Environment for:

- Taking the required preventive measures;
- Remedying the harm and rehabilitation the environment;
- Informing and notifying the National Environment Agency for the potential harm or specific risks that the environment is exposed due to its activity.

“Polluter pays” is one of the main principles of the Law on Environment, meaning that the operator is responsible for the costs of the abovementioned measures related to the environmental protection with regard to its activity.

Pursuant to the Law on Environment, any activity causing pollution to the environment can be exercised in the Republic of Albania only after the obtainment of an environmental permit and in accordance with the rules provided thereto.

In the case of petroleum operations, a subject is obliged to obtain an environmental permit as per the Law on Environmental Permits, which

determines the rights and obligations of the operator. Failure to comply with such rules constitutes a violation of the law and is punishable from the inspectorate of environment with an administrative fine.

The central institution in the context of environmental protection is the National Environment Agency, which main tasks, include without being limited to, the monitoring of environment, management of environmental information and observance of the compliance with the responsibility of the operators.

Recently the Minister approved the **Regulation on waste of drilling**. As the name indicates, said regulation sets out rules with regard to the treatment, transport and annihilation of waste from the drilling of wells (administration of waste from drilling).

The Regulation on waste of drilling stipulates that the administration of waste from drilling can be carried out only from specialized companies, which have been approved by the Ministry in accordance with the procedure provided thereto. Therefore, any Contractor performing petroleum operations in the Republic of Albania has to enter into a contract with such specialized companies for this task.

Failure to comply with such obligation or failure to provide the concluded contract to AKBN during the procedures of cost recovery constitutes a violation and causes the non-recovery/ non-recognition of such costs as petroleum costs, thus having a significant impact for the purposes of tax calculation or profit oil sharing.

In addition to the above, Petroleum Agreements usually contain detailed provisions with regard to environment protection, rehabilitation etc. Such provisions are obligatory and charge the Contractor with additional responsibilities with regard to environment protection.

3.5 Gas project and infrastructure

The gas subsector has suffered due to the lack of infrastructure in the country. This section discusses the key projects related to gas pipelines in the country, as well as the current state of the infrastructure in Albania.

The gas sector is regulated and overseen by ERE. Developments in the sector are disclosed in the ERE annual report.

3.5.1 Trans-Adriatic Pipeline project (TAP project)

Figure 6 TAP and its connection to TANAP and SCP



Source: www.tap-ag.al

Albania is one of the transit countries of the Trans Adriatic Pipeline (TAP). TAP will transport natural gas from Shah Deniz II field in Azerbaijan to Europe (www.tap-ag.al). TAP is expected to promote the economic development and job creation along the pipeline route, including Albania. It will be a major source of foreign direct private investment as it is not dependent on grants or subsidies. TAP commenced the construction of the pipeline infrastructure in 2016 and started its commercial operations in November of 2020.⁵²

TAP is currently the largest contributor of the foreign direct investments in the country. Since the commencement of the construction TAP has invested about EUR 1.5 billion. As set in the Host Government Agreement between TAP and the Government of Albania, TAP will spend EUR 14 million in infrastructure and other investments for the benefit of civil society and affected communities.

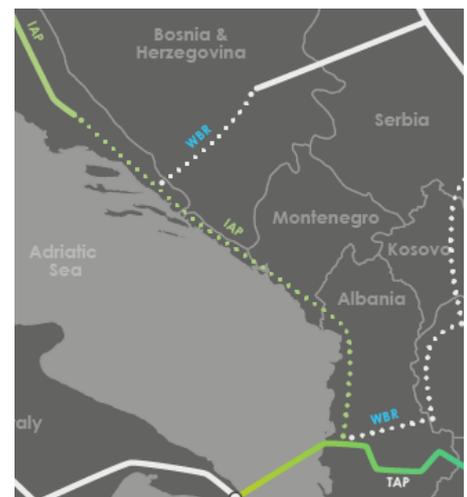
TAP’s investments and corporate social activities are disclosed in its official website www.tap-ag.al.

3.5.2 Jonian Adriatic Pipeline (IAP project)⁵³

TAP has entered into multiple Memoranda of Understanding and Cooperation (MoUC) with the developers of the proposed Ionian Adriatic Pipeline (IAP), aiming to take Caspian gas into the un-gasified markets of Albania, Montenegro, Southern Croatia and Bosnia and Herzegovina. Because of the IAP planned route and transport capacities, IAP project comprises a strategically important part of the gas transmission network in Albania

Further support for the TAP-IAP connection came in May 2013 when the governments of Albania, Bosnia and Herzegovina, Croatia and Montenegro

Figure 7 IAP project



Source: www.tap-ag.al

⁵² Source: TAP official website, <https://www.tap-ag.com/news/news-stories/tap-starts-commercial-operations> Accessed on November 17th 2020.

⁵³ Source: <https://www.tap-ag.al/lajme-dhe-evente/2013/05/27/the-adriatic-and-sonian-initiative-council-signs-a-declaration-in-support-of-tap>

signed a MoU in support of both pipelines, as well as a declaration of support by the Adriatic Ionian Initiative Council.

Based on the feasibility study data a 515 km pipeline with an annual capacity of 5 billion m³ of gas (5 bcm), will connect the TAP sub-station in Fier with Croatia with an estimated total cost of EUR 618 million.

The project’s progress is tracked and shared on the Energy Community website. As of the date of this report, the feasibility study has been completed and the pipeline is in the design phase.⁵⁴

3.5.3 Gas infrastructure in Albania

The Government of Albania approved the Law no. 102 / 2015 “On gas sector” in March 2015. This law will govern the development and operation of the gas transmission and distribution infrastructure in Albania.

In 2016, the Government decided to establish “Albgaz” sh.a. as a spinoff from gas operations previously held by Albpetrol. Albgaz 100% owned by the Government of Albania, represented by the MIE. Its activities are overseen and regulated by ERE, which also acts as the gas market regulator in the country.

Albgaz will perform the function of combined operator for the transmission and distribution of gas in line with Law no. 102 / 2015 “On gas sector”. Throughout the reporting years, Albgaz, in collaboration with ERE, EBRD, and the Energy Community, has focused on the following activities:

- Identifying the existing assets in its territory
- Updating the codes pertaining to transmission capacities and pricing structures and obtaining the necessary licenses as a transmitter and distributor, as per the updated code
- Capacity building regarding technical and legal aspects
- Overseeing its first project, the Fier-Vlorë pipeline, which will supply the thermal power plant in Vlorë with natural gas
- Establishing contact with its counterparties in the region and other international institutions

Albgaz also oversees and coordinates projects with international parties such as ALKOGAP (Interconnection with Kosovo), IAP, etc. Albgaz also oversaw the negotiations regarding the maintenance of the TAP pipeline; a contract was signed between the Albanian Gas Services Company Sh.a.⁵⁵ (AGS) and TAP in December of 2018, and is estimated to have a value of EUR 18-20 million.

Figure 8 Albanian gas network masterplan



Source: ERE 2018 Report

⁵⁴Source: <https://www.energy-community.org/regionalinitiatives/infrastructure/PLIMA/Gas16.html> Accessed on November 17th 2020.

⁵⁵ A joint venture owned 75% by Albgaz and 25% by SNAM spa, an Italian company with the technical knowhow not currently possessed by Albgaz.

A draft master plan for the gas sector was announced by the government in 2016⁵⁶. This study was performed by COWI, costed about EUR 1.1 million, and was financed by EU.⁵⁷

According to the study, domestic gas consumption needs are forecasted at 2,167 million m³ in 2040 (including agriculture and transport). In the same year, potential use of gas in production of electrical power is estimated at 770 million m³, while potential use of gas in the oil refining process is forecasted at 89 million m³.

Having an established gas network in the country would allow for the development of (natural) gas-fired power plants, and the supply of industrial and residential consumers with natural gas. A functioning network would also allow for the monetization of the gas currently being produced in the oilfields. In order to achieve this, some of the first domestic initiatives will be: ⁵⁸

- The Fier – Vlorë pipeline, which will (1) supply the power plant in Vlorë, and (2) encourage the development of the gas distribution network in the city.
- Developing the natural gas market in Fier; its proximity with the TAP pipeline and its history make it the optimal location to commence these activities.
- Developing the natural gas market in Korçë, boosted by the new thermal power plant in the district.

Tirana (the capital) and Durres are expected to count for 32% of the domestic gas consumption, whereas the industrial sector as whole will comprise 37% of total domestic gas consumption. As such, integrating these two cities in the network will be essential in the growth of the gas market in the country. Considering these activities, we expect material revenues generated from natural gas activities in the near future.

⁵⁶ Source: <http://www.energjia.gov.al/al/njoftime/lajme/masterplani-i-gazit-gjiknuri-piketate-zhvillimit-te-20-30-viteve-te-ardhshme&page=4>

⁵⁷ The draft master-plan is published in the website of MIE and accessible in the following link: <http://energjia.gov.al/master-plani-i-gazit-natyror-per-shqiperine/>.

⁵⁸ ERE 2018 report.



4. Mining Sector

Albania has a longstanding history in mining with significant mineral deposits of chromium, nickel, copper, limestone etc. Geological studies carried out from 1945 to 1995, revealed substantial deposits of chromium ore, ferronickel, copper, bitumen, and non-metallic minerals such as limestone or decorative stones. The sector was previously dominated by state-owned enterprises and started to open up to private investment in 1994, when the Mining law was approved.

4.1 Exploration, development, and production of mineral ores

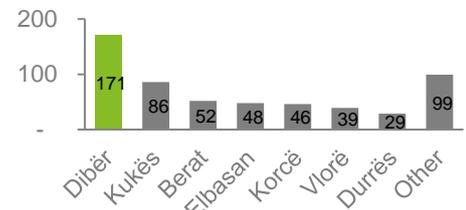
Continuous legislative and technological advances have led to a significant improvement of the mining sector over the past 20 years. The state has focused on supporting the growth of the sector domestically by creating additional financial stimuli for companies choosing to conduct processing activities domestically, and by easing permitting process for private subjects.

In 2018, the sector is dominated by the private companies operating in the districts of Diber (171), Kukës (86), Berat (52), Elbasan (48), Korçe (46), Vlorë (39), Durrës (29), with the remaining 99 licenses spread across 5 districts (chart 11).⁵⁹

Domestic mining activities are mainly focused on the extraction of minerals such as chromium, copper, iron-nickel and nickel-silicate, gravel and tar sands, limestone, clay etc. Mineral processing in the country is minimal. Concessions and investments in the country allow only for the enrichment of chromium and copper, the production of ferrochromium and the production of construction or decorative materials such as cement, concrete, bricks etc. The decision to further process or export minerals is significantly affected by international markets.

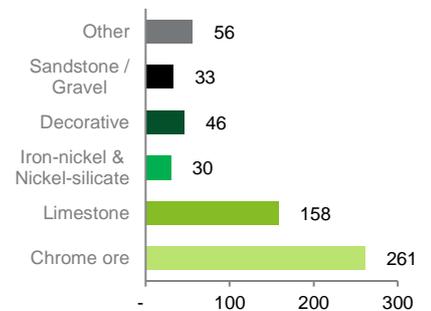
As shown in chart 12, chrome ore and limestone represent the largest portion of mining licenses in the sector with respectively 261 and 158 production licenses in each category. Sub-sectors of iron-nickel and nickel-silicate held 30 production licenses, while decorative stones and sandstone & gravel had respectively 46 and 33 production licenses each.

Chart 11 - Licenses by district



Source: AKBN, Licenses active in 2018.

Chart 12 - Licenses by mineral (2018)



As reported by AKBN

⁵⁹ Based on current active licenses as published in AKBN's website.

SHGJSH (The Albanian Geological Service) reported that in both 2017 and 2018 companies engaged in exploration activities. In 2017, two were involved in the exploration of iron-nickel & nickel silicates and four in chromium. Three companies reported commercial discoveries, two of which proceeded with the procedure of obtaining their exploitation licences. In 2018 all six companies were involved in the exploration of chromium. Only two reported a commercial discovery. A list of licensees engaged in exploration activities is provided by ALBETI on their website: www.AlbEiti.org

4.1.1 State involvement and quasi-fiscal expenditures

The Government of Albania is engaged in the mining sector by holding shares the companies presented in table 15. The Ministry of Finance and Economy (MFE) has previously informed of its intentions to privatise its participation shares in the companies; the SoEs are currently under liquidation. These companies have not paid any dividend to the State in the last 8 years as shown in the dividend report published by MFE on its website: <http://www.financa.gov.al/dividenti-sipas-periudhave/>

Table 15: Involvement of the Government of Albania in the mining sector

NUIS	Entity	Government's shareholding	Private shareholding	Comments
J81920006K	ALB BAKRI SH.A.	100.00		Former national copper company in liquidation since 2011
K72120014C	ALBMINIERA sh.a.	100.00		Former national mining company in liquidation since 2016
J61827513H	ALBKROMI SH.A.	100.00		Former national chromium company in liquidation since 2010
J82816206B	ELBASAN CEMENT FACTORY sh.p.k	20.69	79.31	Investment established in the 90's as result of privatization of former national company Sh.A "çimento"
J66703740S	ITALB - MERMERI - MUHUR sh.p.k.	25.00	75.00	The company had no activity since 1997 and is currently deregistered from the Tax office.
J62904210Q	UNITED QUARRIES sh.p.k.	13.09	86.91	Investment established in the 90's as result of privatization of former national company Sh.A "guri gëlqeror"

Quasi-fiscal expenditures include arrangements whereby State-owned Entities undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process. The Government's involvement in the mining sector include either owning 100% former mining companies, now under liquidation, or holding a participating share up to 25%, resulted from privatisation of mining objects/assets formerly owned by the State or the SoEs.

4.1.2 Mining production

Chromium and ferrochrome contributed the largest share of the mining production throughout both reporting years.

Table 16 and 17 below summarize key production data, as declared by the companies themselves and reported by AKBN, for the main minerals extracted in Albania. It is worth noting that the numbers reported by the companies are not audited by AKBN or any other state or independent authority. Regarding the mineral classification:

- Due to the differences in price, **Chromium** and **Ferro-chromium** are distinguished from each other.
- **Gypsum** includes gypsum and alabaster
- **Limestone** includes limestone slabs, blocks, etc.
- **Ornamental minerals** include all decorative minerals such as marbleized limestone, troctolites, breccia, etc.

The estimated value of the quantities produced is based on the annual average export price. The true cash value cannot be determined due to the absence of data regarding domestic sales. Additionally, only the production in tons has been considered in this approximation, as the export prices are expressed per kg. Minerals whose value has not been estimated have not been exported during 2017 & 2018. Minerals' concentration has not been taken into account as many companies did not disclose this information. Thus we assume that the average concentration of the minerals produced matches the average concentration of the minerals exported, leading to a comparative pricing of ALL / kg.

Table 16: Mining activity 2017

Mineral	Output for 2017 <i>(thousand ton)</i>	Estimated Value <i>(Million ALL)</i>	Number of licenses in production
Chromium	1,190	25,619	244
Ferro-chromium	10	1,906	1
Copper	0	0	12
Iron-nickel & nickel-silicate	559	1,235	30
Bituminous sands, sandstone and gravel	131 61x10 ³ m ³	3,783	46
Clay	956	-	24
Limestone	4016 2,972x10 ³ m ³	19,065	180
Quartz	19	-	9
Gypsum	104	-	8
Ornamental minerals	2 ton 28x10 ³ m ³	20	31
Total	-	51,629	585

Table 17: Mining activity 2018

Mineral⁶⁰	Output for 2018 <i>(thousand ton)</i>	Estimated Value <i>(Million ALL)</i>	Number of licensees in production
Chromium	1,335	24,451	256
Ferro-chromium	8	1,463	1
Copper	236	26,303	13
Iron-nickel & nickel-silicate	378	820	31
Bituminous sands, sandstone and gravel	347 70x10 ³ m ³	10,134	51
Clay	701 7x10 ³ m ³	-	20
Limestone	2,640 4,330x10 ³ m ³	19,966	173
Quartz	24	-	8
Gypsum	102	-	8
Ornamental minerals	0.17 53x10 ³ m ³	2	33
Total	-	83,140	594

According to the data produced by AKBN, based on the companies' self-declarations, the domestic production's estimated value increased 1.6 times from 2017 to 2018.⁶¹ However, due to the previously noted limitations regarding the reporting of this data, other metrics – such as export data or royalties paid – may be more accurate in achieving a better understanding regarding the value the mining industry generates. These analyses, and their limitations, will be presented in the following sections.

⁶⁰ Clay is used domestically in the production of cement, and other construction materials or decorative objects. Gypsum is used domestically in the production of construction materials, and is mostly exported by non-licensed companies. As such, the export prices for final products have been determined to not be a good estimate for the production value of these minerals.

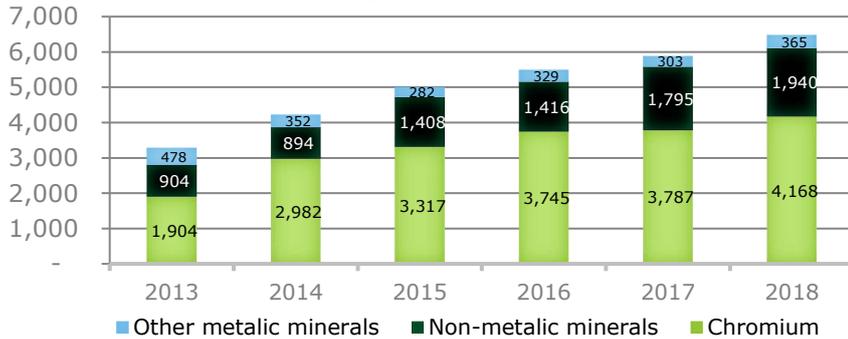
Quartz has not been exported in 2017 or 2018.

⁶¹ The number of companies reporting on their production and domestic mineral sales was not sufficient to create a reliable reference.

4.1.3 Employment in the mining sector

Based on the data reported by AKBN, summarised in chart 13, the mining sector employed approximately **5,885** staff in 2017, and **6,473** in 2018. Both years, approximately 64% of mining employees were involved in the chromium sector. The processing and / or extraction of limestone follows with 21% in 2017 and 19% in 2018.

Chart 13 - Employment in the mining sector 2013-2018



Source: AKBN

The number of employees provided by AKBN is substantially lower than the number of employees disclosed by the General Directorate of Taxes (DPT) for the same period; the DPT reports 21,012 employees in 2017 and 20,972 in 2018.

Neither AKBN nor the DPT have provided an explanation on this discrepancy, however, based on the data provided, some explanations for the differences have been identified.

- a. Differences are not only noted in the number of employees, but also in the total number of companies reported as operating in the mining sector. Thus, one of the reasons for the differences between the two data sets is the amount of companies considered as operating in the sector.
 - i. The way companies are categorized in sectors is different in both cases; based on the DPT data set, one of the largest employers in the mining sector is Bankers Petroleum, which AKBN would note as an oil & gas company. The hydrocarbon sector, as reported by the DPT, includes mostly entities involved in downstream rather than upstream.
 - ii. While AKBN notes companies reporting production and holding a mining permit as mining companies, the DPT bases its categorization on companies' disclosures of activities to the NBC.
 - iii. The difference also is a result of the intention each respective institution has when collecting the data; while AKBN is interested in employment data in order to better understand the activity of the sector and the benefits it creates for the State, the DPT uses its employment data for tax-related purposes.
- b. The same company reports a different number of employees to AKBN than it does to DPT; this may be due to companies only reporting the number of employees working in extractive activities to AKBN. This assumption is supported further by companies that hold multiple

mining permits reporting different numbers of employees for each permit.

- c. The data provided and published by AKBN is based on self-declarations submitted by licensees. The accuracy of the reporting is questioned due to the number of companies reporting production and no employees throughout the year; 25 companies that declare production reported 0 employees in 2017 and 2018.
- d. The information that DPT possesses is used to determine the type of fiscal reporting companies have to deliver. Thus, the information provided by DPT includes employees engaged in other non-extractive activities, when licensees register extractive and non-extractive activities under the same tax number (NUIS).

In order to clarify and resolve this discrepancy, AKBN may perform period reconciliations with the DPT on information furnished by the licensees. However, that would not aid in uncovering the true number of employees engaged in the extractive mining sector due to the reasons listed above (b, d). However, a higher degree of oversight by AKBN, in the form of audits or ad hoc inspections, may increase the accuracy of companies' reporting (c). The recommendations made in Chapter 11, and the discussion in Chapter 8, regarding project-level reporting of mining companies would allow for an accurate estimation of employees in the sector, as both AKBN and DPT would have a unified definition of "mining company".

Safety Laws

The holder of the Mining Permit has the obligation to ensure the occupational safety of the workers and take all necessary measures.

Occupational health and safety in the mining sector other than the general regulations by the health and safety legislation in the Republic of Albania, is regulated by the Mining Law and more specifically by these legal acts:

- Law on safety in the mining sector
- DCM on minimal requirements
- DCM on AKSEM

Article 36 of the Mining Law provides that every mining permit holder must:

- Take the necessary safety measures to protect the lives and health of employees and other persons who enter the mining permit zone, in accordance with applicable legislation and regulations on safety at work;
- Take the necessary measures to ensure adequate working conditions, as per the legislation in force;
- Insure the employees from accidents at work, as determined by the Council of Ministers;
- Provide medical services in the permitted area or near it, according to the legislation in force;
- Provide compulsory staff training, according to the legislation in force;
- etc.

Furthermore, the Law on safety in the mining sector provides a special regime for the employers operating in the mining sector with regard to occupational health and safety. Said subjects (holders of the mining permit) have to:

- Respect the minimal requirement of health and safety in work as provided by the relevant by-laws such as the DCM on minimal requirements and the legal acts of AKSEM;
- Organize and put into action an emergency and rescue squad;
- Register before beginning their activity near AKSEM;
- Ensure the medical supervision of the employees;
- Continuously inform and train the workers for the particularities of the job;
- etc.

As mentioned above, AKSEM is the public authority trusted with the insurance of the observance of this obligation from the holder of the mining permit.

4.1.4 Reserves

The geological reserves presented are extracted from DCM no. 479, dated 29 June 2011 “On approval of the Mining Strategy in the Republic of Albania”.

Studies of mining reserves and maps are all dated prior to 1990. Since then, neither MIE nor SHGJSH have engaged in subsequent studies to assess the available outstanding reserves in the existing (discovered) mineral deposits, nor have they updated the official numbers based on exploration activities which have uncovered new mineral deposits.⁶²

Table 18: Geological Reserves

Mineral	Geological reserves (million tons)
Chromium	10
Copper	50
Iron-nickel & nickel-silicate	300

Up until 2018 there have been no new studies on the national geological reserves.

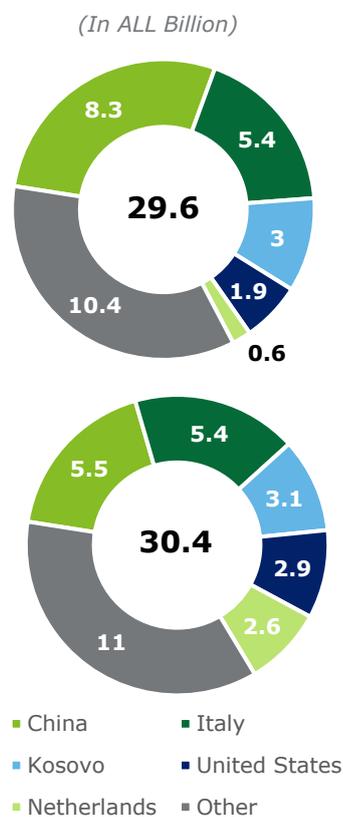
4.1.5 Exports from mining sector

Exports from the mining sector have amounted to **ALL 29.55 billion** in 2017 and **ALL 30.49 billion** in 2018 (equivalent to USD 248.08 million and USD 282.24 million respectively).

MIE reported a decrease in the price of chromium and copper, with the latter having an overwhelming effect on domestic production of the mineral (see section 4.2.2). Still, despite the adverse changes in the international prices for minerals, total exports have increased in the two reporting years.

From 2015, exports of ferrochrome have steadily increased, while exports of chromium ore have declined. This observation indicates that the amount of chromium being processed – in this case enriched – domestically is on the rise.

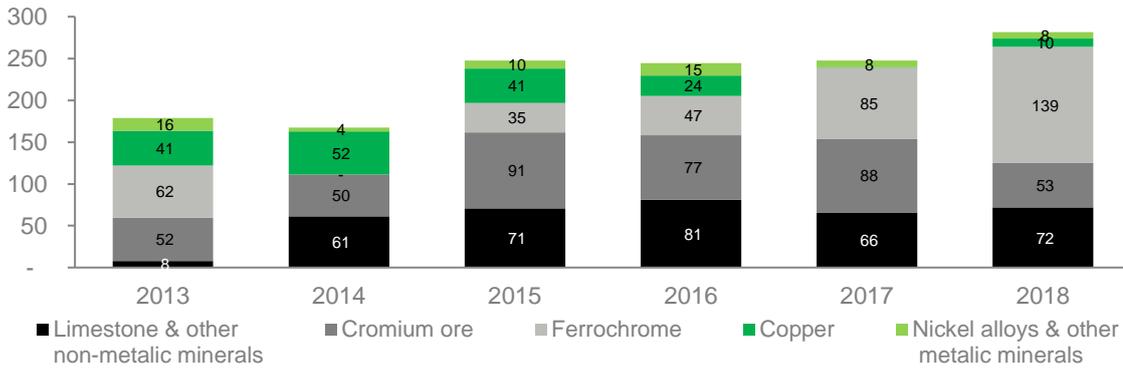
Chart 14 - Export Destination in 2017 and 2018



⁶² DCM 479, dated 29 June 2011 “On approval of the Mining Strategy in the Republic of Albania”.

Approximately 10% and 19% of exports, by value, were generated by companies that do not hold a mining permit, in 2017 and 2018 respectively. Most minerals have been exported to China and Italy in both 2017 and 2018. A breakdown of the activity, including exports, of each mineral is discussed in the following section.

Chart 15 - Exports from the mining sector in milion USD



Source: Customs authorities

4.2 Mining activity in each main sub-sector

4.2.1 Chromium ore

Chromium represents the main mineral extracted in Albania and is the main contributor to the employment in the mining sector.

Recoverable reserves of chromium (at an average quality 30.8% Cr₂O₃) are estimated at 10 million tons⁶³, and are located mainly in the districts of Bulqizë, Kukës, Has, Mat and Pogradec (Figure 5). The current strategy in the sector focuses on attracting large strategic investments in processing of chromium ore.

At the end of 2018, chromium sub-sector counted about 260 production licenses operating in the chromium mines and quarries, with the largest percentage being in Bulqizë, followed by Kukës, Tropojë and Librazhd.

Chromium output is exported in form of chromium ore and ferrochrome. In an attempt to incentivize domestic processing of the mining output, the Government has introduced a reduction in the royalty applied for the metallic mineral ores which are sold to be processed in Albania. This has led to an increase of production of ferrochromium, as observed in the export data.

Albchrome⁶⁴ shpk (Albchrome) operating the mines in Bulqiza was the largest industrial company and the largest employer in the chromium sector in Albania. Albchrome has held a concessionary contract with the Government of Albania since 2001, for the extraction and processing of chromium ore and ferrochrome. The Company's assets include chromium ore mines in Bulqiza, ferrochrome factories in Elbasan and Burrel, a chromium enrichment plant in Klos, and other mining and metallurgy infrastructure elements.

Chromium output

Domestic chromium output amounted to a total of **1.3 million tons in 2017**, and **1.2 million tons in 2018**. As shown in chart 16, most of the chromium output (60% in 2017 and 52% in 2018) was generated in Bulqizë.

Exports of chromium ore in 2017 were about **460'000 tons** worth **ALL 10.5 billion**. In 2018, **334'000 tons** of chromium were exported, valued at **ALL 5.7 billion**.

As shown in chart 17, China represents the main destination of the Albanian chromium, with 71% and 76% of chromium ore exports, in 2017 and 2018 respectively. Other export destination for the Albanian chromium include Qatar, Switzerland, Hong Kong, Turkey, etc. The decline in exports of chromium ore is offset by the increase in exports of ferrochrome. The export price of ferrochrome was 8-11 times that of chromium during 2017 and 2018.

Following the previous EITI reports, up until 2016 Albchrome used to be the sole producer exporting ferrochrome in the country. 2018 was the first year noting two producers exporting ferrochrome (Prodhime Karbonike & Albchrome); other exporters are not licensed in extractive activities.

⁶³ Source DCM no.479, dated 29 June 2011 "Approval of the National mining strategy".

⁶⁴ Information on Albchrome is derived from the company's websites – www.balfin.al and www.albchrome.al.

Figure 9 Chromium reserves

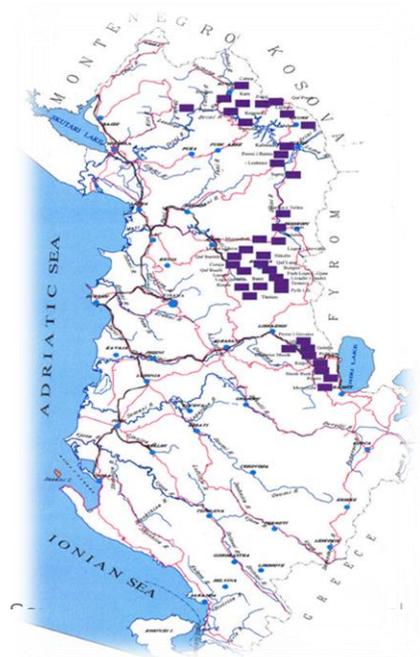
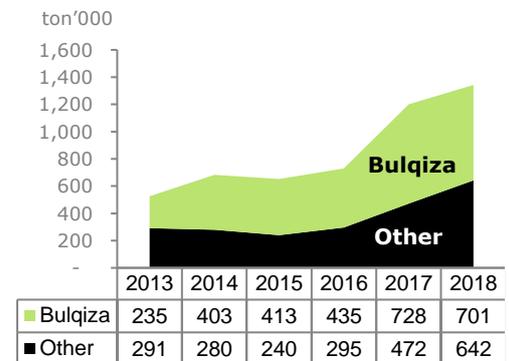
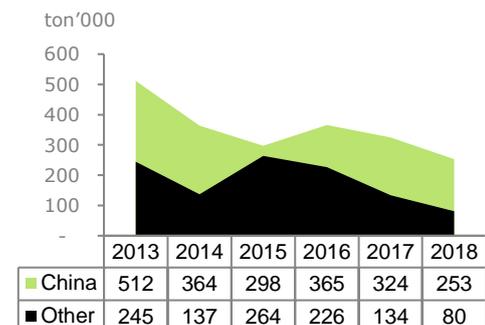


Chart 16 - Chromium output 2012 - 2018



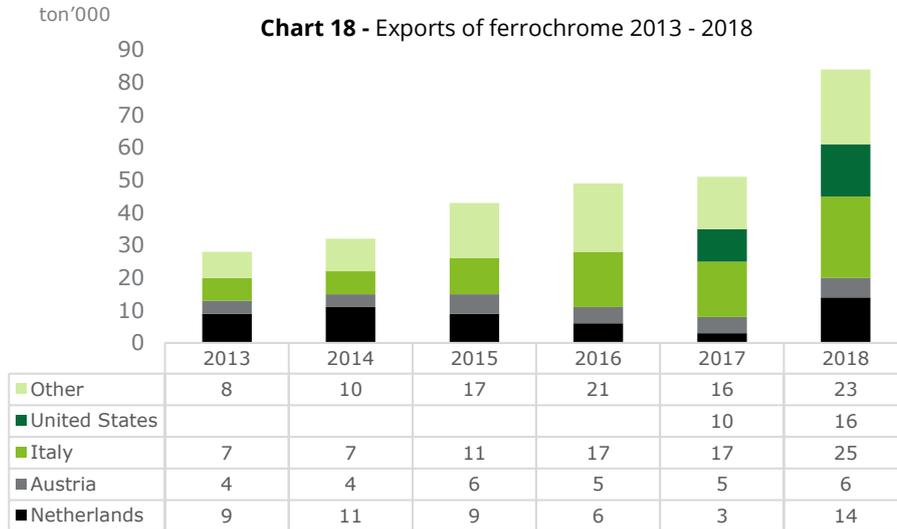
Source: AKBN

Chart 17 - Exports of chromium ore 2012 - 2018



Source: DPD

Albchrome still exports the largest amount of ferrochromium, specifically 94% of total exports in value in 2017, and 76% in 2018. Chart 18 shows the



Source: DPD

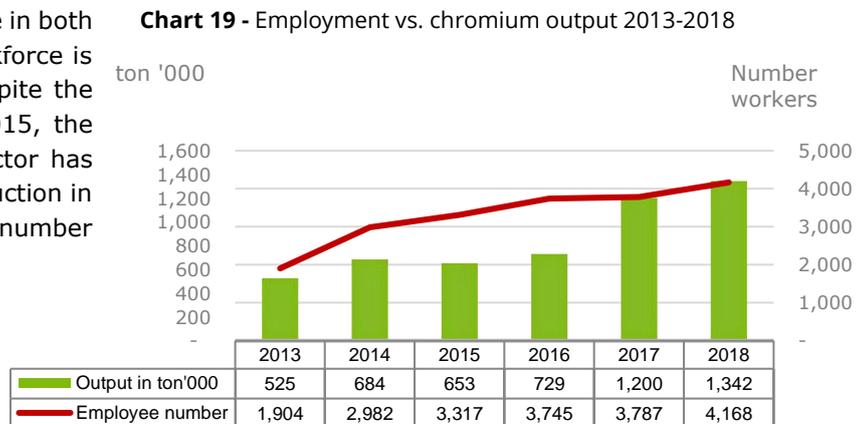
main destinations for Albanian ferrochromium; Italy and the United States are the main export destinations for ferrochrome in 2017 and 2018. Due to lack of sector statistics, the value of chromium and ferrochrome output is based on export values. Collectively, chromium and ferrochrome output exported was worth **ALL 20.6 billion in 2017 and ALL 20.8 billion in 2018.**

The average export price for each mineral was as follows:

- Chromium
 - 2017: ALL 22.9/kg
 - 2018: ALL 18.3/kg
- Ferrochromium
 - 2017: ALL 200/kg
 - 2018: ALL 182.9/kg

Employment

According data reported by AKBN⁶⁵, the chromium subsector employed 64% of the mining workforce in both 2017 and 2018. Approximately 70% of the workforce is located in Bulqizë. As depicted in chart 19, despite the output fluctuations through the period 2013-2015, the number of employees in the chromium sub-sector has shown an increasing trend. The increase in production in 2017 and 2018 has also led to an increase in the number of people employed in the subsector.



Source: AKBN

⁶⁵ Information on production, regions and number of staff is based on data reported by AKBN for the purpose of this report.

4.2.2 Copper ore

During the 80s, copper was the most successful sector in Albania's mineral extraction industry. Geological reserves of copper deposits (including Cu 1.3-2.65%, zinc, gold and silver) are estimated at about 50 million tons⁶⁶. However, recoverable reserves are estimated at 27 million ton. As shown in figure 6, Copper deposits are located in six districts: Puka, Mirdita, Korça, Shkodra, Has and Kukës regions. Recoverable reserves at current copper mines sites amount at 4.7 million ton (Cu 1.39%). Recoverable reserves at new sites are estimated at 13.4 million ton, where 7.9 million ton (Cu 1.85%) are located in Munella mining area and 5.6 million ton (Cu 2.65%) are located in Lak Rosh, South Perlat, Karme 2 and Bregu i Geshtenjes.

Copper extraction and enrichment activity were mainly focused in the district of Puka, where the largest industrial company, Beralb operates. Beralb, operating on a concession agreement since 2001 (www.beralb.com), was the only industrial company extracting copper until September 2015, when it announced a temporary suspension of their operations for at least a year. The Government accorded a suspension period until May 2017.

Beralb holds production licenses for the mines of Munelle, Lak Roshi, Karna and Fushe-Arres, and three other mines all located in the province of Puke. Beralb processes copper through Copper Enrichment Plant of Fushe-Arrez, located north of the town of Fushe-Arrëz. The plant has an annual capacity of 600,000 ton per annum, which generates approximately 45,000 ton of copper concentrate per annum. The Company has realized different studies to increase parameters in ore treatment especially for the recovery of zinc, gold, silver and other precious elements.

Copper business activity suffered substantial losses due to a significant in international prices for copper ore. As shown in chart 20, interna copper ore prices⁶⁷ dropped by 45% from 2011 to 2016. 2017 and 2018 shown an increase in the price of copper, leading to Beralb, and producers restarting their extractive activities in 2018. No copper produced in 2017, while 2018 exhibited an increase in production **thousand tons), valued at ALL 26 million based on export prices**

Copper exports

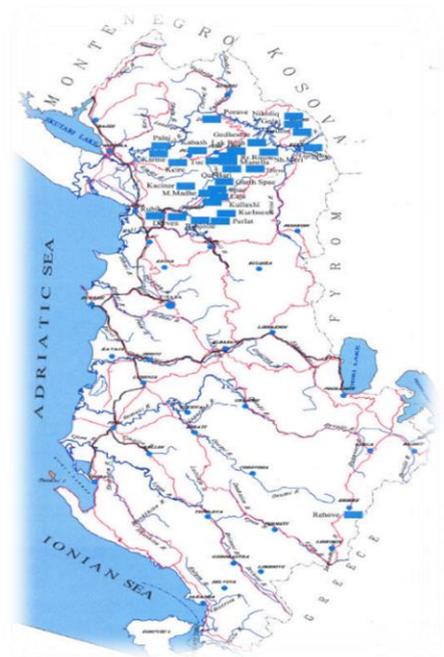
In 2017, Albanian Customs Administration⁶⁸ reported total copper expo **7 thousand tons worth ALL 49 million**. In 2018, **9.5 thousand tons** were exported at **ALL 1.06 billion**. As shown in chart 21 China and Turkey were the main destination countries for the exports of copper in 2017 and 2018. The difference in value may be explained by the concentration of the copper exported in each year. Copper exported in 2017 had a maximum concentration of 3.92%, while the copper exported in 2018 ranged from 17.05% to 24.69%.

⁶⁶ Source DCM no.479, dated 29 June 2011 "Approval of the National mining strategy".

⁶⁷ Source for international copper price: <http://databank.worldbank.org/data>

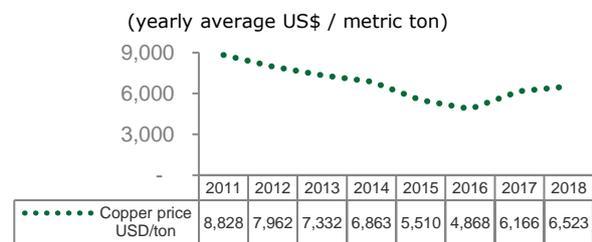
⁶⁸ Information on export quantities, values and export countries were reported by Albanian Custom Administrate for the purpose of this report.

Figure 10 Copper reserves



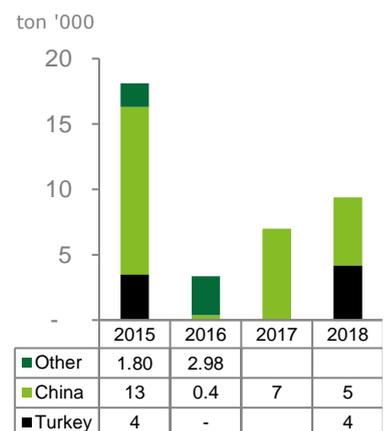
Source: AKBN – www.akbn.gov.al

Chart 20 - International copper prices



Source: World Bank Commodity Price Data (The Pink Sheet)

Chart 21 - Exports of copper ore 2011-2016



Source: Albanian Customs Administrate

4.2.3 Iron-nickel and nickel-silicate

Albania's deposits of nickel (Ni 0.85-1.15%) are estimated at 300⁶⁹ million tons and are located near Pogradec, Librazhd, Bilisht, Kukes and Peshkopi (Figure 7).

Nickel sub-sector is quite un-exploited as compared to its potential. AKBN⁷⁰ reported about 30 licensees exploiting iron-nickel and nickel-silicate in the existing mines and quarries. Nickel was mostly extracted in the form of iron-nickel and nickel silicate, in Prenjas, followed by Pogradec, Kukës and Librazhd.

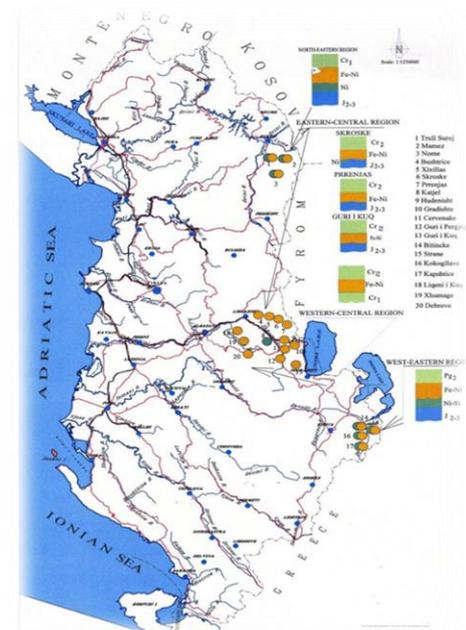
Table 19: Nickel Production and Exports

Nickel alloys	Produced		Exported	
	<i>(Thousand Tons ALL billion)</i>		<i>(Thousand Tons ALL million)</i>	
2017	559	1.2	437	808
2018	378	0.8	354	962

Nickel was exported in the form of FeNi and FeNiSi throughout the reporting years. Based on AKBN data, the nickel sub-sector employed approximately 153 staff in 2017, and 112 in 2018. The following charts show the trends of employment vs. production and exports vs. production in the last 6 years.

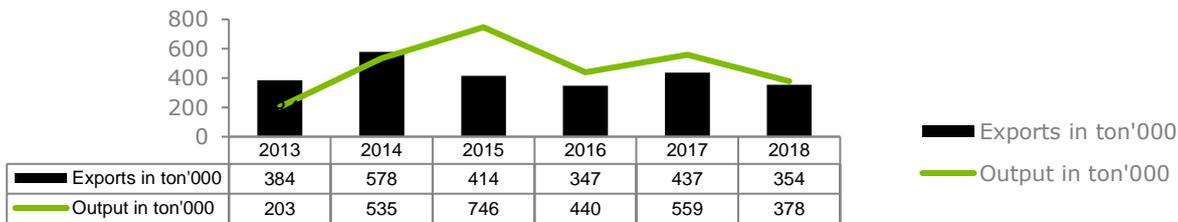
Nickel was mainly exported to Kosovo, North Macedonia and Germany in 2017 and 2018.

Figure 11 Nickel Reserves



Source: AKBN – www.akbn.gov.al

Chart 22 - Exports vs. Output in ton'000 2013-2018



Source: AKBN

Chart 23 - Employment vs. Output 2013-2018



Source: AKBN

⁶⁹ Source DCM no.479, dated 29 June 2011 "Approval of the National mining strategy".

⁷⁰ Information on production, regions and number of staff is based on data reported by AKBN for the purpose of this report.

4.3 Organization and governance of the mining sector

The mining sector in Albania is regulated by Law No.10304 "On the Mining sector in the Republic of Albania", dated 15 July 2010 ("Law on mining"), which entered into force in August 2010 and abrogated the Mining Law No.7796, dated 17 February 1994. MIE and AKBN provide a summary of laws and regulations in force for the mining sector in their respective websites: www.akbn.gov.al and www.energjia.gov.al.

The Law on mining groups minerals into the following four categories:

1. Metals, non-metals, coal and bitumen;
2. Minerals used in construction;
3. Precious and half-precious minerals; and
4. Radioactive minerals.

The law on mining and its accompanying regulatory acts set the main licensing terms for exploration and exploitation activities for each of group of minerals. During the reporting years, all licensees were part of the first two groups.

Regulation approved by DCM no. 364 on 4 May 2011 "On setting minimum surface and investment value for mining licensees" sets the minimum license surface terms and the minimum investment value. These vary by type of mineral. Nevertheless the maximum license area cannot exceed the limits set by the Law on mining and presented below.

Table 20: Maximum license terms and surface

	Metals, non-metals, coal and bitumen	Minerals used in construction
Exploration license term	3 years (can be extended up to 2 years)	1 year
Maximum exploration license area	not greater than 100 km ²	not greater than 10 km ²
Production license term	25 years (can be extended up to 10 years)	
Maximum production license area	not greater than 10 km ²	not greater than 5 km ²
Precious and half-precious minerals term	25 years (can be extended up to 10 years)	

The maximum license area for precious / half-precious minerals is 10 km². These minerals have combination exploration and production licenses.

Production licenses grant the licensee the exclusive right to develop the infrastructure, extract and own the production derived in the licensed area. MIE may also grant licenses the processing of mining waste. Licensees are also encouraged to invest in processing plants.

4.3.1 Operators perspective on the Mining law⁷²

As mentioned in EITI report for 2015, the Foreign Investors Association in Albania (FIAA) informed on several occasions that the minimum amount required to invest and deposit as guarantee for the exploration licenses in

⁷² Information confirmed by Mr. Përparim Aliaj Director of the Foreign Investors Association in Albania (FIAA) for the purpose of this report.

Albania were unreasonably high, when compared to neighbouring countries such as Kosovo.

In addition to the investment requirements, FIAA has previously claimed that the license term should not be less than 6 years, at least for the exploration blocks located in the northern and north-eastern part of the country, where exploration activities can only be conducted during half of the year, due to the cold climacteric conditions in these locations.

4.3.2 Key governmental actors

Ministry of Infrastructure and Energy (MIE)

The Mining Law provides that the monitoring and supervision of the sector is carried out by the respective Ministry and the responsible structures under its direction.

The authority is denominated Ministry of Energy and Industry up until the year 2017 and Ministry of Infrastructure and Energy 2017-2018.

National Agency of Natural Resources (AKBN)

AKBN is the main responsible structure with regard to the monitoring and implementation of government policies in the mining sector, which has several tasks in relation to such sector, among which:

- Inspecting and ensuring that the holders of the permits and the conditions abide by the law stipulated thereto;
- Monitoring the mining operations;
- Assists the Minister with regard to the policies and programs in the sector;
- Evaluates the conditions for granting mining permits and the organization of competitive procedures for the allocation of permits;
- Consults, proposes and cooperates with the relevant structures of the Government, for drafting policies in the field of mining;
- Implements Government policies in the field of mining;
- Provides, within the scope of its activity, the government's review to studies and projects in the field of mining and post-mining;
- Promotes mineral resources and follows the programs designed for their development;
- Supervises mining activity, reviews the annual mining activity plan for each mining permit and reports on the current situation;
- Reviews and evaluates the fulfilment of the conditions for issuing the production permits and certification documents for requests for open areas and those through the competition process;
- Administers exclusively all primary data related to mining and post-mining activity.

Albanian Geology Service (SHGJSH)

The Albanian Geology Service is another important public institution in the sector, focusing in the assistance of the Ministry with regard to studies, monitoring and evaluation related to the exploration and discovery operations.

SHGJSH exercises its activity in the field of geoscience pursuant to law no. 8366, dated 02.07.1988 as amended ("Law on SHGJSH") according to which SHGJSH is a technical-scientific advisor of the State in the field of geo science.

The key tasks SHGJSH performs are:

- General studies on the condition and perspective of mineral resources, assessment and reassessment for reserves of metallic, non-metallic minerals, solid fuels etc.
- Evaluates and monitors exploration - discovery projects, gives opinions and recommendations for the development of the mining strategy and reviews the fulfilment of the conditions for issuing mining exploration and production permits.
- Evaluates the final report of the mining activity of exploration-discovery, realization of the minimum work program, reviews of the project of development of mining activities of exploration-discovery.
- Promotes and presents studies on mineral resources.

National Authority for the Safety and Emergency in Mines (AKSEM)

The object of activity of AKSEM is the safety of work in the mining sector and underground constructions in the hydropower sector. The organization and function of AKSEM is defined by the DCM on AKSEM.

Some of the main tasks of AKSEM include inspection, registration of operators and ensuring the observance of the law with regard to the safety.

More specifically, the tasks of AKSEM are listed as follows:

- For any emergency situation in mining activities and underground works in hydropower instalments ensures the full readiness of personnel, equipment and tools to intervene and cope with the situation of saving people's lives.
- Requires, from any entity that performs underground works, to anticipate in its work practice emergency situations and to prepare an emergency plan, a copy of which is submitted to AKSEM every year and each time the subject practices underground work for the first time.
- Inspects, cooperates, interacts and conducts joint exercises with the emergency personnel of the subjects in improvised emergency situations.
- Monitors and supervises closed and out of use mines.
- Evaluates, closes and monitors the tunnels in abandoned mines.

- Registers any subject that carries out mining activities and underground works in hydropower instalments.
- Records cases of emergencies and serious accidents with risk or loss of life.
- Any other duties defined by the legislation in force.

4.3.3 Environment protection

The Law on Environment sets out the general principles, rules and procedures for the protection of the environment in the Republic of Albania. It establishes the institutional framework revolved around the National Environment Agency, which main tasks, include without being limited to, the monitoring of environment, management of environmental information and observance of the compliance with the responsibility of the operators.

Pursuant to the Law on Environment, any activity causing pollution to the environment can be exercised in the Republic of Albania only after the obtainment of an environmental permit and in accordance with the rules provided thereto.

The central institution in the context of environmental protection is the National Environment Agency, which main tasks, include without being limited to, the monitoring of environment, management of environmental information and observance of the compliance with the responsibility of the operators.

With regard to the environmental protection, other than the general provisions as specified in the environment protection legislation in the Republic of Albania, the holder of the mining permit has to fulfill and comply to certain significant specific obligations.

First, in order to exercise the mining activity, every subject has to obtain an environmental permit that provides the terms and conditions of such activity in view of its environmental impact, in accordance with the Law on Environmental Permits.

Additionally, a subject operating in the mining industry incurs a set of particular obligations stipulated by the special Mining Law. Pursuant to article 37 of the Mining Law, the holder of the mining permit has the obligation to rehabilitate the environment impacted by its mining activity.

Article 2, point 13 of the Mining Law defines the rehabilitation of the mining environment as the entirety of activities undertaken to progressively and completely rehabilitate the mining zone, the rehabilitation of the field of waste deposits, and all of the other activities performed by the holder of the permit, for the prevention of damages to the environment and to guarantee a full rehabilitation of the general ecosystem in the mining zone.

Other important obligations with regard to the above include the management of mining waste and that of the regular closure of the mining activity.

As mentioned above, any subject intending to obtain a mining permit has to submit as a precondition, a plan for the rehabilitation of the environment, that includes the plan for the management of mining waste and that for the

closure of the mining activity in accordance with applicable environmental protection and mining law, which is subject to the approval alongside the mining permit.

The Order on mining environment defines the main principles and terms for the drafting of the plan for rehabilitation of the mining environment, and those for the management of waste and closure of activity.

Every holder of a mining permit has to comply during the tenure with these provisions and ensure the implementation of the plan in accordance with the terms and conditions provided thereto. Failure to comply with such requirements is a violation of the Mining Law, which makes the subject liable to administrative fines and constitutes a justified ground for the revocation of the permit.

Furthermore, the holder of the mining permit has to submit as a precondition for obtaining the mining permit, a financial guarantee for the rehabilitation of the mining permit. This financial guarantee in favor of the State is submitted annually based on the prior calculations of the financial resources required for the rehabilitation.

Further rules and requirements for the financial guarantee are provided in the DCM on the financial guarantee for the rehabilitation of environment. In case of compliance and correct implementation, the financial guarantee is returned to the subject. In case of noncompliance, the rehabilitation is carried out a subject contracted by the Ministry and the costs are covered by the financial guarantee.

It should be noted that the Mining Law considers the failure to comply with the obligation of rehabilitation, as a very serious violation and consequentially expels the holder from the opportunity to obtain another Mining Permit for the next 50 (*fifty*) years.

Regarding the management of mining waste, the Mining Law sets out several important principles regarding the deposition and treatment. The management of waste has to be conducted with the purpose of containing and reducing as much as possible the pollution, in accordance with the applicable legislation and EU requirements. A detailed plan for the waste management has to constitute an integral part of the development plan, providing the preventive and rehabilitation measures.

4.3.4 Minerals' transportation

Currently, minerals are transported via road transportation vehicles, such as trucks, from the mining fields to domestic or export destination. There are no State-owned entities operating in minerals' transportation.

4.4 Allocation of licenses

AKBN and SHGJSH support MIE with the pre- and post-licensing procedures – AKBN for production licenses and SHGJSH for exploration licenses, respectively.

MIE grants mining licenses through round biddings for competitive mining areas and ad hoc negotiations, on the basis of first-come first-served, for open mining areas. Competitive and open mining areas are set in the annual mining plan based on the following criteria:

1. Competitive bids (open public procurement procedures) are granted for areas where known geological and recovered reserves present significant economic interest;
2. Ad hoc negotiations are usually performed for higher risk areas with limited information on reserves. In this case, the prospective licensee presents an extended plan involving areas neighbouring their current licensed area, and supports it with other strategies with significant public interest pursuit in the area.

Subject to the approval of the Council of Ministers, MIE may grant mining concessions for projects assessed with significant economic and social interest.

MIE publishes an annual plan regarding mining cadastres for concession for the forthcoming year on its website: <http://infrastruktura.gov.al/planifikimi-minerar/>. The plan provides the technical specifications for each mining cadastre including:

1. The cadastre number, surface, coordinates and location (district),
2. The commodity and its concentration in%,
3. Geological reserves,
4. Type of license (exploration or production),
5. Minimum required output in ton or m³,
6. Minimum required investment in USD,
7. Bid allocation procedure (competitive or negotiation basis)

Based on interests expressed, MIE publishes the individual bid notices, terms of references, and bid evaluation criteria on its website: <http://infrastruktura.gov.al/procedurat-konkurrenese-per-zonat-minerare/>.

Zona SHfytëzimi										Plani 2018					
Nr. Rendor	Nr. i Zonës	Qarku	Emri i Vendburimit	Lloji i Minerallit	Rezervat Gjeologjike në Tonim ³	Cilësia në %	Të Dhëna për Vendburimin			Sipërfaqja e Zonës km ²	Kordinatat e Zonës				
							Lloji i Veprimtarisë Minerare	Lloji i Zonës Minerare	Sipërfaqja Minimale						
1	12/1	Kukes	Gostli	Argjile	94 000 t	12% A2O3	Konkurrenese	Shfytëzimi	0.02	10 000 m ³	21.0 min	0.202	1	4482113	4651854
													2	4481983	4651556
													3	4481674	4651858
													4	4481726	4651844
2	132/6	Korçë	Mbojçe	Gjelçerç	750 000 m ³	44.5% CaO	Konkurrenese	Shfytëzimi	0.02	10 000 m ³	21.0 min	0.203	1	4483263	4495409
													2	4484062	4495400
													3	4484059	4495151
													4	4483257	4495150
3	152/1	Pemet	Barja	Rancor Silicor	150 000 m ³	54.8% SiO2	Konkurrenese	Shfytëzimi	0.02	1 000 m ³	28.0 min	0.050	1	4438899	4469927
													2	4437075	4469968
													3	4437178	4470097
													4	4437294	4470725
													5	4437382	4470165
													6	4437365	4470005
													7	4437194	4469920
4	201/6	Elbasan	Shushice	Bazalte	5 000 000 m ³	46.9% SiO2	Konkurrenese	Shfytëzimi	0.02	10 000 m ³	21.0 min	0.231	1	4429325	4551336
													2	4429011	4551095
													3	4428928	4551523

Figure 13 Mining Plan Example

Article 29 of the Mining Law provides the conditions/criteria that a subject has to fulfil in order to obtain a mining permit:

The applicant must:

- a) possess required technical capabilities and experience in the mining sector;
- b) possess necessary financial resources;
- c) submit a plan for the rehabilitation of the environment in accordance with the requirements set out in the applicable legislation;
- d) submit a plan for the closure of mining activity and for the management of waste, as part of the abovementioned plan;

- e) not to have been subject of removal of mining permit due to breaches, as defined in the Mining Law.

Mining permits are granted *only to legal persons*, be those domestic or foreign. The process of granting of mining permit follows a two-step procedure that includes:

1. The approval from the designated authority, in most of the cases the Ministry and in exceptional cases such as the permit for radioactive minerals from the Council of Ministers;
2. Issuance of the mining permit from the NBC.

Pursuant to the Mining Law, there are three possible procedures of approval of the mining permit in consideration of the type of the mining zone, as follows:

- Competitive bidding for the zones determined as competitive in the annual mining plan, pursuant to the procedure set out in the DCM on competitive bidding;
- "First in time, first in right" terms with regard to the zones determined as open in the annual mining plan, as per the procedure provided in the DCM on open zones;
- Concession procedures as determined by the Law on Concessions.

Every year the Minister promulgates the annual mining plan that contains the available mining zones for that year and the type of procedure that will be followed for the granting of the permit.

The application process can be fully conducted online through the e-albania platform. An overview of the documents required to apply is also listed on the platform.

4.4.1 Competitive Bidding

DCM on competitive bidding (*Decision of the Council of Ministers no. 320, dated 21.04.2011 "On the approval of procedures, criteria and deadlines for the obtainment of mining permits in competitive zones"*) provides that SHGJSH and AKBN as per each one's scope of activity, pursuant to the requirements of the three-year program of the mining strategy, annual mining plan as well as the respective studies in each of these institutions, identify the mining zone which shall be part of the competitive bidding. SHGJSH and AKBN conduct an analysis of profitability and financial suitability to decide whether the mining zone should be declared as a competitive zone. This analysis is based on the principles of maximum project value versus the required amount of money, in line with the development of possible mining activities with national strategic objectives and their ability to attract potential investors. The Ministry and / or the relevant local authorities assist in this process.

If, following the above, the mining zone is considered to be of interest, AKBN and SHGJSH propose the initiation of competitive bidding procedures to MIE; the competitive bidding procedures are then initiated through an order issued by the Minister.

The Minister, in such order determines the contracting authority, the documentation drafting unit and the organization of competitive procedures, the bid evaluation commission, as well as the participation of a specialized consultant, local or foreign, in case the contracting authority considers it necessary, in accordance with public procurement legislation.

The competitive bidding procedure is effectuated by the contracting authority and includes:

- a) Issuance of order to initiate competitive bidding procedures;
- b) Publication of invitation to bid (includes: invitation to participate, date and time of development, standard documents, object of the competitive bid procedure, minimal investment amount etc.);
- c) The invitation to bid is published in the Bulletin of the Public Procurement and on the website of the Ministry;
- d) Standard documents prepared by the contracting authority.

The contracting authority creates a unit tasked with drafting bids and relevant documentation, which consists of at least 4 (four) members, with at least 1 (one) lawyer in its composition. This unit is responsible for:

- a) Drafting bidding documents, qualification requirements and evaluation criteria;
- b) Drafting the public competition register for the specific object;
- c) Drafting and sending notifications;
- d) Collection and administration of the necessary documents, which are related to the competitive procedure;
- e) Tasks assigned by the bid evaluation commission.

The procedure of evaluation is carried out by a special commission established by order of the Minister and comprised of at least 5 (five) members. The commission is responsible for evaluating the bids.

After the publication of the offers and their evaluation, the commission drafts a summary report and submits the proposal of the winner to the head of the contracting authority, who has the final say in this regard.

With regard to the criteria of the evaluation the DCM on competitive bidding does not elaborate in details, allowing flexibility in consideration of the particularities of the investment for the involved bodies in the preparation of the tender documents and evaluation from the commission based on these documents. In any case, the commission has to include in the summary report a detailed representation of the method and criteria used for the evaluation. It is understood that the most profitable bid, which also fulfills all the announced requirements, is awarded the licence.

The Ministry holds a register of the public competitive bids, which is open to every interested person pursuant to the procedures set out in the law on the right of information. This register contains data in relation to the competitive bidding with the aim of enhancing transparency, including the offers and the persons submitting those. Competitive bids can be accessed on <https://www.infrastruktura.gov.al/procedurat-konkurrenese-per-zonat-minerare/>.

Following the approval by the contracting authority, the applicant, has the exclusive right to file an application alongside the accompanying documentation for obtaining the mining permit from the NBC. The mining permit enters into force after its publication from NBC in the National Register of Licenses, Permits and Authorizations.

KLSH found that a comprehensive and legally defined list of standard documents, and minimal criteria, has yet to be set for this process. Based on the existing legal framework, the Ministry and the consulting institutions determine the required procedure and documents for a certain zone.

4.4.2 Open Zone

DCM on open zones set out the rules and procedures for obtaining a mining permit in open zones. The application to obtain a mining permit in an open zone is submitted to the NBC, which electronically forwards it to the Ministry and makes the documentation available to assessing institutions such as AKBN and SHGJSH.

The evaluating authorities are as follows:

- For the review of documents for exploration and discovery mining permits for metallic, non-metallic mineral groups, coal and bitumen; for the group of construction minerals and for the group of radioactive minerals the evaluating authority is SHGJSH.
- For the requirements for mining production permits for the groups of metallic, non-metallic minerals, coal and bitumen; for the group of construction minerals, for the group of radioactive minerals the evaluating authority is AKBN.
- For the exploration-discovery- production permits for the group of precious and semi-precious minerals, the competent authority is AKBN.

Entities that apply for a mining permit while filing the relevant required documentation are also obliged to declare in writing the legal source of all geological or geological-mining information, used in drafting the application documentation.

Applying for a production permit or exploration- discovery-production mining permit has priority over applying for an exploration-discovery permit.

The DCM on Open Zones (*Decision of the Council of Ministers no. 942, dated 17.11.2010 "On the approval of procedures and documents for the obtainment of mining permits in open zones"*) provides a detailed list of document and criteria that an applicant has to submit and evidence for technical capabilities, financial resources and investment plans with the relevant guarantees for each type of permit. The documents are dependent on the permit the company is applying for.

For exploration-discovery mining permit, SHGJSH verifies the requested mining zone, drafts a verification act, executes the technical review and reviews the project in the technical council, and sends to the Ministry, no later than 45 (*forty five*) calendar days after the date of application to the NBC, the decision of approval or refusal.

The Minister, within a period of 90 (ninety) calendar days from the date of application to the NBC, issues the act of approval or refusal of the exploration permit. Within this deadline, the subject must obtain the relevant environmental permit covering the required mining area. In case of non-compliance with this permit, the Minister issues the act of refusal to obtain a mining permit.

For production mining permit AKBN verifies the requested mining zone and drafts a verification act, effectuates the technical review, and examines the project in the technical council. The technical council's decision of approval or refusal is then sent to the Ministry, no later than 60 (*sixty*) calendar days after the date of application to the NBC.

The Minister, within a period of 120 (*one hundred and twenty*) calendar days from the date of application to the NBC, issues the act of approval or refusal of the permit. Within this term, the subject must obtain the relevant environmental permit that covers the required mining area. In case of non-compliance with this permit, the Minister issues the act of refusal to obtain a mining permit.

This whole procedure is guided by the "First in time, first in right" principle, in the meaning that the first applicant, duly submitting the required documents and fulfilling the necessary criteria, obtains the mining permit. After the approval, the applicant is notified by the NBC, which issues the mining permit.

4.4.3 Concession

Pursuant to the Mining Law, the Albanian State may grant legal, domestic or foreign entities, mining rights, in accordance with the provisions of the legislation in force on concession (Law on concessions). For the exercise of mining rights, the concession agreement approved by law is also subject to the provisions of the Mining Law, insofar as its provisions do not conflict with the provisions of the concession agreement.

Mining zones to go through the concession procedure are determined by decision of the Council of Ministers.

It is our understanding that this method was less used in the period 2017-2018. MIE reported that currently three mining companies are operating as concessions, holding 9 mining permits in total:

- Albchrome
- Beralb
- Illyria Minerals Industry

4.4.4 Transfer

Mining permits granted through competitive bidding and those for which a more favorable agreement has been entered cannot be transferred⁷³. Favorable agreements are agreements, by which the holder of the mining

⁷³ Article 41 of the Mining law

permit profits more favorable conditions in exercising their mining activity, in cases when such activity is of special public interest.

Furthermore, mining permits for whom the mining activity has not yet started are not transferable.

Mining permits that are not included in any of the categories mentioned above are transferrable only after obtaining the prior approval of the Minister and every transfer falling short of such requirement is deemed invalid⁷⁴.

DCM⁷⁵ on the transfer of mining permits provides the legal, financial, technical, and professional criteria, to be met by applicants for the transfer of a mining permit, as elaborated below:

Legal

- a. The applicant must be a legal entity, registered as such in accordance with the Albanian legislation in force;
- b. The applicant must accept, together with the transfer of the mining permit, the responsibility for all obligations towards the state or third parties, which derive from the mining permit that is to be transferred;
- c. Both entities, the current holder of the mining permit and its beneficiary, must acknowledge that the constructions and other installations, which support the main operations of the mining activity, are assessed as inseparable ancillary activities of the mining permit and are transferred with it.

Financial

The applicant must have the financial ability to continue realizing investments programmed to carry out mining activity.

Technical and professional

The applicant must have technical and professional skills for the realization of the mining activity and the project of environmental rehabilitation.

DCM on transfer of mining permits defines the documents to be submitted for the transfer of a mining permit, evidencing compliance with the transfer criteria, as follows:

- a. The request addressed to the Minister for the transfer of the mining permit from the current holder including the reason for transfer;
- b. Commercial excerpt issued by the NBC, reflecting development of the mining activity as the object of activity of the subject that seeks to obtain the mining permit;
- c. A description of the technical, professional and managerial capacities of the entity seeking to obtain the mining permit,

⁷⁴ Article 41 of the Mining Law.

⁷⁵ Decision of the Council of Ministers no. 362 dated 29.04.2011 "On the approval of the criteria and transfer rules, method of application for the postponement of the terms and transformation of the mining permit"

curriculum vitae of staff, as well as a description of his previous experience in the field of mining industry, if any;

- d. A confirmation of necessary financial resources for the realization of investments to exercise mining activity of the entity that seeks to obtain the mining permit, certified by and / or one of following the documents:
 - i. A statement from the bank confirming that the legal entity has opened an account where it has deposited at least 20% (twenty percent) of the value of the investment as provided in the investment program submitted;
 - ii. A document certifying that the legal entity has obtained a loan from a bank, or other financial entity, which covers the expected investments;
 - iii. A contract with an investor, guaranteeing financial support for the realization of the investment program.
- e. An agreement entered between the two companies for the transfer of the mining permit, where it is determined that the subject, who seeks to obtain the mining permit, accepts alongside the transfer of the mining permit, the responsibility for all obligations to the state or third parties, which derive from the mining permit;
- f. A certificate from tax authorities certifying that the holder of the mining permit has no outstanding liabilities;
- g. An approval for the capacities of the annual production, the value of the investments, the values of the guarantees, as defined in article 31 of the mining law.

The holder of the mining permit submits to the Ministry of Infrastructure and Energy, the complete documentation for the transfer of the mining permit as above.

The relevant directorate in the Ministry carries the evaluation of the transfer conditions and documents. This directorate drafts the act of transfer of the mining permit, which is approved by the Minister.

The transfer act is deposited with the responsible structure and the transfer is registered with the National Register of Licenses, Authorizations and permits, as changes to the title of the permit, supplementing it with the identification data of the new owner. The date of transfer is the date of registration in the National Register of Licenses, Authorizations and Permits. The transfer act is also deposited in the mining register.

The applicant is informed on the approval or refusal of the application in the National Register of Licenses, Authorizations and Permits held by the NBC.

4.4.5 Compliance with EITI requirement 2.2

The adopted practices of contract and license allocation adhere to Requirement 2.2 of the 2019 EITI standard, with exception of public disclosure of the name of non-winning applicants. MIE informs that such a disclosure is not permitted by the Albanian law on public procurement.

For previous EITI reporting, MIE officially argued that involvement of APP and PPC in overseeing the fair and non-discrimination basis for allocating the

mining licenses should be sufficient to prevent any corrupted or discriminatory practices and address the participants' concerns on a timely basis.

MIE informed that there are no planned regulatory changes to achieve the full disclosure of non-winning applicants.

Permits Granted in 2017 and 2018

All mining permits and licenses can be accessed on National Business Centre's official website, through the following links:

- For permits granted by NBC: <http://www.qkr.gov.al/search/search-in-the-register-of-licenses-permits-and-authorizations/licenses-issued-by-nbc>
- For permits granted outside NBC: <http://www.qkr.gov.al/search/search-in-the-register-of-licenses-permits-and-authorizations/licenses-issued-outside-nbc/>

Although there is no register listing the procedure through which mining permits have been awarded, the required information is (mostly) publically available, however the process is tedious. The following steps are required in order to understand the process which was followed in the granting of a permit:

- Step 1: Check the new mining permits granted in the list published either by AKBN or AlbEiti, and note down the permit number. The registers also record the NUIS of the company that received the permit. (<http://www.akbn.gov.al/wp-content/uploads/2019/04/Lejet-Minerare-Update-Janar-20202.pdf>)
- Step 2: Input the NUIS in NBC's website, following the link for permits granted by NBC.
- Step 3: Click on "Exploitation Permit". The dialog box which opens lists several documents related to each permit. The document labelled "Akt – Miratimi" (Act of Approval) describes the process used in granting the permit. The document has the same number and date as the mining permit. It also states the mining zone being permitted, as well as the annual mining plan the zone is listed in, and that the application is referring to. In most cases this document also provides a definitive answer as to whether the process that was followed was competitive or an open zone application.
- Step 4: This step serves as a confirmation of the information listed in the approval act.
 - a. On its website, MIE publishes the mining annual plans from 2014 onwards: <https://www.infrastruktura.gov.al/planifikimi-minerar/> In order to check the processes followed, one would have to open the mining plan referenced in the document mentioned in step 3, and check whether the permitted zone was listed as "Competitive (Konkurruese)" or "Open Zone (E Hapur).
 - b. MIE lists the competitive offers on its website <https://www.infrastruktura.gov.al/procedurat-konkurruese->

[per-zonat-minerare/](#) ; if a mining zone has been listed in an offer, it can be noted as a competitive zone.

It must be noted that not all acts of approval list the annual plan being referenced.

Figure 14 Step 1, 2 and 3 of the search process

Titull	Company	NUIS	Number	Status	Relise date	Documents
Simple environmental permit	"BENAKS - 94"	J73804663H	PN-9294-02-2015	Aktive	16/02/2015	Shiko
Simple environmental permit	"BENAKS - 94"	J73804663H	PN-9238-02-2015	Aktive	09/02/2015	Shiko
Environmental permit	"BENAKS - 94"	J73804663H	PN-0104-05-2015	Aktive	25/05/2015	Shiko
Environmental permit	"BENAKS - 94"	J73804663H	PN-5962-10-2017	Aktive	31/10/2017	Shiko
Integrated environmental permit	"BENAKS - 94"	J73804663H	PN-9897-04-2015	Aktive	30/04/2015	Shiko
Exploitation permit	"BENAKS - 94"	J73804663H	PN-1209-11-2015	Aktive	13/11/2015	Shiko
Environmental permit	"BENAKS - 94"	J73804663H	PN-2698-05-2016	Aktive	10/05/2016	Shiko
Exploitation permit	"BENAKS - 94"	J73804663H	PN-5975-11-2017	Aktive	18/04/2006	Shiko
Hydrocarbons	"BENAKS - 94"	J73804663H	939	Modifikuar	18/04/2006	Shiko
Exploitation permit	"BENAKS - 94"	J73804663H	PN-6300-02-2018	Aktive	23/02/2018	Shiko

Dokumentat e Licenses

- Garancia financiare PDF
- Proces-Verbal LC-1330-05-2017.pdf
- AKT-Miratimi LC-1330-05-2017.pdf

There is a time lapse between MIE announcing a winner of a bid, and AKBN awarding a license. For the purpose of this report, the permits granted by AKBN in 2017 and 2018 have been researched. As discussed, the law does not permit MIE to disclose non-winning applicants, so an analysis as to whether the procedures were correctly followed and the appropriate applicant won the bid cannot be conducted.

Table 21: Permits granted in 2017 and 2018

Subject	Permit Number	Date	Activity	Zone	Permitting process
XHIRETON shpk	479/2	25.04.2017	Extension	-	-
DKS Group shpk	1023/1	11.05.2017	Extension	-	-
KOVAÇI-3 shpk (KORABI-K shpk)	1026/2	25.04.2017	Extension	-	-
Favina Shpk	1039/1	06.07.2017	Extension	-	-
Alb Tifbau shpk	1040/2	11.05.2017	Extension	-	-
Kolosjani Kristal shpk	1051/1	13.06.2017	Reactivation	-	-
Egi-K shpk	1460/2	29.06.2017	Amendment	-	-
LOSHI BL shpk	1594/1	16.07.2018	Conversion	-	-
ELDOAL shpk	1830	25.01.2017	New licence	556/2	Competitive

Tirex Exploration. Sh.p.k	1831	09.02.2017	New licence	165/4	Competitive
Thoreneks Shpk	1832	17.03.2017	New licence	388	Competitive
BERT & BLER shpk	1833	10.05.2017	New licence	137/5	Competitive
Gulf Miningmaterials Al.shpk	1834	13.06.2017	New licence	136/10	Competitive
Babasi COO shpk	1835	30.06.2017	New licence	2/6	Competitive
GIB shpk	1837	24.07.2017	New licence	114/4	Competitive
ALBAVIA & SINTRAM shpk	1838	24.07.2017	New licence	169/7	Competitive
Devoll Hydropower sh.a ⁷⁶	1840	04.09.2017	New licence	712/9	Open Zone
Gerad Krom	1841	13.09.2017	New licence	655/1	Competitive
Maxi shpk	1842	13.09.2017	New licence	181/4	Competitive
Kurti-Trans L82 Bulqizë. Shpk	1843	13.09.2017	New licence	312	Competitive
Topi- Eki Shpk	1844	13.09.2017	New licence	70/11	Open Zone
Topi- Eki Shpk	1845	13.09.2017	New licence	70/10	Open Zone
Çorroj shpk	1846	13.09.2017	New licence	205/5	Competitive
Hasa 2011 shpk	1847	13.09.2017	New licence	289/1	Competitive
Vellazeria Minerals Albania shpk	1849	23.10.2017	New licence	39	Competitive
Santi & Xhuli shpk	1850	01.11.2017	New licence	48/7	Competitive
Pietra Nesli shpk	1851	09.11.2017	New licence	56/8	Competitive
Milis shpk	1852	04.12.2017	New licence	346/6	Open Zone
PI.OR. Quarries shpk	1853	25.01.2018	New licence	62/7	Competitive
Benaks 94 shpk	1854	16.02.2018	New licence	59/3	Open Zone
Deliu-3D shpk	1855	23.04.2018	New licence	436	Competitive
EKIN MADEN NICKEL shpk	1857	29.05.2018	New licence	737/5	Competitive
Alesio - 2014 shpk	1859	05.07.2018	New licence	295	Competitive
Vllahen Mining shpk	1860	12.07.2018	New licence	294/7	Competitive
FAT-ALKOM BETON ALBANIA shpk	1861	16.07.2018	New licence	377/6	Competitive
STONE MONDIAL shpk	1863	16.07.2018	New licence	70/9	Competitive
Ndermarja e Sherbimeve Publike Fier shpk	1864	01.08.2018	New licence	802/10	Open Zone
Kodra e Surreles shpk	1865	26.09.2018	New licence	530	Competitive
Alflo shpk	1866	26.09.2018	New licence	231/7	Competitive
BEAUTY of ALBANIA shpk	1867	17.10.2018	New licence	349/2	Competitive

⁷⁶ Devoll Hydropower sh.a. does not have a commercial mining activity. The permit is used to support their HPP-related activities, specifically, for the construction of a replacement road. They obtained a special agreement with the Albanian Government for this purpose.

DVM 2017 shpk	1864*	07.09.2018	New licence	436/7	Competitive
Tete Albania Tunel&Mining Shpk	1865*	15.12.2018	New licence	275/7	Competitive
Tete Albania Tunel&Mining Shpk	1866*	15.12.2018	New licence	275/6	Competitive
Bashkia Poliçan	1867*	18.12.2018	New licence	426/1	Open Zone
Trade Minerals AL shpk	1848	23.10.2017	New licence	93	Competitive
LATOMIA TIRANA shpk	926/1	09.03.2017	Extension	-	-
Devoll Hydropower sh.a ⁷⁷	1839	04.09.2017	New licence	712/8	Open Zone
TOMORRI - B shpk	1862	16.07.2018	New licence	346	Open Zone

Most licenses are awarded through competitive bidding. This is the likely scenario as competitive zones carry less risk in both the terrain and proven reserves. Additionally, in annual mining plans, the majority of mining zones are listed as competitive.

Although we were not able to conduct an assessment of any non-trivial deviations from the procedure described in the legal framework, there are channels through which non-winning bidders can complain if they determine that there have been deviations. The complaint procedure is conducted in three layers; the non-winning bidder, or any other person having an interest in obtaining a public contract, can escalate the case these levels if they are not satisfied with the Ministry's decision:

1. The objection of the public procurement and auction procedure is first filed with the contracting authority, in this case MIE.
2. If the objector is not satisfied, the complaint is escalated to the Public Procurement Commission (KPP)
3. If the contracting authority or objector claim the decision of the KPP does not comply with the law, within 5 days upon receipt of the decision, may bring the administrative conflict suit in front of Tirana District Court. However, this does not suspend the procurement, auction and concession procedure.

The full procedure can be accessed on:

http://www.kpp.gov.al/ppadv/Appeal_Procedure.aspx

KPP also maintains a complaint registry, found on:

http://www.kpp.gov.al/ppadv/Complaints_Registry.aspx

4.4.6 Register of Licenses (Mining Permits)

The Mining Law⁷⁸ in its article 44 provides for the establishment of the mining register. The Order on Register provides that the mining register will contain a wide array of information ranging from the information on owners, amount of reserves and production, legal regime of the surfaces, type of mining permits, etc.

The Register would be held by the National Licensing Center ("**NLC**") and be publicly available. In 2015, the NLC was merged into the newly established

⁷⁷ Now revoked.

⁷⁸ Article 44 of the Mining Law.

institution, the NBC. From our observation of the website of the NBC, no mining register – *i.e.* a **dedicated** register containing organized and indexed information for this specific sector as per the Mining Law – is available to the public.

However, the information regarding mining permits of subjects is available in the general National Register of Licenses, Permits and Authorizations, that constitutes a generalized database for all the licenses/ permits/ authorizations issued in the Republic of Albania (see section 4.4.5)

It should be noted that a register of the holders of mining permits in the Republic of Albania is held by the AKBN and the Ministry. The register contains information on the date of issuance, name and tax number of subjects, location, surface of mining zone and the type of mineral.

The register held by AKBN is periodically updated as in this webpage: <http://www.akbn.gov.al/wp-content/uploads/2019/04/Lejet-Minerare-Update-Janar-20202.pdf>.

AlbEiti also maintains a register of active licenses on their website. Information is compiled from MIE, AKBN and SHGJSH, and updates the register semi-annually, specifically:

- a. By the end of July including information updated up to June
- b. By the end of January including information updated up to December of the preceding reporting period.

In addition to compiling the registers, AlbEiti performs checks and verification of information to source documents disclosed in the National Business Centre or shared by the MIE, AKBN and SHGJSH. Prior to publishing the register, AlbEiti cross-checks the information about to be published with the lists disclosed by MIE and AKBN on their respective websites. Any discrepancy or inconsistency noted is resolved with the MIE and AKBN before the registers are updated in ALBETI's website.

The public register compiled by AlbEiti discloses all information listed in the EITI requirement 2.3, with except for the date of application for licenses granted prior to year 2012. MIE, AKBN and SHGJSH could not provide this information because of time elapsed since license award practice.

4.4.7 Disclosure of Mining Permits

Pursuant to the Mining Law⁷⁹, mining permits must always be published in the general Register of Licenses, Permits and Authorizations held by the NBC. As such, the main terms and conditions of the mining permit and the respective act of approval are found in this register that is easily accessible in the website of NBC.

Mining concession contracts are not officially disclosed for public access.

The Mining Law in force in the period covered by this document does not specifically regulates disclosure obligations. Usually, the contractual terms cannot be/ are not disclosed due to confidentiality arrangements. The Ministry has not announced any planned regulatory changes in this regard.

⁷⁹ Article 30 of the Mining Law.

Considering the adopted practices regarding contract disclosure in oil and hydropower sectors, the Ministry may consider replicating this good practice to the mining sector as well.

4.5 Social and economic spending

Social expenditure

Social expenditure refers to material social expenditures made by companies in the benefit of the public and civil society, as mandated by law or by the contract with the government.

The Government and the largest mining companies engaged in the mining sector have previously informed that currently-in-force Concession Agreements and mining permits do not include clauses regarding mandatory social payments to be performed by the mining companies in the benefit of the communities. The timing and amount of any social payment is decided by the mining companies at their discretion.

Infrastructure provisions and barter arrangements

Infrastructure provisions and barter arrangements involve the provision of goods and services (including loans, grants and the construction of infrastructure), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities.

The Government and the largest mining companies engaged in mining sector have previously informed that currently-in-force mining concession agreements and mining licenses do not include barter infrastructure provisions.

4.6 Revenue from the mining sector

The State derives its revenue from the sector by collecting the royalty applied to the sales value of the minerals, and by taxing the subject's activity. The main revenue from the mining sector in 2017 and 2018, broken down as shown in the following table, were all recorded in the State's Budget.⁸⁰

Apart from the revenue streams noted with (*)⁸¹ and "Royalty – DPD", the figures are based on DPT's reporting for the sector.

Table 22: Main revenue from the mining sector in 2017

Revenue stream	Fiscal revenue in MALL	Fiscal revenue in M\$	Structure in %
Royalty - DPT	1566.80	13.16	10.65%
Royalty – DPD	888.50	7.46	6.04%

⁸⁰ Based on the DPT classification; data may include companies whose primary activity is not extractive, or may include upstream oil & gas company revenue.

⁸¹ The revenue streams denoted by this symbol only include companies that have been selected as reporting entities. Following the identified issues in DPT's classification methodology, and the assumption that other companies operating in the sector do not make material contributions, we conclude that the dataset reported by the DPD would be a more accurate representation of these payments.

Tax on profit	2159.30	18.13	14.67%
VAT	3791.00	31.83	25.76%
Import VAT (*)	1382.60	11.61	9.39%
Payments for social and health insurance	2942.90	24.71	19.99%
Personal income tax	1170.70	9.83	7.95%
Tax on dividend	100.60	0.84	0.68%
Withholding tax	300.60	2.52	2.04%
Excise tax (*)	150.81	1.27	1.02%
Carbon tax (*)	224.87	1.89	1.53%
Other import revenue (*)	35.55	0.30	0.24%
Tax penalties	4.20	0.04	0.03%
Total	14,718.43	123.58	

Table 23: Main revenue from the mining sector in 2018

Revenue stream	Fiscal revenue in MALL	Fiscal revenue in M\$	Structure in %
Royalty - DPT	1,272.30	11.78	8.68%
Royalty - DPD	540.80	5.01	3.69%
Tax on profit	2,305.20	21.34	15.73%
VAT	3,464.20	32.07	23.64%
Import VAT (*)	1,103.15	10.21	7.53%
Payments for social and health insurance	4,198.40	38.87	28.65%
Personal income tax	1,067.90	9.89	7.29%
Tax on dividend	184.70	1.71	1.26%
Withholding tax	334.10	3.09	2.28%
Excise tax (*)	57.84	0.54	0.39%
Carbon tax (*)	85.52	0.79	0.58%
Other import revenue (*)	33.67	0.31	0.23%
Tax penalties	4.10	0.04	0.03%
Total	14,651.88	135.65	

These revenues comprised about 0.95% of GDP in 2017 and 0.9% in 2018.

(*) State revenue reported by the Customs Administration for the companies subject to reconciliation. Only royalty was reported for the entire sector.

Other revenue generated by AKBN and SHGJSH for services performed are immaterial compared to the revenue streams listed above.

4.6.1 Royalty

Royalty represents the main revenue stream earned from the upstream mining sector, which can be fully attributed to production. Royalty is exclusively applied to the taxable portion (or fiscal value) of revenues from extractive activity, in accordance with Law No. 9975 "On national taxes", dated 28 July 2008, amended. Royalty on exports is collected by the Albanian

Customs Administration, while royalty taxed on domestic sales is collected by the General Tax Directorate. As set in the Law on National taxes, royalty is recorded in the National Budget and a portion is transferred to the Local government units (LGUs) at 5% of the royalty portion generated by each unit (refer to chapter 6).

Royalty rate applied for the main minerals are shown in the table below:

Table 24: Royalty applied for main minerals

Mineral	Royalty applied 2011-2018⁸²
Chromium	6%
Copper	6%
Nickel-silicate	6%
Iron-nickel	5%
Coal, sands and bitumen	117 – 19,940 ALL / ton
Limestone	47 ALL / m ³
Sandstone	491 ALL /m ³
Tiles and slabs	228 – 6,000 ALL / m ³

Metallic minerals sold to be processed domestically are taxed at lower rates. Royalty on chromium is expected to increase in the following years. More on the application of royalty can be found in Chapter 6.

4.6.2 Tax on profit

Tax on profit is levied from the General Directorate of Taxes as a percentage of the company's net profit. Up until December 2013, in accordance with "Law on Income tax" No. 8438, dated 28 December 1998, amended, profit tax in Albania was charged at 10% on net profit. Starting from 1 January 2014, profit tax rate increased to 15% of the company's net profit. Full requirements of this Law apply to the mining sector.

4.6.3 VAT

Value Added Tax (VAT) is payable at 20% of taxable sales in the country based on the Law no. 92/2014 "On Value Added Tax". VAT on exports is taxed at 0%. VAT, and VAT paid at import, are one of the largest contributors form companies operating in the sector.

4.6.4 Payments for social and health insurance

Compulsory payments for social and health insurance are calculated and paid in accordance with the Law no. 9136, dated 11.9.2003, "For the collection of compulsory social and health insurance in the Republic of Albania", amended, and the Law no. 10383, dated 4.2.2011 "On compulsory health insurance in the Republic of Albania" and Law no. 150/2014, "For the pensions of the underground workers". These laws define the minimum payable contribution for the State pension and public health care applicable to the mining sector. There are no specific provisions for the above-mentioned industries in the

⁸² Based on the rates reported in Law no. 9975, dated 28.0.2008 "On national taxes", as amended. The ministry's (MFE) website states different rates.

legislation for social and health insurance contributions, except for the obligation to pay additional social security contributions for retirement pensions for mining workers that work underground at the rate of 5% of their gross salary (respectively 3% for the employer and 2% for the employee).

Payments shown above include both share of contribution paid by the employer and the employee. This payment stream is relatively high when compared to the other streams because of the large number of employees engaged in the sector.

4.6.5 Personal income tax

Personal income tax (PIT) is calculated and paid in accordance with the provisions set in the Law no. 8438, dated 28.12.1998 "On Tax on income", amended. Based on the law provisions, personal income earned from employment and other sources is taxed according to the following thresholds:

- Up to ALL 30,000 – 0%
- Income earned above ALL 30,000, up to ALL 130,000 – 13% of income over 30,000
- Above ALL 130,000 is taxed at 13,000 + 23% of income over 130,000

These tax thresholds and rates are applied to all industries in the scope of this report.

4.6.6 Tax on dividend

Tax on dividend is calculated and paid in accordance with the provisions set in the Law no. 8438, dated 28.12.1998 "On Tax on income", amended. Until December of 2018 Tax on dividend was applied at 15%; dividend is now taxed at 8% of the declared dividend. This tax is withheld at source and paid by the company when dividends are declared. This tax is not applicable when the shareholders are registered entities in accordance with the tax laws and pay taxes in Albania.



5. Hydro-energy sector

Electrical power ranks as the second most important energy source in the country after oil and oil by-products. Essentially, the Albanian electrical power system relies exclusively on energy produced by hydropower plants (HPPs). The sector remains highly regulated and dominated by public companies, while the number of private hydropower concessions continues to rise.

5.1 Overview of the Hydropower sector

Albania is rich in water reserves. This has granted it a hydropower potential which has had an important developmental role for the country. The Albanian hydrographical territory is 44,000 km², about 57% larger than its geographical territory. As shown in figure 9, the country's 8 main rivers are: Drini, Buna, Vjosa, Semani, Mati, Shkumbini, Ishmi and Erzeni. The formation of cascades along these rivers makes them substantially important for the country's hydropower potential.

According to the National Energy Strategy, the annual power production potential from hydropower plants in Albania is estimated to be 16-18 TWh, and can be derived from the installed HPP capacity of 2106MW⁸³.

The three largest hydropower plants – Fierza, Koman and Vau i Dejes – were built in the form of a cascade on the Drini River, from 1971 to 1985, with an installed capacity of 1,350 MW. These three HPPs have generated approximately 85% of the energy produced through hydropower plants in the last 18 years, with an average annual output of 4,348 GWh.

2017 was registered as a relatively bad hydrologic year causing country's net imports of power to amount to almost 3 TWh. The total domestic output in 2017 was 4,525 GWh – 37% less than in 2016, while consumption rose by 4.9%. Due to more favourable conditions, in 2018 the sector's outcomes improved with domestic output hitting a record high at 8,552 GWh, more than 1.88 times higher than in 2017. Domestic consumption rose by 2.7%

Figure 15 Main rivers in Albania

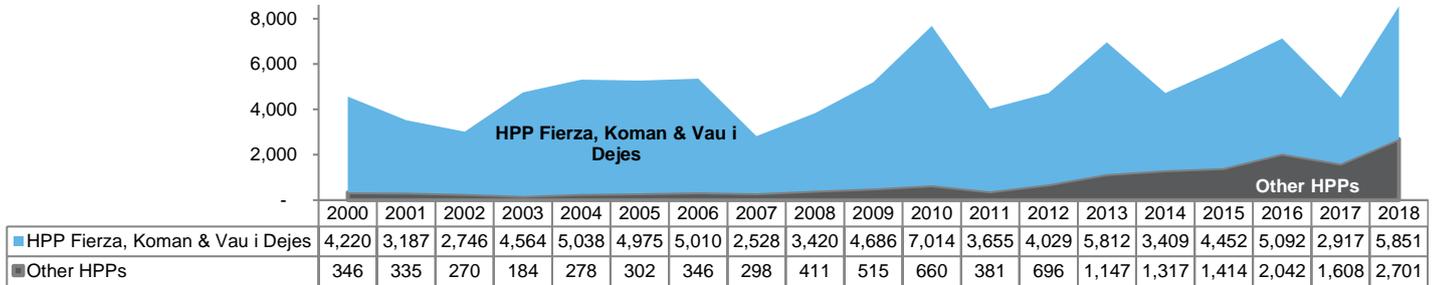


Source: AKBN – www.akbn.gov.al

⁸³ Source: Ere annual report

during 2018, amounting to more than 7.6 TWh. The energy surplus led to the country becoming a net exporter of 0.9 TWh of power.

Chart 25 - HPP Fierza, Komani & V. Deja output vs total power output 2000-2018
GWh

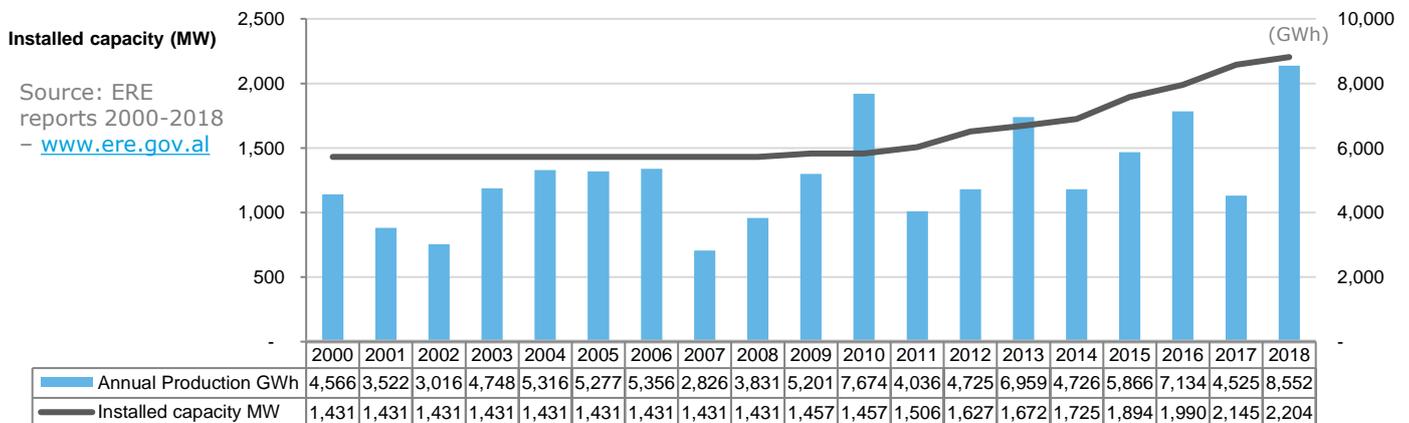


Source: ERE reports 2009-2018 – www.ere.gov.al

The HPPs owned by KESH generated 64% of domestic output in 2017 and 68% in 2018.

Chart 26 presents the power output and capacity installed throughout the period 2000 – 2018. Annual domestic output varies largely on hydrological cycles. In the last 18 years, the annual power output reached its highest peak in 2018 with 8,552 GWh and lowest peak in 2007 with 2,826 GWh.

Chart 26 - Hydropower output vs installed capacity 2000-2018



Up until 2007, the installed capacity in the country, totalling at 1,350 MW, was entirely administered by Korporata Elektro-Energjetike Shqiptare (KESH). At the end of 2018, the installed capacity increased to 2,204 MW due to the new concessional HPPs starting production.

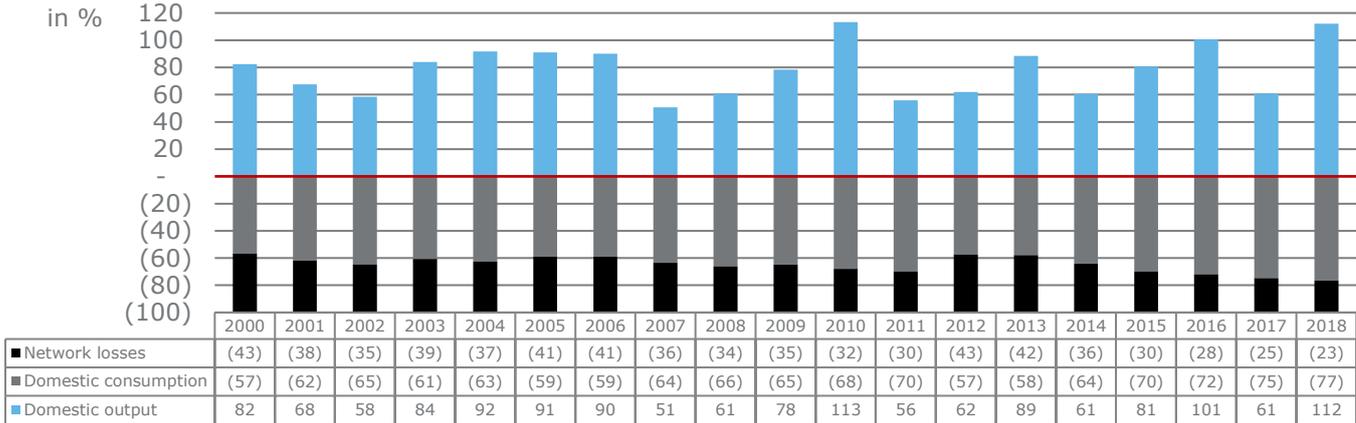
During 2018 an additional 11 new HPPs with an installed capacity of 38.3 MW became operational, contributing an additional 19 GWh to the annual domestic production.

Despite its abundant hydropower potential, Albania has been a net importer of hydropower to compensate for its negative power balance during the last 18 years, with 2010, 2016 and 2018 being exceptions.

The negative power balance was a result of the high level of losses in the distribution network, and, depending on the year, a domestic production deficiency. Based on the data reported by INSTAT, the annual average power output over the last 18 years comprised about 78%⁸⁴ of the domestic annual average of energy needs (including losses). Future investments with the objective of reducing energy losses (technical and financial) would

Chart 27 - Production and consumption of electrical power 2000–2018

Source: Power Balance, 2000 – 2018 INSTAT



significantly improve the power balance.

5.2 Organization and governance of the power sector

The country's power system – including power generation from water, thermal and alternative sources, power transmission, and distribution – is regulated by law. In April 2015, the Government of Albania approved a new law no. 43/2015 "On power sector" ("Law on power sector")⁸⁵, in attempt to reflect the EU Directives regarding this industry. This law sets the minimum requirements to be fulfilled to be granted a concession for the construction or reconstruction of a hydropower plant, and a license for power generation. Main terms and procedures are summarized in section 5.3.

The aforementioned law assigns ERE as the authority responsible for the allocation of rights and obligations among the power market participants, and grants ERE regulatory control over the Albanian power market.

In July 2016, the Albanian Government announced a new power market model ("Market") which presented the transitional steps towards market liberalization in accordance with the new Law "On power sector". This new market model was approved via DCM no. 519, dated 13 July 2016 as a final step towards the development of a liberalized and competitive power market, in compliance with the requirements of the Energy Community Treaty of Southeast Europe. This model foresaw the establishment of a fully operational Albanian Power stock exchange within 2017, to which all market participants would have access. This goal has yet to be achieved, however

⁸⁴ Calculated as a simple annual average of the ratio production / usage during years 2000 - 2016. Data sourced from "Power balance, 2000 -2016" - www.instat.gov.al.

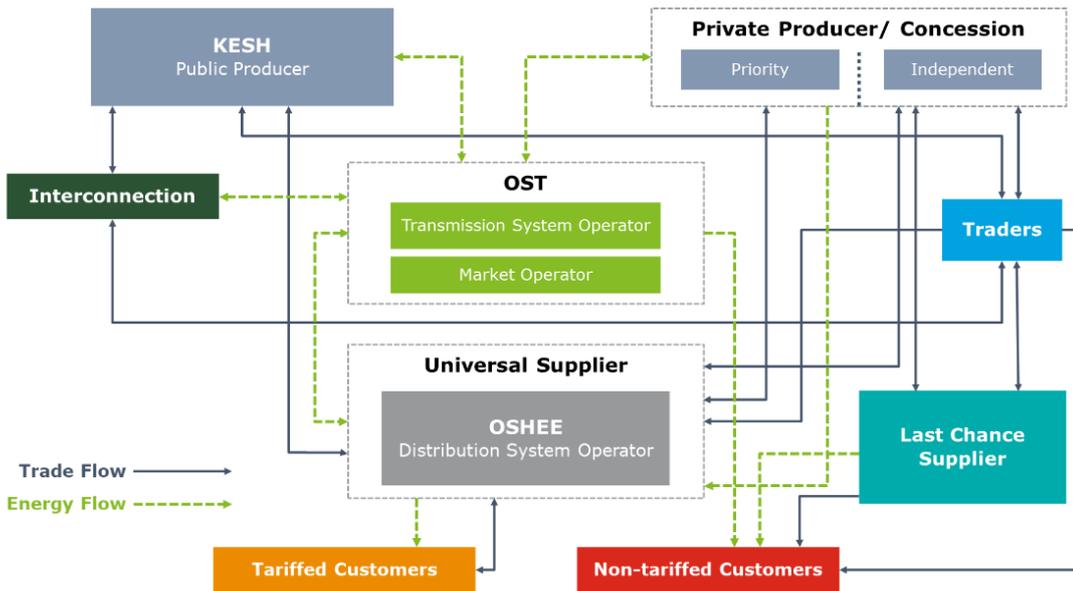
⁸⁵ This Law abrogated Law no. Law No.9072, dated 22.05.2003 "On power sector" amended.

progress has been made through the approval of two DCM pertaining to the Albanian Power Exchange:

- a. DCM no. 322, dated 15.05.2019 "For the creation and determination of the legal form and ownership structure of the capital of the Market Operator"
- b. DCM No. 609, dated 11.09.2019 "On the determination of the criteria and procedures regarding the selection of participants in the capital of the Market Operator"

The extension of the transitory period aims to grant consumers the necessary time to make the changes needed to adapt to a free energy market. This extension also allowed the government to make the required legal changes to support the transition. Still, certain steps have been taken towards market liberalisation, from January 1st 2018, consumers tapped into the 35 kV grid have been able to purchase energy from licensed suppliers in a liberalized market at unregulated prices.⁸⁶

Figure 16 Energy flows between the power market participants



⁸⁶ Source – ERE Report 2018

5.2.1 Key market participants

Albanian Electrical Power Corporation (KESH)

KESH is the largest power producer and supplier in the country. The corporation owns and operates the largest HPPs on Drini River, HPP Fierza, HPP Koman and HPP Vau i Dejes, with a total installed capacity of 1,350 MW, as well as a thermal power plant (TPP) in Vlora built in 2009, with an installed capacity of 98 MW. The three HPPs are operational and contribute to the largest share of domestic power output, while the TPP in Vlora is not operational due to a defect in the plant's cooling system.

HPP Fierza is located near the village of Fierza, about 20 km from the town of Bajram Curri. The HPP was built in the 1970s, from 1971 to 1978. HPP Koman, built from 1980 to 1988, is located in the Drini River Valley, between HPP Fierza and HPP Vau i Dejes, about 2 km from the Koman village. HPP Vau i Dejes, built from 1967 to 1971 is located in the lower part of the Drini River Valley, about 18 km from the city of Shkodra.

Over the years, KESH has performed several interventions to increase operational efficiency and dam safety⁸⁷. Details of HPPs, power output, imports and projects pursued by KESH can be accessed in its official website: www.kesh.al.

The price for the energy that KESH sells to Universal Service Supplier to cover the demand for electricity of the regulated clients is determined and approved by KESH's General Assembly. To fulfil its obligation to supply the national requirement for energy and thus balance any energy deficiencies, KESH purchases power in the international markets at market prices. The imported energy is then sold to OSHEE at the regulated prices. At the same time, KESH sells any energy surpluses to the domestic or international market at market price. The new market model would release KESH from its obligation to supply OSHEE at regulated prices, creating the opportunity for KESH to manage its power resources and sell energy at market price.

KESH has historically been 100% owned and administered by the Albanian Government.

Based on the current power supply structure and consumption, the output generated by KESH comprises the main source of energy in the country.

⁸⁷ Dam safety project financed by the World Bank and international financial organizations: <http://projects.worldbank.org/P125856/dam-safety-additional-financing?lang=en>.

Transmission System Operator ('TSO' or 'OST')⁸⁸

OST was established in 2004, and has been certified by ERE as an electricity transmission operator pursuant to the article 54(6) of the Law no. 43/2015 "On Power Sector" and the article 9(6) of the Directive 72/2009/EC. As such, OST owns and operates the transmission network and is responsible for the maintenance and expansion of the network. OST transmits power through the transmission and interconnection lines with voltage range of 110-400kV, and the substations that serve to connect them.

Additionally, OST also covers the role of Market Operator – the market participant responsible for managing and organizing the payments and exchanges of power between other market participants.

OST charges system users for the transmission system services, auxiliary services, payments under the Interconnection Agreement, and for the purchase of balancing power under the Market Rules. The transmission service fees are regulated by ERE.

The OST transmission network includes the following interconnection lines, which provide the infrastructure needed to support the international exchange of power:

1. 220 kV between Fierza (Albania) – Prizren (Kosovo)
2. 220 kV between Koplik (Albania) – Podgorica (Montenegro)
3. 400 kV between Zemblak (Albania) – Kardia (Greece)
4. 400 kV between Tirana (Albania) – Podgorica (Montenegro)
5. 400 kV between Tirana (Albania) – Prizren (Kosova)⁸⁹
6. 150 kV between Bistrice (Shqipëri) – Myrtos (Greqi)

Through continuous improvement of its capacities, in May 2016, OST announced the inauguration of the National Dispatch Centre and New Control System SCADA / EMS, as one of the most important projects of the Transmission System Operator, worth EUR 23 million. The SCADA / EMS System project has been the main prerequisite for granting OST membership in the European network of the electric power transmission system operators (ENTSO-E)⁹⁰.

OST has been historically owned by the Albanian State since its establishment.

The new market model assigns new responsibilities to OST regarding the administration of the Albanian Power Exchange.

⁸⁸ Source of information on transmission line – ERE's Report on the Power sector activity in 2016 - www.ere.gov.al.

⁸⁹ Source: OST webpage - <http://www.ost.al/sq/inauqrohjet-linia-400-kv-shqiperi-kosove-nje-nga-veprat-me-te-rendesishme/>

⁹⁰ Source: <http://www.ost.al/en/it-is-inaugurated-the-modern-dispatch-center-of-the-transmission-system-operator/>

Electric Energy Distribution System Operator - OSHEE⁹¹

OSHEE was established in 2006. The SoE has four main objectives, regarding the distribution of power:

- a. Carrying out all the necessary and direct activities regarding the purchasing and sale of power, to supply tariff customers connected to its distribution network, with tariffs regulated in accordance with the current legal framework and agreed license.
- b. Carrying out all necessary activities directly related with the operations of the distribution network in compliance with the current legal framework and agreed license.
- c. The development of the distribution network
- d. Other services to clients, required to fulfil its legal obligations towards them.

OSHEE provides connection and distribution services to tariff customers, non-tariff customers, producers, and suppliers, on a non-discriminatory basis. Fees, terms, and conditions of distribution services are regulated by ERE.

Distribution network assets are outdated, ranging from 12 to 40 years old. The poor technical conditions of the distribution network, combined with financial losses due to energy theft and unpaid bills, have caused significant losses to the OSHEE, amounting to more than 42% in 2011 and 2012. As a result of integrated actions of OSHEE and the Albanian Government losses decreased to 26.41% in 2017 and 23.96% 2018.

The entity's responsibilities have changed in recent years. In 2016, all contracts with priority producers were transferred from KESH to OSHEE. In 2017, in order to distribute its responsibilities and comply with EU requirements, OSHEE was unbundled into three separate entities owned by OSHEE specifically:

- The Universal Supplier (FSHU) sh.a – Distributes power
- The Free Market Supplier (FTL) sh.a – Purchases power from producers and in the market
- Distribution System Operator (OSSH) sh.a – Maintains the network

For FSHU to fulfil its role as Universal supplier, FTL purchases energy from KESH, HEC Ashta and priority producers at regulated prices. When required, it also purchases power in the market. At times when the energy supplied exceeds the budgeted and approved figures, OSHEE pays the difference at market prices. The energy balance is maintained by OST.

The three companies were legally registered on March 30th 2018, and OSHEE's licenses for each function have been transferred to the formed entities. This division was meant to increase the transparency of the dealings and transfers within OSHEE, and prepare the sector for the transition to a liberalized market.

Wholesale and retail public suppliers operate under special licenses issued by ERE.

OSHEE manages the distribution system, and acts as a Universal Supplier of energy.

The investments made in the network and increase control have resulted in a significant decrease in losses

⁹¹ Source – ERE Report for 2016 -- www.ere.gov.al.

Private power producers and concessions

Private power producers are divided into priority producers and independent producers. Independent Power Producers (IPPs) relate directly into the transmission system, and sell energy based on prices agreed upon in contracts with buyers, or at market price.

Priority producers consist of HPPs with an installed capacity up to 15 MW, which are required to sell the energy produced to OSHEE at regulated prices.

Retail Customers

Tariff Customers purchase electricity from the Universal Supplier - OSSHE at prices regulated by ERE.

Non-Tariff Customers are those who can freely choose their energy supplier, including Last Chance Suppliers.

Other market operators

Licensed energy traders purchase and sell power at wholesale quantities to other market operators, with the exception of the Universal Supplier and Tariff Customers. Traders may purchase power from KESH (when there's surpluses), SPPs (small / priority power producers) and IPPs and sell power to Qualified Suppliers, Wholesale Public Suppliers, or OSHEE.

5.2.2 Guaranties and other transfers between the State and State-owned Enterprises (SoEs)

Alongside the benefits that the State gains from the hydropower sector in the form of taxes and fees, the State also injects funds into the sector through investments in equity and direct lending to state-owned companies. The Albanian State, also acts as a guarantor in banking and other loans granted to the SoEs.

The table below showcases the balance sheets of the three SoEs – KESH⁹², OST and OSHEE – in the hydropower sector in 2017 and 2018.

⁹² Due to several material errors in KESH's financial statements for the year 2017, the numbers in the table are extracted from the financial statements for 2018, where the errors are amended retrospectively.

Table 25: Key financials of the SoEs in the sector

	2017				2018			
	KESH	OST	OSHEE	Total	KESH	OST	OSHEE	Total
Property, plant, and equipment	84,475	52,109	38,512	186,923	84,198	54,344	42,539	181,080
Intangible assets	0	455	805	1,308	-	627	788	1,415
Receivable financial assets	7,144	28	1	12,720	7,479	14	12	7,505
Total of long-term assets	91,619	52,592	39,319	200,902	91,677	54,984	43,339	190,000
Inventories	2,224	629	6,044	9,193	2,015	634	6,168	8,816
Receivable financial assets	9,830	699	-	8,047	11,127	125	-	11,252
Trade and other payables	55,450	9,579	27,162	89,533	61,416	14,660	26,863	102,939
Cash and cash equivalents	795	807	4,136	5,738	1,038	380	2,208	3,625
Total of current assets	68,299	11,713	37,342	112,514	75,596	15,798	35,238	126,633
Total Assets	159,919	64,305	76,661	313,415	167,273	70,782	78,577	316,633
Long term Loans	22,636	20,438	10,540	59,630	29,485	19,588	10,549	59,622
Grants, trades and other payables	120	1,219	-	2,511	116	1,696	-	1,812
Total of long term liabilities	22,756	21,657	10,540	62,141	29,600	21,284	10,549	61,433
Loans	57,126	8,859	8,205	68,476	47,543	11,015	9,213	67,771
Trade and other payables	11,767	3,321	91,128	108,235	15,709	7,328	90,305	113,342
Total of current liabilities	68,893	12,180	99,333	176,711	63,251	18,343	99,518	181,112
Total Liabilities	91,649	33,837	109,873	238,852	92,851	39,627	110,067	242,545
Equity	20,170	17,201	30,083	67,454	20,159	17,201	29,937	67,296
Reserves	58,572	10,936	4,166	86,653	57,534	12,611	4,052	74,197
Retained earnings & other	(10,472)	2,332	(67,462)	(79,544)	(3,271)	1,343	(65,478)	(67,406)
Total equity	68,270	30,468	(33,212)	74,563	74,422	31,155	(31,490)	74,087
Total equity and liabilities	159,919	64,305	76,661	313,415	167,273	70,782	78,577	316,633

Source: Financial statements of KESH, OSHEE and OST for the year 2017 and 2018.

SoE loans are used to finance investments in:

- Increasing the efficiency of power generation, transmission and distribution
- The enhancement of the tools and systems used in the measurement of power consumption by the Tariffed Customers
- The collection of bills that pertain to the power consumed.

In September 2014⁹³, the World Bank approved financing of USD 150 million from the International Bank for Reconstruction and Development (IBRD) to be disbursed for the Project of Energy Sector Recovery approved by DCM no. 171, dated February 25 2015 "On Approval of the Plan for the financial recovery of the Power Sector". The Project will support reforms in the Albanian power sector, particularly those undertaken to improve the reliability of power supply and financial sustainability of the sector, including reforms to diversify the sources of energy production, reduce losses and improve collections.

In May 2016⁹⁴, European Bank for Reconstruction and Development (EBRD) granted a government backed loan of EUR 218 million for the refinancing of KESH borrowings and provision of technical assistance to the improvement of the overall governance and operations of KESH in the context of the power sector reforms.

5.3 Private and concession HPPs

The Ministry responsible for energy acts as the Contracting Authority for all concessions granted in the hydropower sector. HPP concessions are granted in accordance with Law No. 125/2013 "On Concessions and Public-Private Partnership" ("Law on Concessions and PPP")⁹⁵ as amended⁹⁶ and accompanying Regulations "For the evaluation and granting of concessions and public-private partnership" approved with DCM. No. 575 dated July 10, 2013 ("Concessions Regulation").

Definition of public private partnership

According to the Law on Concessions and PPPs, a Public Private Partnership establishes a long-term cooperation, regulated by contract, between the contracting authority (public partner) and one or more economic operators (private partner), where the private partner undertakes the obligation to provide public services within the competencies of the public partner and / or has an obligation to provide the public partner with the necessary prerequisites for providing public services.

These prerequisites include the construction or renovation of public infrastructure and / or its operation and maintenance.

The legislation and regulations on concessions define the principles and procedures for the evaluation and granting of concession opportunities in the hydropower sector. According to the concession law and regulation, all concessions in Albania are approved by the Council of Ministers.

HPP concessions in Albania are organized as Build-Operate-Transfer (BOT) or Reconstruct-Operate-Transfer (ROT). According to this regulation, the operator finances the construction / reconstruction of the power plant and benefits from operation of the plant. The sale of power generated by the

⁹³ Source: <http://www.worldbank.org/sq/news/press-release/2014/09/29/world-bank-approves-us150-million-project-for-albanias>

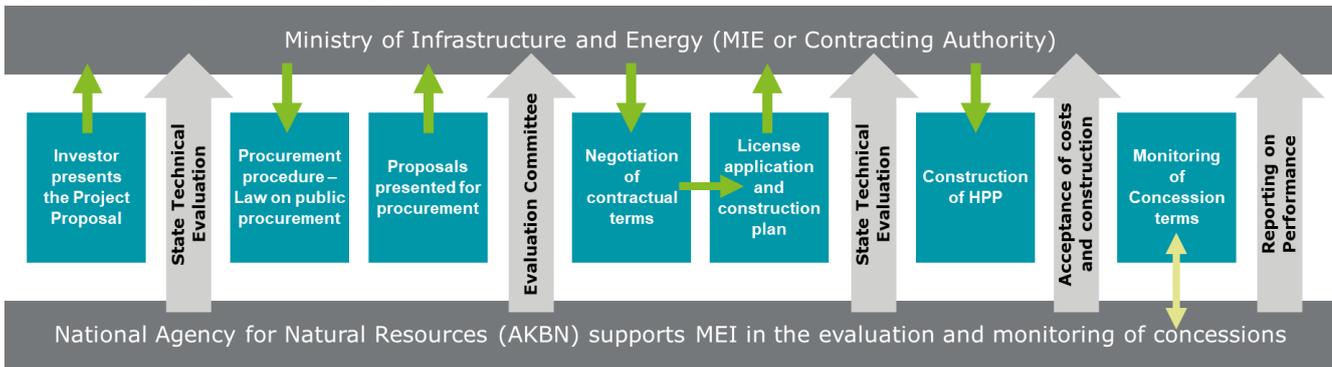
⁹⁴ <http://www.energjia.gov.al/al/njoftime/lajme/berzh-jep-218-milione-euro-hua-ne-shqiperi-per-kesh&page=5>

⁹⁵ This law was aligned with the EU directive 2004/18/EC

⁹⁶ Amended by Law no. 88/2014, and Law no. 77/2015

Operator is guaranteed through the Power Purchase Agreements signed between the Operator and Wholesale Public Suppliers, with tariffs regulated by ERE using the "Feed-in tariff" model. According to the concession law and regulation, all concessions in Albania are granted for a period not longer than 35 years.

Figure 17 Granting and monitoring process of concessions



5.3.1 Allocation of licenses / HPP concessions

Pursuant to the Law on power sector⁹⁷, electric energy can only be produced by physical or judicial persons equipped with a license for production of electric energy, unless stipulated otherwise in the provisions of this law.

Regarding the production of hydropower, every subject that intends to operate in the sector has to pursue a two-step procedure and fulfil the following requirements:

1. Obtain the right to build a hydro-power plant either through:
 - a. A concession in accordance with the Law on Concessions and the procedures provided thereto;
 - b. An approval from the Minister for plants/objects with capacities up to 2MW;
 - c. An approval from the Council of Minister for plants/objects with capacities beyond 2MW; in accordance with the DCM on construction of new capacities;
2. Obtain a license for production of energy from ERE.

Concession procedure

The procedure for granting of concessions in the Republic of Albania is regulated by the Law on concessions, Law on public procurement, DCM on rules of concessions, as well as other relevant legislation.

The applicable legislation for concessions (as mentioned herein above) defines the principles and procedures for the evaluation and granting of the concession opportunities in the hydropower sector.

Based on the Law on concessions, the contracting authority can initiate a procedure for a concession in the production of electric power (which includes

⁹⁷ Article 48 of the Law on power sector

hydropower), after it has identified a potential project or pursuant to an unsolicited proposal from a potential investor.

In the case of unsolicited proposals, should the contracting authority approve the initiation of the procedure, the Law on concessions provides that the potential investor submitting the proposal may be granted a bonus in the competitive procedure, which could amount up to 10 % of all of the points for a procedure. This bonus is approved by the Council of the Ministers following the proposal of the contracting authority.

DCM on rules of concessions provides the detailed procedures that the Minister has to follow in order to grant a concession.

Contracting authorities are assisted by the concession and public private partnership unit near the Ministry responsible for Economy (Ministry of Economic Development, Tourism, Trade and Enterprise until 2017 and Ministry of Finance and Economy from 2017). The respective unit assists with regard to the following:

- a. Preparation of feasibility study;
- b. Preparation of documents for the competitive procedure and the criteria of assessment;
- c. The evaluation of proposals and the determination of the best offer;
- d. The negotiations and conclusion of the concession contract;
- e. Monitoring the concession contract.

The contracting authority, in coordination with the public private partnership/concession treatment unit, establishes a concession / public private partnership commission⁹⁸ ("Commission").

The number of members in the Commission is odd, but not less than 5 (*five*) members, of which not less than 2 (*two*) are from the public private partnership /concession treatment unit.

The Commission has the following responsibilities:

- a) Drafts feasibility study for the concession, determines the procedure applicable to awarding the concession and drafts the tender documentation;
- b) Examines and evaluates the accepted bids and/or requests for participation;
- c) Formulates the proposal for selection of the successful bid or the proposal for the decision for termination of the procurement procedure, as well as an explanation in each case;
- d) Performs all other activities required for the implementation of the concession procedure, in accordance with applicable regulations.

Concessions aim to enable a subject to construct a hydropower plant, to use the resources and then sell the product. At the end of a concession the HPP is transferred to the state.

The procedure for awarding the concession initiates with the publication of the notice and terminates with the publication of the winning bidder or decision to terminate the procedure⁹⁹. Contracting authorities may use one of

⁹⁸ Article 18 of the Law on concessions

⁹⁹ Article 22 of the Law on concessions

the procedures provided in the Law on concessions and Law on public procurement, such as the open, limited or negotiated.

As per article 23 of the Law on concessions, the main criteria used for the evaluation and award of concession is that of the most economically favourable offer based on certain criteria that include quality, technical capabilities, aesthetic characteristic, costs, environment protection, provision of services after product delivery or technical assistance, date of delivery, price for final users etc.. In each case, the Commission indicates in tender documents the relative coefficient for each of the criteria that will determine the most economically favourable bid. The contracting authority invites the winning bidder to enter into a concession contract.

Finally, the Ministry enters into a concession contract with the winner. The maximum term of a concession contract is 35 (*thirty-five*) years¹⁰⁰. Such term may be extended, if necessary, due to amendments of the concession agreement as provided in articles 31, 32 and 33 of the Law on concessions (amendment of the concession contract for causes of protection of national security, environment protection, or the health of population, when the object of the contract is lost or unable to be used due to causes of force majeure, amendments of the legal framework, other situations which result in changes in the actual situation, transfer of the concession contract, or in cases when the contractor is given extra works to perform or services to provide)¹⁰¹.

The main terms and conditions of the concession contract for the construction of hydropower plants are listed as follows:

1. Object of the concession agreement

The object of the concession agreement includes financing, design, construction, operation, management and maintenance of the hydropower plant, etc.

2. Term of the concession agreement

The concession is granted for a period up to 35 years. The concession agreement may be extended however as per the provisions of Article 31, 32 and 33 of the Law on concessions.

3. Respective Parties

The concession agreement shall identify the contracting authority and the concessionaire as well as data identifying them.

4. Features of the hydropower plant

The concession contract includes the name, location, number and technical terms of the hydropower plants and forecasted annual power production. The contract also determines the installed capacity of the plant.

5. General terms and conditions

The concession agreement shall include general terms and conditions as well as those provided in the tender notice, tender documents and the bid. The concession contract shall regulate also matters related to the ownership of

¹⁰⁰ Article 30 of the Law on concessions

¹⁰¹ Articles 31, 32 and 33 of the Law on concessions

immovable property, rising in connection with the concession contract during its term or upon its termination¹⁰².

6. Investment Value

The concession contract clearly states the total value to be invested by the concessionaire in monetary terms.

7. Concession fee¹⁰³

If specified in the feasibility study, the concessionaire pays a monetary compensation for the concession in the amount and manner specified in the concession contract. The concession fee is paid in accordance with the rules set by the Minister of Finance for revenue collection on behalf of the State Budget.

The amount and terms of payment of the concession fee are determined in proportion to the object of concession, the estimated value of the concession contract, the duration of the contract, risks and costs that the concessionaire assumes, the expected profit, as well as the value of the property granted, under the concession contract by the contracting authority.

The concession contract may determine the variability of the amount and/or the method of calculation and of the payment of the concession fee within a certain period of time, during the whole period of the duration of the concession contract, in accordance with the tender documentation and the decision for awarding the contract.

8. Contract guarantee

The Concessionaire must issue a performance guarantee on behalf of the contracting authority at an amount that varies from 5% to 10% of the total investment value, depending on the contract negotiations. The guarantee will be executed accordingly in the case that the concessionary company does not deliver on the terms of the contract.

9. Warranties for execution of the contract¹⁰⁴

Prior to signing or entry into force of the contract, the contracting authority receives from the most successful bidder the guarantees required for the contract and security instruments as compensation for the damage that may be caused as a result of the failure of concessionaire to meet the obligations as provided for in the contract (promise of payment, bank guarantee, corporate guarantee, bill of exchange, etc.), as these are determined by the tender documents and/or the decision to select the most successful bid.

Security guarantees and instruments are deposited with the contracting authority, which is obliged to maintain them throughout the duration of the contract.

Further to the above, in order to protect the concessionaire, the contracting authority may enter into a binding commitment, on behalf of the State, which will have the effect of providing appropriate guarantees in favour of the

¹⁰² Article 27 of the Law on concessions

¹⁰³ Article 29 of the Law on concessions

¹⁰⁴ Article 28 of the Law on concessions

concessionaire and will protect against the financial consequences of a legislation¹⁰⁵, which enters into force after the entry in force of the concession contract subject to the following restrictions:

- a) The financial consequences must be clearly and accurately described;
- b) The engagement ends with the conclusion of the concession contract;
- c) The nature of the legislation should be described.

Such a binding commitment is approved by a decision of the Council of Ministers, at the request of the contracting authority.

Should the project (concession) need financial support¹⁰⁶, as defined by the feasibility study, a prior approval by the Ministry of Finance shall be needed with regard to the affordability, durability and fiscal feasibility.

Construction of other production capacities which are not subject of concession

Pursuant to article 49, article 1 of the Law on power sector, in order to construct new production capacities/instalments (such as hydro-power plants) which are not subject to the concessions procedure, the applicant has to obtain the approval of the Council of Ministers in case their capacity exceeds 2 MW or of the Minister for a threshold up to 2MW, in accordance with the rules set out in the DCM on approval and procedures.

- **For production capacity more than 2MW**

Any person, who conducts commercial activity, can apply for obtaining an approval to construct a new production instalment with capacity over 2MW, which is not subject to concession. Foreign entities must first establish a branch/company/representative office in Albania as per the provisions of Company Law. Applications are filed with the Ministry.

The applicant presents the application form, proof of payment of the application fee and the supporting documentation as requested by the DCM on approval and procedures¹⁰⁷. Each application shall provide the name and identification data of the applicant, address, name of administrator and organizational structure, commercial extract of the company, description of technical, professional and organizational capacities of the company, information on similar activities in the electric power sector, contact information, certification on payment of all tax liabilities, social security and health contributions, payment of obligations for electric power and provide adequate proof that the company is not undergoing any liquidation or bankruptcy procedure. The applicant must also present audited financial statements for the last 3 (three) financial years as well as one or more bank documents that, taken together, certify that the applicant is in possession of 20% of the total value of the proposed total investment.

¹⁰⁵ Article 41 of the Law on concessions

¹⁰⁶ Article 42 of the Law on concessions

¹⁰⁷ Article 6 and 7 of DCM on approval and procedures

Furthermore, an applicant must present the Ministry with data and general information related to the type of production instalment, type of energy generating source, capacity installed in MW, annual electric power produced yearly in MW, technical standards, total amount of investment¹⁰⁸, etc.

The applicant submits to the Ministry a preliminary feasibility plan of the project tackling technical, economic and financial aspects, and the particular environmental and social impact of the project along with supporting technical and legal documents as detailed in Article 10 of the DCM on approval and procedures.

If the documents and information submitted by the applicant are complete and in accordance with the requirements of Articles 7, 8, 9 and 10 of DCM on approval and procedures, the Ministry shall communicate to the applicant the acceptance of the application, within 20 (*twenty*) calendar days from the date of submission of the application.

Should there be more than two applications filed for each location, the Ministry follows the principle of “first come first served” and the application filed first shall be assessed.

If the application is accepted, the Ministry, taking in consideration the requests of the applicant on confidentiality, publishes in its website, for three consecutive days¹⁰⁹:

- A short presentation of the applicant;
- Short presentation of the proposed project;
- Information on where the general public may access the detailed application;
- Address and term on where and when any objection or comments are to be sent.

If within 15 (*fifteen*) days, upon the date of such publication, no objections have been presented, the application shall be assessed. In order to assess an application/project, the Minister issues an order creating an evaluation commission with specialists for the necessary technical, economic and legal expertise, consisting of 7 (*seven*) members¹¹⁰.

The evaluation commission submits to the Minister, within 45 (*forty-five*) days from the receipt of the application, a report regarding the approval or rejection of the application. The Minister, in case of a positive report of the application evaluation commission, issues a preliminary approval to the applicant for the continuation of the procedures for obtaining the right to construction.

The applicant, who has obtained the preliminary approval, submits to the Ministry, within the time period determined in the preliminary approval, the following documents¹¹¹:

¹⁰⁸ Please refer to Article 8 and Article 24 of DCM on approval and procedures on full data and information list to be provided by the applicant.

¹⁰⁹ Article 15 of DCM on approval and procedures

¹¹⁰ Article 17 of DCM on approval and procedures

¹¹¹ Article 24 of the DCM on approval and procedures

- a) Full study of technical, environmental and social feasibility, based on real data and measurements, performed in the project implementation areas;
- b) The full economic and financial study of the project, accompanied by documents proving the funding by the applicant himself, and/or the financial support of the project by financial institutions or local or foreign banks, etc.;
- c) The project implementation schedule;
- d) Approval of OST or OSHEE for the connection point with the transmission or distribution network, according to the requirements of the transmission or distribution code;
- e) Permits, licenses and environmental authorizations;
- f) Geology and hydro - geology study;
- g) Review of the implementation project by akbn;
- h) Approval for the use of water, issued by the relevant bodies defined in the legal or sub-legal acts;
- i) Legal documentation, in accordance with the provisions of the civil code, which proves the long-term relationship on the property to be used for the construction and operation of the instalment.

The commission examines, within 20 (*twenty*) calendar days, from the day of submission, the completeness and accuracy of all documents submitted by the applicant.

If the Minister concludes that all the documents submitted by the applicant, are complete and accurate, sends to the Council of Ministers the proposal for approval of the construction of new production capacities over 2 MW, which are not subject to concession.

- **For production capacity up to 2 MW**

The construction of new facilities, as well as the existing generating ones, which are not subject to concession, with a capacity of up to 2MW of installed capacity, is effectuated with the approval of the Minister. The same procedure as provided herein above for production capacity above 2MW shall apply¹¹².

If the Minister concludes that all the documents submitted by the applicant, are complete and accurate, approves the construction of new production capacities up to 2MW or capacity expansion, for facilities that are not subject to concession. In any case, the Minister can only approve expansion of capacities not exceeding 2MW.

License issued by ERE

Pursuant to article 37 and 49 of the Law on power sector, a subject can carry out operations related to the production of electric power only pursuant to the terms and conditions of a license issued by ERE in accordance with the law. Exception from this rule is made to persons producing for own purposes

¹¹² Article 23 of DCM on approval and procedures

that are not connected to the national network or when the connection with the national network is made for purposes of maintenance of its production unit, and also for producers with instalment capacities up to 1 MW.¹¹³

The license for production is granted for a maximum term of 30 (*thirty*) years¹¹⁴. Rules and procedures for granting and transfer of a license are provided in ERE Regulation on licenses.

Any applicant wishing to obtain a license to operate in the electric power sector has to submit to ERE the application form and the supporting technical and economical document as provided in ERE Regulation on licenses.

For obtaining a production license for a hydro-power plant, the applicant presents to ERE the judicial, administrative and property documentation (i.e. bylaws, organizational structure, concession agreement etc.), financial and tax documents (i.e. certificate for the payment of tax liabilities and obligations to the Social Insurance Institution, financial statements of the last three years, documents proving the applicant's financial ability and / or support, where the monetary values for financing and the financing structure are clearly expressed, proof of payment of the application fee to ERE etc.), technical documentation, technical and economic documentation (i.e. feasibility study, project schedule, technical review of the project, business plan etc.), other permits to be obtained by other institutions (i.e. approvals by OST or OSHEE for connection to the transmission or distribution network, exploitation permit for production of electric energy, environment permits etc.)¹¹⁵.

After examining the submitted application, the ERE board decides on whether to initiate an application review procedure as per the applicable law.

In case of approval of the start of the procedure for reviewing the application, within 2 (two) working days from the decision, ERE publishes in the printed media for two days in a row a notice for the submitted application.

Following such publication in the media, ERE will ensure that for a period of 30 (thirty) working days from the first date of publication, the application and all accompanying documents or any other non-confidential information, are available for public inspection in its offices. With the approval of the ERE board, taking into account the claims of the applicant, it may be decided that information or documents that may cause commercial harm to the applicant, be kept confidential and may prohibit their inspection by third parties¹¹⁶.

Following the elapse of the deadline for the objection, the responsible directorate within ERE verifies the application and the objections, if any, preparing and presenting a report to the board of ERE for the approval of refusal of the application¹¹⁷.

¹¹³ Article 37 of the Law on power sector

¹¹⁴ Article 38 of the Law on power sector

¹¹⁵ Article 9 of ERE Regulation on licenses

¹¹⁶ Article 10 idem

¹¹⁷ Article 12 idem

In its decision-making with regard to the approval of the application, the board of ERE takes in consideration the following criteria¹¹⁸:

- a. The completeness and veracity of the documents provided in the application;
- b. The location and territories which the production activity will take place;
- c. The safety of the instalments and equipment;
- d. The requirements regarding the sources of energy, safety of citizens, their property, health and public order;
- e. Financial requirement;
- f. Environmental protection;
- g. Incentivizing of the efficiency of energy in the electricity sector;
- h. Obligation of public service as provided by the legislation;
- i. The effect upon the safe and continuous supply of electricity in the territory of the Republic of Albania;
- j. The promotion of a competitive electricity market and the principles of the cost-efficiency of the supply of electricity.

The board of ERE adopts the final decision on accepting or rejecting the license application, based on the criteria specified in the paragraph above. Upon approval, the decision is notified to the applicant and is published in the Official Gazette. Then the licence is issued to the subject as per the template approved from ERE with all the applicable terms and conditions¹¹⁹.

Bases on the Law on power sector a licensee holding a production license is entitled to¹²⁰:

- Use the primary sources of energy in its instalments, in accordance with the technology, technical characteristics and environmental protection requirements set out in their licenses and the applicable legislation;
- Sell the electricity produced and have guaranteed access in the transmission and distribution network, in accordance with the relevant tariffs as set out by ERE;
- provide real-time communication with their manufacturing facilities, customers or operational control levels.

On the other hand, the licensee has among others a set of obligations such as:

- Complying with the conditions of the license and the legal obligations of the applicable legislation;
- Providing information and data in accordance with the obligation of transparency and for the purpose of the monitoring of the market;

¹¹⁸ Article 13 of ERE Regulation on licenses

¹¹⁹ Article 14 of ERE Regulation on licenses

¹²⁰ Article 51 of the Law on power sector

- Notify the system operator for every situation that may risk the security of supply or any other contractual obligation, and assist with services the operator of the system, etc.
- Act in accordance with orders issued by the system operator;
- Provide ancillary services to the system operator in accordance with market rules etc.

5.3.2 Register of licenses and concessions

Register of licenses near ERE

ERE holds the Register of the licenses for the production of energy, which is also electronically available on the website of ERE in the address: <https://www.ere.gov.al/mat.php?idr=202&idm=216&lang=1>.

This Register contains data with regard to the identification number, date of approval, date of issuance, name of the licensee, location, description of the licensed activity, term of activity and the decision of ERE.

Furthermore, the ERE Regulation on licenses preserves the right of interest parties to address the supporting documents of the licensee that are held near ERE, in accordance with the applicable legislation.

Register of concessions

Article 14 of the Law on concessions provides the establishment of the Register of Concessions/Public-Private Partnerships, which is an electronic database of the concessions contracts granted in the Republic of Albania.

The Register is held by the Agency of the Treatment of Concessions ("ATRAKO") and is made publicly and freely available to the public on the website of ATRAKO. ATRAKO published the listing of concessionaries and full terms of the concession agreement on its website: http://www.atrako.gov.al/?page_id=112

As per the DCM on the register of concessions, the following data are made available:

- Information with regard to the contracting authority, object of the contract of concession/public-private partnership, type of contract, location of the object of the contract, term, value and price of contract, and the tariff paid;
- Full text of the contract, in accordance with the legislation on the data protection.

A copy of the hydropower concessions register is published by AlbEiti on its website: www.AlbEiti.org

Contract Disclosure

With regard to the disclosure of the Licenses, as mentioned above, the Register of Licenses near ERE is publicly available on the website of the authority and contains relevant information. Moreover, ERE publishes in its website a template of the terms and conditions set out in the license issued, which are used *mutatis mutandis* for almost all the issued licenses.

As mentioned above, the Register near ATRAKO contains the awarded contract for contracts of concession/public-private partnerships.

License Transfer

Pursuant to the Law on power sector¹²¹ and the ERE Regulation on licenses, the transfer of a license is subject to prior approval by ERE. Other than the license, the subject may also transfer its assets to a company pursuant to the provisions of ERE Regulation on transfer of assets.

At the request of the licensee, or with its own initiative, ERE can fully and partially transfer the license of a licensed person in accordance with Law on power sector¹²². The person to whom the license shall be transferred, shall file an application with ERE submitting as follows:

- Application form;
- Judicial, administrative and property documents as stipulated above ad in article 9 of the ere regulation on licenses;
- Financial and tax documents;
- Any amendment or possible change in the technical documentation.

The above list of documents is valid in the scenario when the transfer of assets of the transferring company is completed.

In the case of a request from the licensee for the transfer of the license when the assets have not been transferred already, the licensee must submit to the ERE the following documents:

- a. Application form;
- b. Written explanation for requesting a transfer of the license;
- c. The written decision of the governing bodies of the licensee expressing the will to request the transfer of the license;
- d. Proof of payment of application fee.
- e. The decision of the governing bodies of the company for the approval of the transfer of the company's license.

Should ERE approve the application, the company which requests the transfer of the license (the new licensee) should submit the below documents:

- a. Application form;
- b. Judicial, administrative and property documents as stipulated above ad in article 9 of the ere regulation on licenses;
- c. Financial and tax documents;
- d. Any amendment or possible change in the technical documentation.

ERE decides whether to accept the application within 45 (*forty-five*) working days from the beginning of the procedures for reviewing an application and during this period the existing licensee will continue to perform the service in accordance with the legal framework.

¹²¹ Article 44 of the Law on power sector

¹²² Article 17 of the ERE Regulation on licensing

- **Transfer of the concession contract**

Pursuant to article 32 of the Law on concessions, the concession contract may be transferred to a third party after obtaining the prior written approval of the contracting authority. The new transferee must meet the eligibility requirements set out in the tender documentation, under which the contract was initially awarded, unless these requirements refer to conditions that are no longer necessary for the performance of the contract, due to the fact that these obligations and requirements mentioned are already being consumed or realized by the previous concessionaire.

The transfer of the concession contract must not affect the quality and must not worsen the continuity of the realization and fulfilment of the contract.

The contracting authority requires a prior approval from the Ministry of Finance for all planned contract transfers, which affect or create the risk of impact in any way on the State Budget or on the budget of local government units, or which may change in any way the financial support. The contracting authority notifies the Ministry of Finance of the contract transfers, made in accordance with this provision.

- **Transfers for subjects with production capacity above and up to 2 MW**

Article 28 of the DCM on approval and procedures provides that the right to build an energy production instalment, granted under the regulation of such DCM, may be transferred to a third party, in whole or in part, only with the approval of the Minister for instalments with production capacity up to 2 MW or the Council of Ministers for instalments with production capacity above 2MW, as the case may be. Any transfer to third parties without the approval of the Minister or the Council of Ministers, based on initial approval, is invalid.

Monitoring Concessions

MIE in association with AKBN are responsible for monitoring the implementation of concession and public private partnership contracts. AKBN reports the situation of the concessions in the construction phase and related violations to the Contracting Authority on quarterly basis. AKBN is in the process of evaluation of actual investment and installed capacity for concessions that have completed the construction phase and are in operation. Additionally, AKBN is currently re-evaluating the country's hydrologic potential.

Reports published for the Power sector

In the first quarter of the following year, ERE publishes a comprehensive report on the state of the power sector through the reporting period. This Report includes information on:

- a) generation, transmission and distribution of electric power;
- b) regulation and monitoring of operators in the power market;
- c) activity of licensing and handling of conflicts;
- d) legislation developments;
- e) Institutional and international relations on the power sector etc.

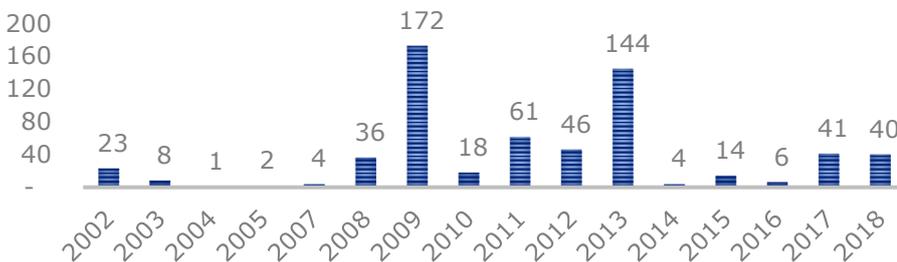
The said annual reports may be found in the ERE official website address:
<https://www.ere.gov.al/mat.php?idr=184&idm=190&lang=1>

5.4 Concessions and private investments up to 2018

Based on data reported by AKBN¹²³, the Albanian state signed about 244¹²⁴ concession agreements for the construction 451 HPPs across the country during the period from 2002 to 2018. As shown in chart 28, 2009 and 2013 are marked as years with high concession activity. The chart shows the number of concessions granted each year.

AKBN is currently in the process of re-evaluating the country’s hydrological potential.

Chart 28 - Number of HPPs granted through concession (2002 – 2018)



Source: Concession register reported by AKBN.

Out of the granted concessions, the majority have not yet started construction 47% and only 33% have entered production. The rest are either under construction, or anticipating the start of the production phase.

5.4.1 Main concessions and private investments¹²⁵

AKBN reports that during the years 2008 - 2011 the Albanian Government signed concession agreements for the construction of six large hydropower stations as follows:

HPPs Ashta 1 and Ashta 2 on Drini River¹²⁶

In 2008 the Government of Albania awarded a 35-year concession (build, operate and transfer - BOT) for the construction of two hydropower plants Ashta 1 and Ashta 2 on Drini river that would utilize the residual water released from HPP Vau i Dejes. The HPPs were completed and started production in 2013. The project brought a new technology with increased efficiency of water utilization, employing several small turbines instead of one large turbine. Both HPPs have a total capacity of 48.2MW and are expected to generate an annual output of approximately 240 GWh.

Ashta is the largest private producer that sells the power generated at prices regulated by ERE. Details of the project and investments are presented in Ashta’s website: <http://www.energji-ashta.al/>.

¹²³ AKBN shared this information with use for the purpose of this Report.

¹²⁴ Ongoing concessions.

¹²⁵ Source: “Hydro-energetic Potential” published by AKBN- www.akbn.gov.al

¹²⁶ Information presented in this section is derived from the Company’s website - <http://www.energji-ashta.al/>

HPPs on Devolli River¹²⁷

In 2009, the Government of Albania awarded the right to develop three hydropower plants on Devoll river in Albania, through a Concession Agreement to Devolli Hydropower Sh.a. (Devolli HPP) owned by Statkraft Markets B.V. The Devoll hydropower project is the largest private investment of its kind in the last 30 years.

Currently, the project consists of two hydropower plants, Banja and Monglice, in the valley of Devoll, with an installed capacity of 72MW and 197 MW respectively. The power plants are expected to generate an annual output of approximately 700 GWh. HEC Banja was completed and entered in production in 2016, while HEC Mongolica started commercial operations in the second quarter of 2020.

Devolli HPP will sell the power generated at prices negotiated in the power market. Details of the project and investments are presented in DHP website: <http://www.devollhydropower.al/>

HPP “Kalivaç” on Vjosa River

In May 2017, after terminating an unsuccessful concession granted to Becchetti Energy Group (BEG SPA), the Government of Albania granted a new BOT concession for the HPP Kalivaç. The winning bid was awarded to the joint venture between Ayen Energy A.S. and Fusha Sh.p.k. The concessionaire was expected build an HPP with an installed capacity of 111 MW expected to produce 366 GWh per annum. The concession fee was set at 2.1%.

In 2020, the request of the company for an environmental permit has been refused by the National Environment Agency. The Prime Minister has declared that the Vjosa river area will be declared as a national park.

HEC Ulza, Shkopet, Bistrice 1 and Bistrice 2

KESH owned and operated the medium sized HPPs of Ulez, Shkopet and Bistrice 1 & 2 with a total installed capacity of 78 MW. These HPPs were sold to Kurum International Ltd in the second quarter of 2013 for price of USD 130 million. Kurum currently operates as an independent power producer.

5.5 Value generated by the power sector

The national energy requirements are fulfilled through the output of domestic power production and imported electric energy combined. Table 26 presents an approximation of the value created by the hydropower sector and its relative contribution to the country’s GDP; it showcases the value produced (in ALL) by the activities of power production (sales), supply, transmission and distribution.

¹²⁷ Information presented in this section is derived from the Company’s website - <http://www.devollhydropower.al/>

Table 26: Value created collectively by the activities of power generation, supply, transmission and distribution in Albania

<i>In ALL million</i>	2014	2015	2016	2017	2018
Sales of power produced from private & concession HPPs (i)	8,139	8,015	10,635	7,986	14,362
Public power producer (KESH) (ii)	995	8,767	7,971	3,643	15,890
Power transmission and capacity allocation (OST) (iii)	6,887	6,349	5,816	5,967	6,808
Distribution and universal supplier (OSHEE) (iv)	8250	19,382	25,602	13,287	19,779
Total in ALL million	24,271	42,513	50,024	30,883	56,839
Value created vs. GDP in %¹²⁸	2.10%	3.30%	3.69%	1.99%	3.47%
(a) Domestic power output (GWh) ¹²⁹	4,726	5,866	7,136	4,525	8,552
(b) Domestic use of power (GWh)	(5,011)	(5,069)	(5,108)	(5,563)	(5,841)
(c) Network losses (GWh)	(2,783)	(2,196)	(1,986)	(1,876)	(1,783)
(d) Import / export (GWh)	3,067	1,399	42	2,915	(913)
Network losses vs. % total available energy (a+d)	35.71%	30.23%	27.67%	25.22%	23.34%

i. Information is based on revenue generated by priority producers and HPP Ashta disclosed in the ERE annual report. (Source: ERE annual report - 2018).

ii. Value derived as revenue generated from sale of energy less costs incurred for the purchase of energy. (Source: Financial Statements KESH).

iii. Value derived based on annual revenue generated from energy transmission, allocation of transmission capacities and other activities. (Source: Financial Statements OST).

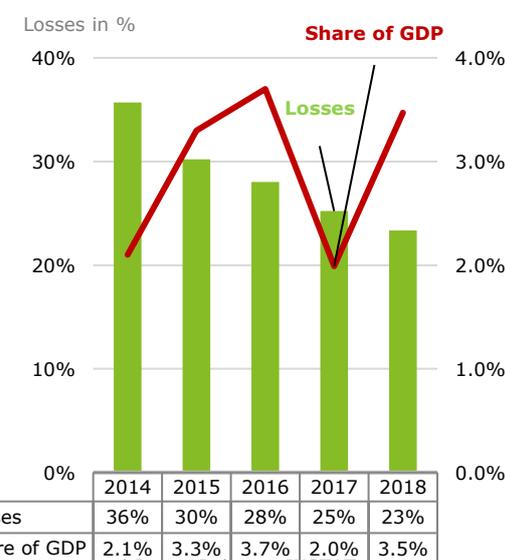
iv. Value derived as revenue generated from sale of energy less costs incurred for the purchase and transmission of energy. (Source: Financial Statements OSHEE).

*It is assumed that KESH and OSHEE generate revenue from the sale of energy. "Other operating income" is not accounted for in this table.

**When possible, the adjustments made retrospectively in the following year's financial statements are considered in this table.

The contribution of the hydropower sector, including generation, transmission and distribution, is estimated to be about ALL 30.9 billion or 1.99% of GDP in 2017, and ALL 56.8 billion or 3.47% of GDP in 2018. As shown in chart 29, from 2014 to 2016, the sector's contribution to GDP increased as losses decreased through continuous additional investment in the network, and added control. This trend has been exhibited in prior years and has been reported in previous EITI reports. This trend did not continue in 2017 – due to the poor hydrologic year there was a drop in contribution to GDP in 2017. The value generated by the sector was the highest it's ever been in 2018. The value generated by priority producers is not accounted for in the revenue generated, however their effect is shown in the energy bought by OSHEE or KESH.

Fluctuations in the net income generated by KESH and OSHEE arise due to their public duties to guarantee power supply to all tariff customers at regulated prices. Thus, in cases of energy deficiencies, they are obliged to

Chart 29 - Share of GDP vs. network losses in 2014-2018

¹²⁸ Source: "Gross Domestic Product by economic sector activity" INSTAT – www.instat.gov.al

¹²⁹ Source: "Electrical Power Balance, 2000-2016" INSTAT – www.instat.gov.al

Source: GDP structure and Power Balance, INSTAT

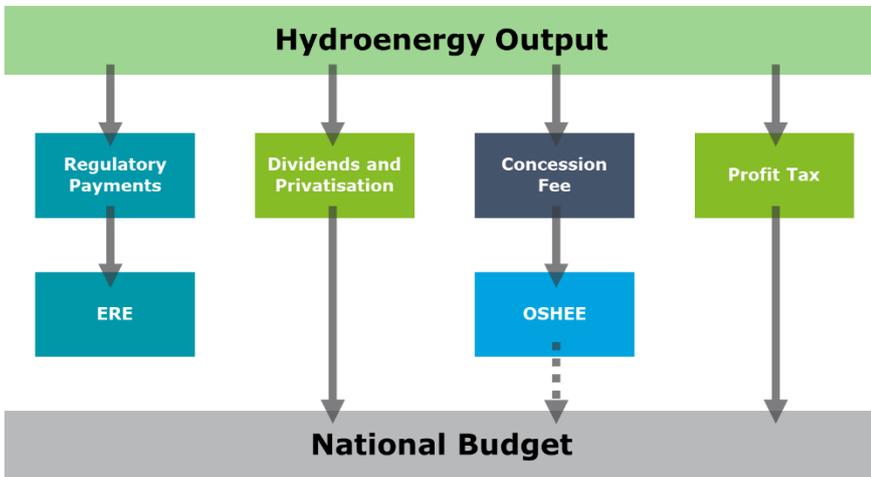
procure additional energy from independent private domestic producers or international producers, to close the domestic power deficit, at market prices. Both entities sell the energy at regulated prices, which is in most cases less than the energy costs procured through imports.

5.6 Revenue from the Power sector

The Albanian Government receives its share of the value generated from the hydropower sector through:

- The taxation of its activities
- Applicable tariffs and/or fees
- Dividends / profits obtained through the sale of direct investments in the hydropower sector

Figure 18 Allocation of revenue from the hydropower sector



Value generated by producers

This report aims to capture the value created by the production of power in the country. The figures reported by DPT regarding the income generated from the entire hydropower sector include all companies that are involved in the energy sector. Apart from “Payments for licenses and regulation” (based on ERE reporting and retained by ERE) and “Concession tariff” (estimated through AKBN reporting and collected by OSHEE), all other numbers reported in the tables below are based on DPT reporting of the revenue generated from the hydropower sector, as per their classification.

Main revenue streams contributed by the hydropower sector, as disclosed by DPT and AKBN are described in the following table:

Table 27: Main revenue streams contributed by the hydropower sector in 2017

	Revenue in MALL	Revenue in M\$	% State	OSHEE	ERE
Tax on profit	3,240.6	27.21	25.92%		
VAT	3,721.3	31.25	29.77%		
Payments for social and health insurance	2,103.5	17.66	16.83%		

Personal income tax	861.1	7.23	6.89%
Tax on dividend	222.4	1.87	1.78%
Withholding tax	230.3	1.93	1.84%
Tax penalties	0.6	0.01	0.00%
National tariff	1,887	15.84	15.09%
Concession tariff	210.5	1.77	1.68%
Payments for licenses and regulation	24.7	0.21	0.20%
Total	12,502	104.97	

These revenues comprised about **0.8%** of GDP, and **2.9%** of total state revenue in 2017.

Table 28: Main revenue streams contributed by the hydropower sector in 2018

	Revenue in MALL	Revenue in M\$	% State	OSHEE	ERE
Tax on profit	5,049.4	46.75	31.72%		
VAT	6,164.9	57.08	38.72%		
Payments for social and health insurance	2,114.4	19.58	13.28%		
Personal income tax	848.3	7.85	5.33%		
Tax on dividend	36.1	0.33	0.23%		
Withholding tax	175.4	1.62	1.10%		
Tax penalties	0.9	0.01	0.01%		
National tariff	1,203.6	11.14	7.56%		
Concession tariff	295.4	2.74		1.86%	
Payments for licenses and regulation	32.3	0.30			0.2%
Total	15,920.7	147.40			

These revenues comprised about **0.9%** of the total GDP and **3.4%** of state revenue in 2018.

Concession fees and contract related income

The concession fee paid to the Contracting Authority is calculated as a percentage of the monetary value generated by the annual power output of the HPP, as well as any other benefit arising from the concession agreement. The fee is calculated as a percentage on each monthly bill for power sold to OSHEE, and is collected by OSHEE on behalf of the Contracting Authority, in accordance with DCM No.244 dated March 30th, 2016 given by the Minister of Economy, Trade and Energy, responsible for the energy sector at that time. This percentage is a confidential part of the agreement and varies by concession.

Other income arising from HPP agreements

In addition to the concession fee, HPP concessions may generate significant income for the state due to penalties for non-compliance with the terms concession and PPP agreements.

Penalties are agreed upon during contract negotiations. Concession agreements usually stipulate penalties for:

- Breach of the deadlines set for the submission of the construction project;
- Breach of the terms and conditions of the contract;
- Failure to invest at least 95% of the contracted value;
- Failure to install the agreed upon capacity;
- Failure to produce the forecasted annual power output, etc.

In cases of contract termination resulting from the private partner's failure to abide by the terms of the contract, the contracting authority is guaranteed up to 10% of the investment value.

Income from investments, dividend and privatization of state-owned enterprises

The hydropower sector is dominated by state owned enterprises. As a shareholder, the State receives dividends distributed by the companies based on their net profit. Additionally, they profit from the partial or complete sale of company shares. According to the MFE website, SoEs in the hydropower sector did not contribute dividend to the state during the two reporting years.

Tax on profit

Tax on profit, calculated as 15% of the company's net profit, is levied by the General Directorate of Taxes. The Laws regarding profit taxes fully apply to the hydropower sector.

VAT

The Value Added Tax (VAT) represents a material revenue stream in the hydropower sector, due to the high volume of domestic sales. It is calculated as 20% of taxable domestic sales, based on Law no. 92/2014 "On Value Added Tax". The VAT does not apply to exports.

Tariffs on licensing and the regulation from the power sector

All tariffs applied to the licenses granted for the production, trade, supply and/or distribution of power are paid at the time the license is granted, modified or transferred. ERE collects annual regulatory fees from the licensee, which are derived based on the revenue generated from the licensed activity. These revenues are part of ERE's budget and are used to cover the institution's operating costs. They are reported annually by ERE.

6. Revenue allocation

Subnational transfers of royalty are the main payments local government units receive from the extractive sector. This procedure is highly dependent on the collaboration of public institutions, and the accurate declaration of private entities.

Subnational transfers of royalty comprise the main revenue allocated. Royalty levied from taxable sales of oil, gas, and minerals is recorded in the State Budget. According to the Law on National taxes no. 9975, dated 28 July 2008, amended, 5% of royalty tax collected shall be allocated to each local government unit ("LGU") in proportion to their contribution to the domestic output of oil, gas and mining.¹³⁰

Up to 2014, only LGUs where oil was produced could benefit from the subnational transfers of royalty and no clear correlation could be made between royalty collected and subnational transfers. In 2015, a clear reference for royalty allocation was provided, which led to increased levels of subnational transfers of royalty. Still, several issues which can lead to the misallocation of funds are observed.

In order to fulfil EITI requirements 4.9 and 5 regarding revenue allocation and subnational transfers, the LGUs selected by the MSG based on data from the Ministry of Finance and Economy (MFE) were asked to provide information on the revenue collected, allocated, reconciliation procedure, etc., pertaining royalty collected from extractive activities. Reporting on this matter was lacking throughout this reporting cycle, which led to difficulties in the analysis of subnational transfers. In order to compensate for the missing data, we used the figures reported by the tax and customs authorities, as shown in section 6.2.

6.1 Royalty calculation

All licensees and natural / legal persons operating in the extractive industry pay royalty for the minerals extracted in the country. For companies that hold an exploitation permit, royalty is calculated as a monthly obligation either to the DPT in the case that the mineral(s) is (are) sold domestically, or to the DPD when it is exported.

The royalty taxed depends on the mineral; the mineral may be taxed based on sale / export value or amount depending on the mineral. The percentage

Royalty is the main tax from the extractive sector, levied by the State.

5% of the royalty collected and recorded in the National Budget is allocated to the respective LGUs.

¹³⁰ The Ministry's website states that 25% of collected royalty is allocated to LGUs. <http://www.financa.gov.al/renta-minerale/>, accessed on November 3, 2020.

applied to each mineral can be found on the MFE website. The guideline by which royalty is calculated can be found in instruction no. 26, dated 4.9.2008 "On national taxes", as amended and DCM no. 7, dated 4.1.2012 "For the determination of the procedures and documentation of the necessary the collection of mineral royalty".

Exported by reseller

In the case that the mineral is exported by a reseller, the latter must only pay the difference in royalty to the customs authorities. If the reseller cannot produce evidence of the royalty paid in the first sale, they must pay the full amount.

This procedure helps to ensure that the exporter produces the original documents, so all parties receive their share of royalty, by tracing the mineral from extraction to export.

Royalty on processed minerals

The royalty of processed minerals is taxed based on the composition of the final product. Depending on the percentage of the mineral sold domestically, royalty may be calculated either based on the sale value or based on the price set in reference tables, approved through DCM no123, dated 11.02.2015.

In order to stimulate industry in the country, the guidelines stipulate lower rates of royalty in the case that the extracting subject sells the mineral to domestic processing / refining / enriching companies.

6.2 Revenue allocation procedure

Instruction no. 26, dated 4.9.2008 "On national taxes", as amended, sets the reconciliation procedures necessary to ensure accurate allocation of royalty. Based on the instruction, within the 30th of each month, the LGU(s) where the subject holding an exploitation mining permit conducts their extractive activities, is responsible for conducting a reconciliation procedure with the regional directorate of taxes and the respective branches of the directorate of customs regarding the royalty they have collected from the extractive industry. A copy of the reconciliation should be to the Ministry of Finance and Economy (MFE), specifically to the General Directorate of Budget (GDB), by the 5th of the following month.

Simultaneously, the regional directorates of taxes and customs branches provide the GDB with a set of analytical information regarding the amount of royalty collected, the taxed subjects and the LGUs where they conduct their activity. This information is delivered within the 30th of each month.

The Ministry of Finance and Economy (MFE) is accountable for the transfer of royalty to the respective LGUs. As such, it initiates this process by officially informing the corresponding regional directorate of tax/customs and local government unit regarding royalty distribution, specifying the determined amount to be allocated. The regional directorates of tax and customs then present a request to the respective treasury branch, which then conducts the transfer.

Thus, based on the legal framework, at the end of month each LGU is responsible for:

- Maintaining an updated list of the extractive oil and mining companies operating in its administered area
- Collecting information from the extractive companies on the royalty payments made to the tax and custom authorities throughout the month
- The obtainment of information from the regional directorate of taxes and customs on royalty payments collected during the month
- Conducting a reconciliation procedure regarding the royalty amounts reported by the extractive companies and those reported by the regional directorate of taxes and customs.

6.2.1 Revenue allocated

For certain oil companies, which operate simultaneously in several LGUs, the sharing of royalty among LGUs is based on the guidelines in instruction no. 26, their PSAs and their operations.

The following table presents the subnational transfers made so far out of royalty collected for the years 2017 and 2018. Total royalty is calculated as the total royalty reported by tax and customs authorities for each year.

Table 29: Royalty collected and transferred in 2017 & 2018 for all LGUs

Amounts in ALL

	2017	2018
Total royalty – DPT	1,566,943,907	1,272,335,319
Total royalty – DPD	2,340,893,280	2,620,617,508
Total royalty	3,907,837,187	3,892,952,827
Transferable royalty (5%)	195,391,859	194,647,641
Royalty transferred (*)	147,650,986	186,740,826
Difference	47,740,873	7,906,815

(*) This amount includes represents the royalty transferred to LGUs by the State, as declared by MFE to AlbEiti.

According to the data disclosed by the ministry, total royalty payments transferred to LGUs in 2017 and 2018 amount to ALL 147 million and ALL 186 million respectively.

The differences between transferrable and transferred royalty are due to several reasons, discussed below.

1. Due to the lack of reporting by MFE regarding the royalty allocation procedure, the values used to create a basis for comparison of "Royalty transferred", are based on the reporting of royalty from DPT and DPD and is noted as "Total royalty". Both institutions reported on total royalty collected from the extractive sector; however, this reporting may be limited due to each institutions definition of "extractive sector" – i.e. due to the company classification system they use.

2. “Transferrable royalty” considers the amount that should be transferred to LGUs, out of the royalty collected from the reporting subjects in 2017 and 2018. “Royalty transferred” records the subnational transfers made in 2017 and 2018, but that may stem from royalty collected in previous years. Similarly, the subnational transfers out of the royalty collected in 2017 & 2018 may be executed in the following years.
3. Royalty transferred to LGUs is calculated as 5% of the royalty collected from any sale which includes minerals extracted from each respective municipality. Some resellers that export the extracted minerals may not be accounted for in the data from DPD. Additionally, tracking the amount that must be allocated to LGUs from the sale of processed minerals is challenging and is dependent on company disclosures. If the mining zone from which the mineral has been extracted cannot be confirmed, the respective share of royalty cannot be transferred to it.
4. LGUs reported that they do not have the means nor the information necessary to track each domestic sale and export of the minerals extracted in their municipality, required to conduct proper reconciliation procedures, and thus are unable to check whether the royalty they receive is appropriate. Although they are instructed to collect information from their respective regional directorate of tax or customs, these institutions may not have knowledge regarding resellers, operating outside of the scope of their operations.

Chart 30 shows the trend of subnational royalty transfers made in the years 2015 – 2018. It must be noted that the royalty transferred provided by AlbEiti in this reporting cycle is not in agreement with the values reported by the Ministry of Finance in previous years. This may be due to adjustments made retrospectively. For example, the EITI Secretariat in Albania reported that the Municipality of Mallakastër received a large amount of royalty during the reporting years to correct for previous errors in the share of royalty it received.

In previous years The Ministry of Finance explained that the responsibility of initiating the royalty allocation process falls to the LGUs by submitting the reconciliation procedures, and that the amount not yet allocated was not claimed by the LGUs.

6.2.2 Reconciliation of subnational transfer of royalty

The MSG selected six LGUs for the 2017 and 2018 reconciliation procedure; the selected LGUs represent major extracting districts in Albania. These include the municipalities of Buqizë, Fier, Patos, Roskovec, Lushnjë, and Krujë. Although all municipalities reported, their reporting was partially complete. The municipalities of Bulqizë and Krujë did not report on the received royalty payments.

Chart 30 - Subnational transfers of royalty 2011-2018



Source: Data from MFE provided by AlbEiti

Table 30: Reconciliation of subnational transfers of royalty, 2017

Municipality	Royalty reported by the LGU	Transferred as per MFE	Difference
Bulqizë	Not reported	22,675,118	-
Fier	11,280,472	13,691,335	(2,410,863)
Krujë	Not reported	1,538,255	-
Lushnjë	4,156,000	3,218,638	937,362
Patos	47,449,204	49,610,650	(2,161,446)
Roskovec	47,456,787	42,118,348	5,338,439
Total	110,342,463	132,852,345	1,703,492

Table 31: Reconciliation of subnational transfers of royalty, 2018

Municipality	Royalty reported by the LGU	Transferred as per MFE	Difference
Bulqizë	Not reported	18,674,142	-
Fier	18,103,421	22,066,313	(3,962,892)
Krujë	Not reported	2,081,718	-
Lushnjë	4,358,000	5,284,389	(926,389)
Patos	50,910,075	73,955,523	(23,045,448)
Roskovec	32,676,290	53,602,935	(20,926,645)
Total	106,047,786	175,665,020	(48,861,374)

The tables compare the royalty reported by the selected LGUs with the royalty transferred according to MFE's reporting to AlbEiti. As can be seen in the tables above, there are significant differences between the two. The lack of reporting from the Ministry makes it difficult to rationalize the noticed discrepancies. According to the reporting by LGUs, they have little control over the amount they receive. However, this statement conflicts directly with the procedure, as dictated by law and regulations on the issue, described in section 6.1. Table 32 lists all subnational transfers of royalty made in 2017 and 2018, based on the MFE data.

Table 32: Subnational transfers of royalty made in 2017 and 2018

In ALL

No.	Local Government Units	Total subnational transfers of royalty in 2017	% of total royalty pertaining to 2017	Total subnational transfers of royalty in 2018	% of total royalty pertaining to 2018
1	Belsh	0	0.00%	0	0.00%
2	Berat	21,544	0.01%	13,394	0.01%
3	Bulqizë	22,675,118	15.36%	18,674,142	10.00%
4	Cërrik	87,752	0.06%	22,327	0.01%
5	Delvinë	0	0.00%	0	0.00%
6	Devoll	28,730	0.02%	47,701	0.03%
7	Dibër	47,898	0.03%	62,249	0.03%
8	Divjakë	0	0.00%	0	0.00%
9	Dropull	0	0.00%	228	0.00%
10	Durrës	113,699	0.08%	72,487	0.04%
11	Elbasan	751,689	0.51%	154,161	0.08%
12	Fier	13,691,335	9.27%	22,066,313	11.82%
13	Finiq	0	0.00%	0	0.00%
14	Fushë-Arrëz	0	0.00%	0	0.00%
15	Gjirokastrë	0	0.00%	1,055	0.00%
16	Gramsh	0	0.00%	0	0.00%
17	Has	277,357	0.19%	162,691	0.09%
18	Himarë	47,891	0.03%	184,466	0.10%
19	Kamëz	2,625	0.00%	21	0.00%
20	Kavajë	75,239	0.05%	70,694	0.04%
21	Këlcyrë	0	0.00%	1,228	0.00%
22	Klos	767,511	0.52%	779,588	0.42%
23	Kolonjë	9,880	0.01%	3,811	0.00%
24	Konispol	0	0.00%	0	0.00%
25	Korçë	69,854	0.05%	368,719	0.20%
26	Krujë	1,538,255	1.04%	2,081,718	1.11%
27	Kuçovë	25,346	0.02%	25,805	0.01%
28	Kukës	1,233,967	0.84%	451,959	0.24%
29	Kurbin	2,105	0.00%	56,872	0.03%
30	Lezhë	409,756	0.28%	383,511	0.21%
31	Libohovë	0	0.00%	0	0.00%
32	Librazhd	104,027	0.07%	194,891	0.10%
33	Lushnjë	3,218,638	2.18%	5,284,389	2.83%
34	Malësi e Madhe	9,595	0.01%	10,820	0.01%

No.	Local Government Units	Total subnational transfers of royalty in 2017	% of total royalty pertaining to 2017	Total subnational transfers of royalty in 2018	% of total royalty pertaining to 2018
35	Maliq	0	0.00%	488,562	0.26%
36	Mallakastër ¹³¹	8,784,744	5.95%	2,168,451	1.16%
37	Mat	234,632	0.16%	125,940	0.07%
38	Memaliaj	0	0.00%	0	0.00%
39	Mirditë	55,947	0.04%	25,824	0.01%
40	Patos	49,610,650	33.60%	73,955,523	39.60%
41	Peqin	0	0.00%	0	0.00%
42	Përmet	6,898	0.00%	2,685	0.00%
43	Pogradec	165,456	0.11%	420,822	0.23%
44	Poliçan	7,060	0.00%	6,643	0.00%
45	Prrenjas	194,249	0.13%	1,240,053	0.66%
46	Pukë	0	0.00%	41,591	0.02%
47	Pustec	0	0.00%	0	0.00%
48	Roskovec	42,118,348	28.53%	53,602,935	28.70%
49	Rrogozhinë	0	0.00%	0	0.00%
50	Sarandë	479	0.00%	1,843	0.00%
51	Selenicë	139,641	0.09%	1,662,999	0.89%
52	Shijak	52,822	0.04%	97,218	0.05%
53	Shkodër	46,878	0.03%	24,413	0.01%
54	Skrapar	300,626	0.20%	120,558	0.06%
55	Tepelenë	0	0.00%	0	0.00%
56	Tiranë	438,728	0.30%	596,775	0.32%
57	Tropojë	180,931	0.12%	197,909	0.11%
58	Ura Vajgurore	61,038	0.04%	536,763	0.29%
59	Vau i Dejës	5,982	0.00%	27,041	0.01%
60	Vlorë	5,043	0.00%	198,638	0.11%
61	Vorë	31,021	0.02%	22,400	0.01%
Total		147,650,986		186,740,826	

¹³¹ While Mallakastër received substantial payments in 2017 and 2018, it was not chosen as a reporting LGU because the payments made mostly represent royalty collected in previous years.

7. Data quality, assurance and disclosure

This chapter discusses the level of assurance of the reported payments, as well as the relative materiality of each revenue stream and progress on beneficial ownership disclosure.

7.1 Quality and assurance of data

EITI standard 4.9 (a) requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. The expectation is that the payments and revenues are subject to this assurance procedure, and that the supporting documentation can be publically accessed.

Albanian law stipulates the accounting standards that must be applied by companies operating in the country. Additionally, it sets the auditing requirements for each entity. The financial statements, and auditor's opinions, of all companies registered in the country can be accessed on the NBC website, through the process described in section 7.3.2. However, due to the differences in the nature of reporting, the publically available financial statements do not provide a comparable data set that can be used to verify the reported information. Hence, this data cannot be easily agreed and corroborated with audited financial statements or other publically available financial statements, and cannot directly provide assurance to EITI numbers.

In previous years, reporting licensees were asked to provide assurance on the EITI reported numbers, via the approved terms of reference, after the reconciliation procedure was completed. We have determined that this procedure does not add significant value or provide additional transparency to EITI reported numbers due to the following reasons:

- Low company participation in providing audited flows has been observed in previous reporting cycles. This has occurred because the additional audit comes with a financial burden on reporting entities, as no special audit requirements are imposed with regard to the numbers reported under EITI in Albania. As such, this procedure has been determined to not be feasible in providing assurance on EITI reporting in Albania. Due to the trend observed in previous years, and the difficulties imposed on companies by Covid-19, we expect a similar or lower participation in this process than in previous reporting cycles.
- In this reporting cycle, there were companies that provided us with audited EITI numbers in their initial reporting and still came up with discrepancies that had to be amended throughout the reconciliation

No special audit requirements are placed on licensees operating in the extractive sectors, nor to the public institutions providing supervision and oversight to the extractive sector.

procedure. This lowers the credibility of having EITI numbers audited, and shows that the procedure mostly acts as a formality.

- Although EITI reported numbers have not been specifically audited, the audit of companies' financial statements does provide a degree of assurance on EITI numbers.

The methodology applied to assess the assurance level of the EITI reported data from both public and private reporting entities this reporting cycle is described in the sections below.

7.2 Assurance on Government institution and SoE reporting

This section discusses the level of assurance of:

- Companies' reporting to AKBN
- Public entity reporting for the purposes of this report
- SoE reporting for the purposes of this report

Throughout this section, we do not provide an assessment of the entities' operations or finances, but rather present an assessment as to whether the entities have been subject to independent and credible audit by KLSH, and present relevant KLSH findings.

7.2.1 Assurance on government reporting

Government entities in Albania are subject to independent performance, financial, IT, and compliance audits performed by the Supreme State Auditor in Albania (KLSH). These audits are performed in accordance with laws and regulations that pertain to the Office of the Supreme State Auditor, and employ the standards and guidelines of the Office of the Supreme State Auditor, which are based on the INTOSAI standards for government auditing (<http://www.klsh.org.al/>). The compliance and performance audits are published online and can be freely accessed by all interested readers on the KLSH website: http://www.klsh.org.al/web/Raporte_Auditimi_201_1.php

In order to assess the level of assurance on government reported data, we reviewed all decisions pertaining to audits carried out by KLSH in 2017, 2018 and 2019. The decisions list findings from the audits, as well as KLSH recommendations, or corrective actions, for public institutions. The audits of the public entities selected as reporting subjects for this report, performed by KLSH for the period 01.01.2017 – 31.12.2018, are listed in the table below. If an institution has been audited for the period, it has thus been subject to credible and independent audit.

Additionally, we read the findings of all KLSH decisions for the institutions in scope in order to assess whether any findings relate to the institutions ability to produce accurate and reliable data, pertaining to the information required for EITI reporting.

KLSH does not audit the governmental entities periodically, thus the level of assurance it provides is limited.

Table 33: Government entities and SoEs reporting EITI flows

Government entity	Reported	Audited by KLSH for 2017	Audited by KLSH for 2018	Level of Assurance	Impact on report
General Directorate of Taxes (DPT)	Yes	Yes	Yes	High	High
Albanian Customs Administrative (DPD)	Yes	Yes	Yes	High	High
AKBN	Yes	Yes	Yes	Medium	Medium
Ministry of Finance and Economy ¹³²	No	Yes	Yes	High	Low - Medium
Ministry of Tourism and Environment	No	Yes	Yes	High	Low
Ministry of Infrastructure and Energy	Yes	Yes	Yes	Medium-High	Low
Municipality of Fier	Yes	Yes	No	Medium	Low
Municipality of Bulqizë	Yes	Yes	Yes	Medium	Low
Municipality of Krujë	Yes	Yes	Yes	Medium	Low
Municipality of Patos	Yes	Yes	Yes	Medium	Low
Municipality of Lushnjë	Yes	Yes	No	Medium	Low
Municipality of Roskovec	Yes	Yes	No	Medium	Low
SHGJSH	Yes	No	No	Medium	Low
ATRAKO	Yes	No	No	Medium	Low
ERE ¹³³ (*)	Yes	No	No	High	Medium
Albpetrol (*)	Yes	Yes	Yes	Medium	Medium
KESH (*)	Yes	Yes	No ¹³⁴	Medium	Medium

(*) These entities are also audited by their statutory auditors, increasing their assurance level.

We read the reports published by the KLSH (KLSH) during 2017, 2018, and 2019 regarding the audit of public institutions and SoEs operating in the energy and resources sector and did not identify any finding which might significantly affect the accuracy and comprehensiveness of the EITI reported numbers, or the ability of the institutions to produce EITI numbers. The two

¹³² Although the Ministry did not report, information produced by MFE has been used throughout the report.

¹³³ Although ERE was not audited by KLSH, it was audited independent auditors; ERE's financial statements are subject to statutory audit where auditors have produced and unmodified opinion. Additionally, independent certified auditors were commissioned by ERE to audit their procedures and regulation. No findings relevant to EITI reporting were identified, thus ERE reported data has high level of assurance. Both audits can be found on the ERE official website.

¹³⁴ KLSH audited KESH's IT system in 2019, for the period 01.01.2018 – 31.05.2019.

institutions reporting material revenue streams under EITI, DPT and DPD, have been assessed as having high assurance. Our key findings related to government institution reporting are:

- KLSH found that data pertaining to excise tax collected by DPT has not been fully transferred from DPT to DPD. As such, some of these payments may have been omitted from reporting. However, excise tax is an immaterial payment stream, and thus would not have a significant effect on the comprehensiveness of EITI reporting.
- Generally, KLSH found that the reporting municipalities had not applied an adequate financial management and control system and that they had not implemented a standard reporting procedure. These findings impact the assurance level of the numbers reported by municipalities. Nonetheless, as payments made to LGUs do not represent a material payment stream, this would not affect the comprehensiveness of EITI reporting.

KLSH findings related to AKBN reporting are addressed in section 7.3.4.

7.2.2 Assurance on SoE reported data

SoEs are subject to both statutory audit as JSC, and to audits by KLSH as public entities. As such, the assurance assessment methodology for SoEs combines both that of companies and that of public entities. Both KESH and Albpetrol have been audited by KLSH for the reporting years.

Albpetrol and KESH were the only public entity, subject of reporting, producing audited annual financial statements for both reporting years. None of the other public institutions provided annual financial statements – as governmental institutions, they are not obliged to publish annual financial statements.

All statements had a “Modified Opinion” by the auditor. Albpetrol’s statutory auditors have expressed that they are unable to fully determine the accuracy of Albpetrol’s reporting. Regarding KESH’s financial statements, among other issues, the auditors expressed concern regarding the lack of agreement between the energy balance and the financial performance reported. Additionally, there was a lack of agreement between KESH’s financial statements, and those of other SoEs in the sector, meaning that one or both parties’ financial statements contained discrepancies in reporting. This finding was supported by the audit carried out by KLSH (Decision no.52, dated 07.04.2018), which also noted a lack of agreement between the reporting of KESH and other SoEs in the sector, such as OSHEE and OST.

Albpetrol’s audit by KLSH was published as Decision no. 252, dated 31.12.2018, The audit of “Albpetrol Sh.A., Patos, Fier” with the objective of “Compliance and Regularity”. The audit revealed that Albpetrol’s economic activity is not compliant with the requirements set by the regulatory framework. The report stated that as a result, the auditors have identified deviations from the legal and regulatory framework, of material importance.

Through the audit carried out by KLSH in 2019, pertaining to 2018, KLSH found that Albpetrol’s financial data control system has inefficiencies. As such, KLSH recommended that measures must be undertaken by Albpetrol sh.a. to establish an efficient system of internal control and financial

management, as well as take measures to establish a register of risk, audit trails for key activities and processes.

Albpetrol's audit by KLSH in 2017 resulted in a list of recommendations regarding the the collection of receivables. According to the state auditor, these issues were not addressed by Albpetrol and were carried into 2018.

KESH provided their audited financial statements for the purposes of this report, but they have not yet been published on NBC's website. As explained in chapter 5, the audit in 2018 revealed issues regarding the financial statements of the previous financial year, which were amended retrospectively in 2018's reporting. The financial performance shown in Chapter 5 considered the amended figures. From the audit of KESH's IT system, KLSH found that internal regulations do not define the user rights in the system and the levels of access for these users. However, we have no information if such issues are amended at the time of writing of this report.

The requirement of other SoEs in the sector to publish and audit their financial statements, the high oversight of the sector, the reports published, and the regulatory monitoring provided by ERE make it easier for auditors and the state to trace errors and amend issues regarding KESH reporting. Issues regarding reconciliations or outstanding payments between SoEs are mediated and ultimately handled by ERE. The hydrocarbon sector lacks this type of oversight from an independent institution and thus requires the involvement of KLSH.

As SoEs are subject to two layers of audit, the level of assurance on the data they provide is increased. Additionally, due to the nature of their activities and their relationship with both public institutions and private companies, there is enough information for auditors to perform a comprehensive assessment of their activities. As such, the reporting from KESH and Albpetrol is considered to have a medium level of assurance.

Regarding the monitoring and audit of Albpetrol's activities

Albpetrol's financial statements for the years 2017 and 2018 were compared to the extent possible with the flows and data reported by Albpetrol for the EITI report (Chapter 3).

Tax payments reported by Albpetrol could not be reconciled with the information presented in these financial statements, due to different basis of reporting (accrual vs cash basis) and lack of detailed disclosures on the flows presented in Albpetrol's financial statements. We expect this to be resolved in the following years, with new statutory requirements regarding the reporting of taxes levied by the state.

Assurance on Albpetrol's revenue and inventory is paramount to transparency. In the past, the statutory auditor's ability to conduct year-end inventory and provide assurance in the payments in kind received by Albpetrol has been an issue. Considering the findings of the audit that KLSH performed in 2018, and the statutory auditor's inability to provide assurance, the MSG may consider recommending that KLSH audit Albpetrol's activities on a regular basis, of both Albpetrol's financial statements and its regulatory performance.

Reconciliations of Albpetrol's sales

In line with EITI requirement 4.2, in attempt to increase the accuracy and completeness of commodity trading data, the MSG agreed to reconcile quantities and values of crude oil sold from Albpetrol to its contractors.

The reconciliation template also included open questions to trace and any disagreements between Albpetrol and its contractors.

However the procedure was not successfully implemented because Albpetrol cannot provide access to its contractors. However, the company names and quantities sold are disclosed in Chapter 3.

7.2.3 Involvement of KLSH for government entities

As noted above government entities including the General Directorate of Taxes, Albanian Customs Administration, AKBN, Local Government Units etc., do not publish annual financial statements or undergo through annual financial audits. However, these entities provide key inputs for the numbers and contextual information reported under EITI, and present a basis for reconciliation for the numbers reported by private entities. As shown in the table, most public reporting entities have been audited by KLSH in the relevant period. Those which, to our knowledge, have not been subject to an auditing procedure have a relatively low impact on the EITI report.

In order to increase assurance of the numbers reported by these government entities, the MSG may consider recommending that the Supreme State Auditor perform specific audit procures and provide assurance on EITI reported numbers. Concerning the assurance on the numbers reported by Albpetrol, the MSG may either require Albpetrol to engage its statutory auditor to perform additional procedures on the EITI numbers or engage KLSH to perform a specified audit procedure in this regard.

7.2.4 Reporting to AKBN: Regulatory reporting and audits

Entities engaged in the extractive sector of oil, gas and mining, and the hydropower sector are required to report to AKBN regarding information that includes, but is not limited to:

- Investments performed
- Production levels
- Quantity and value of sales
- Civil works performed
- Rehabilitation of the environment
- Change in reserves

AKBN performs its own audit of the performance of the petroleum agreements, mining licenses and hydropower concessions operating in Albania. AKBN has reported data based on its role as “supervisor”, but supervision methods and audit procedures selected by AKBN are not disclosed.

Based on inquires with representatives of AKBN, we understand that AKBN’s audits aim to monitor the degree of compliance with the financial and environmental terms of the licenses and / or concessions. AKBN informed that statistics on commodity output, reserves, and employee numbers submitted for the purpose of this report are derived from self-declarations

submitted by the licensees to AKBN as part of their annual reporting obligation and do not undergo any assurance processes.

While AKBN monitors activities of oil & gas companies in the exploration phase, Albpetrol is actively engaged in the monitoring of the production and operations of the entities operating a license under its administration. These include all licenses operating a production oil-field. Albpetrol is focused on monitoring the compliance with the covenants of the production agreement, and ensuring the fulfilment of the licensee's contractual obligations to Albpetrol.

The output of the hydropower sector is measured and reported by the operators of the distribution and / or transmission network, as hydropower producers connect into these networks – connection points are equipped with meters measuring power flows. In addition, hydropower producers regularly reconcile the power flows transmitted to the power distribution and transmission network. This information is also publically available in the annual report published by ERE.

AKBN collects and collates the balance of power inflows and, and produces a power balance report for the sector.

In Decision no.214, dated 19.12.1018, regarding the compliance audit of AKBN, KLSH presented a list of findings and their respective recommendations, relevant to this report, regarding AKBN's role in the three sectors:

- Company reporting was found to be partial in many cases. Invoices generated for the sale of minerals were rarely produced by companies, making it difficult to provide oversight on procedures regarding royalty.
- The lack of collaboration, as identified by KLSH, between AKBN and other public entities such as MIE, DPT and DPD have resulted in several issues, such as:
 - An incomplete mining register, which has been found to contain inaccuracies.
 - An inability of public entities to provide appropriate oversight on company reporting regarding their activity. This has resulted in institutions taking company reporting at face value.
 - A lack of consistency in the information held, and thus reported, by different institutions.
 - Increased risk of fiscal evasion in the mining sector.

Although these findings would not affect the reconciliation procedure, they do support the concerns mentioned in previous chapters regarding companies' self-declarations, and royalty calculation, collection and allocation.

7.3 Assurance and reporting requirements for incorporated entities in Albania

A methodology, built on the financial reporting and auditing requirements in Albania, was designed to assess the level of assurance on company reported EITI numbers. This method only serves to provide assurance for this report; we do not aim to evaluate whether companies have fulfilled their statutory

duties, but rather provide an assessment as to whether, to the best of our knowledge, reporting subjects have been subject to independent and credible auditing procedures, based on the information we possess; as the information we possess is not complete, the legal requirements of all companies could not be determined.

The classification also serves to distinguish companies with a higher relative materiality, as defined by the Albanian legal framework.

- First, to the extent possible, we determined which of the reporting companies are subject to mandatory statutory audit, as stipulated by the Law on Audit no. 10091. The legal requirements are described in detail in section 7.3.1. Our assessment is based on publically available data, company and DPT reporting.
- Second, following the procedure described in section 7.3.2, we checked which of the reporting companies had made their financial statements publically available. For companies which are subject to mandatory statutory audit, we checked whether they had had their financial statements audited.
 - Companies which are not subject to statutory audit are considered immaterial and low risk. Their financial statements are also publically available and signed by the company's administrator. Although these companies remain within the low-medium range, depending on whether they have delivered a signed representation letter, the reconciliation process with the revenue recorded by government entities, by principle, increases their level of assurance.
- For companies that have audited financial statements, the auditor's opinion was also considered.
- Companies were also asked to deliver a signed representation letter, stating that the reported information is credible, reliable, accurate, and reflect all payments made to the state. A representation letter signed by the company administrator was considered as an assurance increasing factor.

7.3.1 Accounting standards applied

Current regulatory provisions in Albania require incorporated entities to apply either International Financial Reporting Standards (IFRS) published by International Accounting Standards Board (IASB) or the National Accounting Standards (NAS) published by the National Accounting Council for statutory accounting and reporting purposes. The NAS was initially derived as a simplified version of IFRS and subsequently amended to comply with IFRS for SMEs, which is a simplified version designed for smaller entities, with less complex activities. In line with Law no. 25/2018 "On accounting and financial statements", all incorporated entities in Albania had to adopt IFRS (SNRF) or NAS (SKK) – either the full set of standards or the simplified version for SMEs.

All incorporated entities including Joint Stock Companies ("JSC") and Limited Liability Companies ("LLC") are subject to statutory audit, except, if the LLC is classified as smaller entity, in accordance with the definition provided by article 41 of the Law on Audit no. 10091 "On statutory audit, organization of the registered auditor and chartered accountant profession", dated 5 March 2009, amended. According to this law, smaller entities are those who meet two of the following criteria:

- Total assets do not exceed ALL 50 million;
- An average of no more than 30 persons are employed; and
- Annual revenue does not exceed ALL 100 million.

Additionally, the law requires that all entities electing to report under IFRS for statutory purposes, including smaller entities that voluntarily adopt IFRS, undergo the statutory audit procedure.

Entities registered as a branch of foreign corporations assume the obligations of the respective legal form in Albania.

International Standards on Audit issued by the International Auditing and Assurance Standards Board (IAASB: <https://www.iaasb.org/>) are applicable on all external audit and assurance engagements performed by licensed auditors in Albania. The professional auditor and accounting body (the Institute of Authorized Chartered Auditors of Albania, IEKA: www.ieka.org) has been a member of the International Federation of Accountants (IFAC: www.ifac.org) since 2000.

The Albanian accounting transparency provisions require that all entities registered in Albania submit their financial statements, and audit reports when subject to statutory audit, to the National Business Centre (www.qkb.gov.al) within July 31st of the subsequent calendar year. The annual financial reporting, as well as information on the legal ownership of the entity, are published and can be freely accessed by all interested parties on NBC's official website (link <http://www.qkr.gov.al/search/search-in-trade-register/search-for-subject/>).

7.3.2 Instructions for accessing and downloading financial statements from the NBC website

Input the NUIS number as indicated below and search for the commercial register extract and licenses attached to the NUIS number. Company name, shareholders etc. can also be used to search for subjects.

The financial statements of all companies operating in Albania are publically available and can be accessed on NBC's official website.

QKB
Qendra Kombetare e Biznesit
National Business Center

NBC | Legislation | Search | Information on Procedure | Announcement | Publications | NewsRoom | Contact

Search for Subject

J82916500U
Subject Name
Address
Shareholder
Trade name
Identification Number

Search
Clear

NUIS: J82916500U **Subject name:** ALBPETROL SHA **Objekti i Aktivitetit:** Kryerja e Operacioneve Hidrokarbure ne perputhje me Ligjin Nr-7746, date 28.08.1993 per Kerkimin Zhvillim, Prodhim, Trajtimin, Transportin, Magazinimin dhe Shitjene naftes Brut, Gazit dhe rerave Bituminoze brenda dhe jashte REPUBLIKES SE SHQIPERISE ...

Look for active licenses | Download simple extract | Download historical extract

Figure 19 NBC's (QKB) Subject search page

Download the historical extract and scroll down through the history of uploaded decisions and financial statements. As shown in the figure below, links to the financial statements are embedded in the historical extract document. The financial statements can be downloaded by clicking on the indicated links.

28/12/2017	<p>Numri i ceshtjes: CN-609690-12-17 (APLIKIM PER DEPOZITIM PASQYRA FINANCIARE) Arsyet e hapjes se ceshtjes: Depozitim i Pasqyrave Financiare i Vitit 2016.</p> <p><u>Lista e Dokumenteve:</u> Akti i Pageses e kundravajtjes administrative (nëse ka) Akti i miratimit te bilanciit nga asambleja subjektit, ose nga individi tregtar Dokumenti i autorizimit Raport Auditimi Bilanci Kontabel Mandati i Pageses</p>
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Figure 20 Excerpt from Albpetrol's historical extract

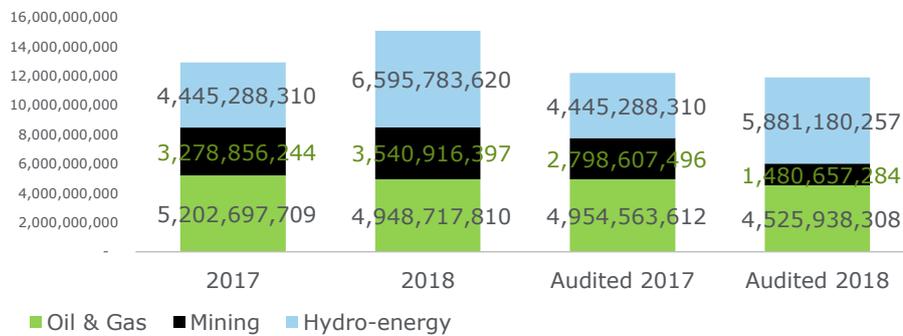
The accounting and audit laws in force during the reporting years (2017 & 2018) do not foresee any special requirements for the disclosure or audit of key performance indicators, or EITI reporting, for the concessions and licenses granted in the sectors relevant to this report.

7.3.3 Analysis of level of assurance of EITI numbers

Based on historic data from previous EITI reports, fiscal payments – i.e. payments made to tax and customs authorities (royalty) – represent the largest flows reported by all three sectors. Additionally, they directly reflect a company's level of activity and are not subject to specific events. Chart 31 presents a structural analysis of the fiscal flows reported by the selected licensees. Based on the legal auditing requirements in the country, the largest companies, producing the largest flows, are subject to statutory audit, thus providing a level of assurance on their financials, and thus, EITI reporting. In 2017, 95% of oil & gas flows, 85% of mining flows, and 100% of hydropower flows were audited. In 2018, very few companies published their audited financial statements; 91% of oil & gas flows, 42% of mining flows and 89% of hydropower flows were audited.

The overall result was a 94% increased assurance due to audited financial statements in 2017, and 79% in 2018.

Chart 31 - Structure of the reported flows



Companies that are not required to audit their financial statements do not undergo this procedure voluntarily as it comes with extra costs, and an additional time burden. This analysis shows that the main material flows selected for reconciliation under EITI are paid by a significantly lower number of reporting entities. In this context, for efficiency purposes the MSG may consider changing the threshold and ask only the largest entities to report under EITI. This change would not affect the comprehensiveness of the report.

Specifically regarding the mining sector, 90% of fiscal flows are represented by 55% of companies selected for reporting in 2017, and 49% in 2018. The selection made by the MSG is based on the level of production as reported by AKBN. If the self-declarations of companies is assumed to be accurate, the following explanations may hold:

- The companies representing 90% of flows mostly generate their revenue through other sources.
- There is a significant difference between the level and value of production of the companies and the rest.
- The minerals produced by the companies generating the most revenue has a higher value.

7.3.4 Analysis of company disclosure in 2017 and 2018 – Proposed methodology

This section only treats companies that have reported for 2017 or 2018.

For the year 2017, 6 entities had not published their financial statements on the NBC web portal; 9 companies have not published their financial statements for 2018. In contrast, in the previous reporting cycle, only one company had not published its financial statements, and they delivered them throughout the reporting. This difference may be the result of the addition of smaller mining companies as reporting subjects.

In general financial statements disclose limited information on the level of production, investments made and the assessed reserves. Out of 137 entities that reported, 72 had their financial statements audited in 2017. This number is substantially lower in 2018, with only 23 companies submitting the auditor’s opinion.

Table 34: Financial statement disclosures 2017

Sector	Number of reporting entities	Published financial statements	Published audit opinions	Modified opinions	Representation Letter
Oil and gas	7	5	4	1	3
Mining	105	97	57	1	46
Hydro-energy	11	11	11	2	7
Total	123	113	72	4	56

Table 35: Financial statement disclosures 2018

Sector	Number of reporting entities	Published financial statements	Published audit opinions	Modified opinions	Representation Letter
Oil and gas	8	5	3	1	4
Mining	109	102	15	0	49
Hydro-energy	11	11	5	1	7
Total	128	118	23	2	60

The basis for modified opinions included different matters. However the auditor's inability to confirm inventory balances was the most frequent reason for a modified opinion in case of oil and mining companies, including Albpetrol. The inability to confirm inventory balances ultimately affects the opinion on production and revenue level. Entities can avoid this limitation by appointing the auditor earlier and prior to year-end.

The assessment of assurance on company reporting for the years 2017 and 2018 is presented in the table below. The assessment regarding the level of assurance is dependent on our determination as to whether the companies have a legal obligation to undergo statutory audit or not.

Table 36: Company reporting assurance level

Companies provided / published	2017		2018		Assurance level
	Number of companies	% of fiscal revenues	Number of companies	% of fiscal revenues	
Companies not obliged to publish audited statements	28	1.75%	34	1.96%	
No representation letter and no auditor's opinion	14	0.79%	19	0.99%	Low-Medium

Only provided representation letter	4	0.05%	10	0.69%	Medium	
Only audited statements	3	0.44%	1	0.1%	High	
Representation letter and voluntary auditor's opinion	7	0.47%	4	0.18%	High	
Companies which could not be determined¹³⁵	13	0.59%	14	0.97%		
No representation letter and no auditor's opinion	8	0.31%	9	0.82%	Low-Medium	
Only representation letter	5	0.27%	5	0.14%	Medium	
Companies legally obliged to audit their financial statements	79	97.66%	73	97.07%		
No representation letter and no auditor's opinion	11	1.55%	25	6.79%	Low	
Only representation letter	6	2.65%	27	11.76%	Low-Medium ¹³⁶	
Only audited statements	28	70.46%	7	66.93%	Medium-High	
Representation letter and modified auditor's opinion	33	19.14%	-1	-	High	
Representation letter and unmodified auditor's opinion	1	3.86%	14	11.59%	High	
% of companies 2017	% of companies 2018					
9.17%	20.66%	11	1.55%	25	6.79%	Low
23.33%	45.45%	28	3.75%	55	13.57%	Low-Medium
7.50%	12.40%	9	0.32%	15	0.83%	Medium
23.33%	5.79%	28	70.46%	7	66.93%	Medium-High
36.67%	15.70%	44	23.91%	19	11.87%	High

As evident in the table, the majority of revenues have a medium-high level of assurance. The results highlight the high variance between the levels of revenue different companies that reported have generated for the state.

¹³⁵ As our information is not complete, the legal auditing requirements could not be established for all companies in scope. As we cannot determine whether these companies have omitted their audited statements, their assurance level is classified as low-medium to high.

¹³⁶ As the entities have not fulfilled their legal obligation regarding statutory audit, their assurance level is assessed as lower than that for companies that do not have this obligation.

7.4 Materiality analysis of revenue streams

The MSG decided to remove all threshold in this year's reporting cycle in order to conduct a comprehensive analysis to assess the relative materiality of each revenue stream. The following subsections present an analysis of risks attached to each reported flow as well as the overall materiality of each flow.

Payments reported by both parties were **97.72%** reconciled for 2017, and **99.45%** reconciled for the reporting year 2018.

7.4.1 Fiscal payments made to the Tax and Customs authorities

Fiscal payments comprise the largest share of cash flows paid by the companies engaged in the extractive and hydropower sector. Payments to the DPT comprise 59% of the total flows subject to reconciliation for 2017, and 68% for 2018. Royalty paid to DPD comprised 10% of total revenues subject to reconciliation in 2017, and 12% in 2018.

Fiscal payments are either made to the tax authorities or customs authorities, and include but are not limited to:

- Tax on profit
- Royalty
- Payments for social and health insurance
- Payments for employment tax
- VAT
- Tax on dividend
- Tax penalties

Fiscal payments are highly regulated by laws and regulations that introduce clear requirements and instructions on the applicable taxes. Any omission in tax reporting and / or delay in paying taxes is subject to heavy penalties and statutory interest.

Licensees can monitor and reconcile their tax payments and liabilities to the state on a regular basis through a dedicated online access tax system platform. The chances of omitting EITI reported taxes is very low due to the high regulation of these payments and the active engagement of fiscal agents in eliminating tax evasion. Due to this, paying licensees are keen on reporting all payments made and on having these numbers agree with the fiscal agents' reporting.

The nature of errors and inconsistencies that have been detected in the past and current EITI reconciliations of fiscal payments were typically:

- Payments reported on accrual versus cash basis
- Payments reported on an aggregated versus disaggregated basis
- Amounts forgotten in the initial reporting
- Misclassification of tax payments with related tax penalties¹³⁷

Most of the errors were solved by reconciliation and analysis performed on a payment-by-payment basis. The reconciliation procedures performed do not aim to uncover fiscal evasion.

¹³⁷ Explained further in Chapter 9.

Considering the facts listed above and level of reconciled numbers, any remaining omission or misstatement uncovered through the reconciliation would not significantly affect the comprehensiveness of the EITI Report.

Comprehensiveness

In order to assess whether the mining companies selected for reporting truly represent companies making a material contribution to the state, we conducted an ex-post confirmation using the royalty data provided by DPD. As previously mentioned in chapter 4, the total revenue from the sector as reported by the DPT could not be used for this purpose. Through reviewing DPT's reporting on employment in the three sectors, we identified that the system cannot distinguish companies operating in the extractive sector from others. As information on the sector was not reported on a NIPT basis, but only in aggregated form per payment stream, we could not clean the data in order to only analyse the payments made by producers in the mining sector.

The limitation of using this method is that only exporting companies are covered.

All oil & gas companies have been selected as reporting entities. The choice of reporting companies in the hydropower sector was based on their production, which strongly correlates to the revenue they generate for the state. Hence this confirmation procedure is not required for these two industries.

Table 37: Ex-post confirmation

	Total royalty collected	Total royalty from producers		Royalty from reporting subjects			Companies that reported		
	(In ALL)	Amount	% of total	Amount	% of total	% of prod.	Amount	%of total	% of prod.
2017	887,556,245	837,624,589	94.4%	754,202,028	85%	90%	496,774,787	56%	59.3%
2018	540,793,045	494,660,178	91.5%	447,371,274	82.7%	90.4%	293,387,866	54.3%	59.3%

As evident from the table, 90% royalty payments, made by exporting producers, have been made by companies selected as reporting entities.

7.4.2 Bonuses collected from AKBN and Albpetrol

Bonus payments made to AKBN and Albpetrol based on the current petroleum agreements in force comprise less than 1% of the flows reported. Their share has been lower than 1% of the reported flows over the past 5 years. The petroleum agreements for Albanian operations accessed in the web, have not revealed substantially higher amounts, which would cast doubts of any omission of payments reported in 2017 or 2018, and over the past five years.

Considering the relatively low materiality of this payment flow and level of assurance achieved, any omission or misstatement would not significantly affect the comprehensiveness of the EITI Report.

7.4.3 Share of oil payments made to Albpetrol

Shares of oil payments are made to Albpetrol based on PSAs in the production phase. These payments comprise roughly 25% of total payments from the oil sector in 2017 and 2018. Albpetrol collects these payments in oil at the Company's production site.

Companies and Albpetrol undergo periodical reconciliations of oil payments every year. Still, throughout this reporting cycle, small discrepancies have been noticed in the payments in oil.

Considering the relative materiality of this payment flow, the level of assurance provided, and history of misstatements over the past five years, any omission or misstatement uncovered would not significantly affect the comprehensiveness of the EITI Report.

7.4.4 Other payments made to the State

Based on values reported by companies, other payments to the State comprise 6.5% of the total payments flows reported and reconciled in 2017, and 5.1% in 2018. Out of these payments, most (approximately 90%) are fiscal payments made to customs authorities for the imports of diluents and other oil by-products used by oil companies for the extraction of crude oil, and by mining industrial companies in their smelting processes. In the hydropower sector, other payments made to the state are mostly comprised of withheld tax according to public entity reporting. Companies reported the majority of other payments as payments made to the Ministry of Tourism and Environment (MTE); these payments are classified as social / environmental expenditure.

Considering the highly regulated nature of these type of payments, the relatively low materiality, the low risk of misstatement and the level of assurance provided by the reporting entities, any omission or misstatement uncovered would not significantly affect the comprehensiveness of the EITI Report.

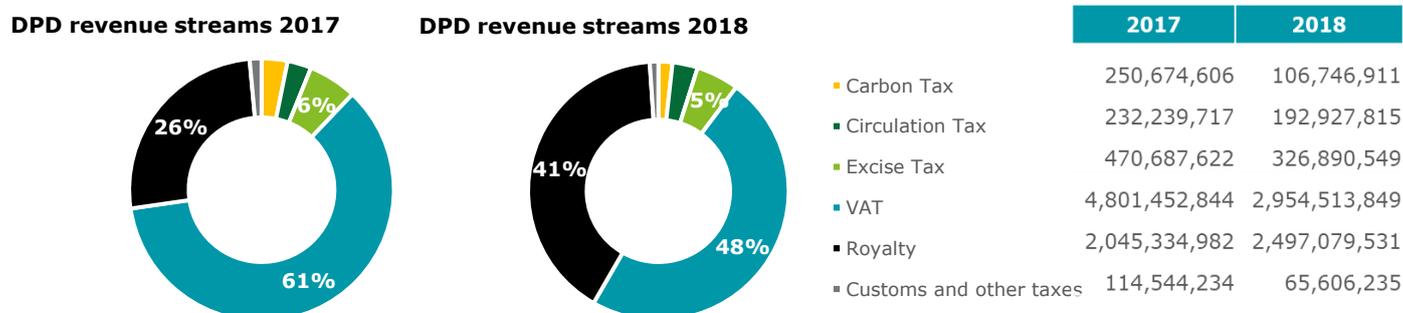
Payments made to the DPD

The DPD generates most of the "other payments made to the State". Apart from royalty, payments made to the DPD are taxes on excise, carbon, circulation, VAT on import, and other Customs taxes. Excise, carbon and circulation taxes were subject to reconciliation and are reported accordingly in Chapter 10.

Although VAT on import comprises the largest portion of payments collected by the DPD, it was not selected for reconciliation as it is not directly linked to the extractive activity; companies in the extractive sector may use other contractors to import their equipment & materials, and may also import goods for other companies. Additionally, VAT on imports may be refunded to the companies.

The composition of these payments in 2017 and 2018 are shown in the charts below.

Chart 32 - Total revenue collected by DPD (in ALL)



Based on DPD reporting, payments to the DPD comprised approximately 39% of total revenues reported by the state for 2017, and 30% for 2018.

As companies did not report on VAT on imports, the value noted in the following section is significantly lower than the one reported by the DPD.

Payments reported by companies

This section treats other payments to the state, as reported by companies. Other taxes reported to the state, and their relative materiality, are shown in the table below:

Table 38: Other payments reported to the state

Institution	Amount 2017 (in ALL)	% of other payments in the sector	% of total other payments ¹³⁸	Amount 2018 (in ALL)	% of other payments in the sector	% of total other payments
Mining Sector	421,996,397	-	24.97%	278,145,905	-	19.73%
DPD	393,473,595	93.2%	23.28%	237,955,821	85.6%	16.88%
OSHEE	7,706,980	1.8%	0.46%	7,879,566	2.8%	0.56%
DPT	5,358,347	1.3%	0.32%	13,521,887	4.9%	0.96%
MIE	5,272,359	1.2%	0.31%	1,166,782	0.4%	0.08%
AKBN	3,248,383	0.8%	0.19%	4,677,569	1.7%	0.33%
Other	6,936,733	1.6%	0.41%	12,944,280	4.7%	0.92%
Oil & Gas Sector	1,040,104,516	-	61.54%	570,832,662	-	40.50%
DPD	577,209,516	55.5%	34.15%	409,425,659	71.7%	29.05%
DPT	298,276,250	28.7%	17.65%	56,128,209	9.8%	3.98%
AKBN	155,534,461	15.0%	9.20%	-	-	-

¹³⁸ Percentage of total other payments as reported by companies is considered in this portion of the analysis, not to be mistaken for percentage of total payments. Other payments to the state as reported by companies are immaterial.

Other	9,084,289	0.9%	0.54%	105,278,794	18.4%	7.47%
Hydropower Sector	138,075,482	-	13.49%	105,306,691	-	10.20%
MTE	122,372,905	53.7%	7.24%	455,146,720	81.2%	32.29%
DPT	39,493,482	17.3%	2.34%	70,111,189	12.5%	4.97%
MIE	38,819,904	17.0%	2.30%	11,106,079	2.0%	0.79%
DPD	26,445,470	11.6%	1.56%	21,857,723	3.9%	1.55%
Other	880,599	0.4%	0.05%	2,220,436	0.4%	0.16%

Both companies and government entities were asked to report all payments, made and received respectively, throughout the reporting years. As the type of payments were not specified, differences in their reporting are noted.

As expected, companies operating in the mining sector made the majority of other payments to Customs Authorities. The majority of other payments from the oil & gas sector were paid to the DPT and DPD. As mentioned, other payments made to the DPD (excise, carbon and circulation tax) and withholding tax, paid to the DPT, were reconciled and are presented in chapter 10.

Most of other payments made from the hydropower sector were paid to MTE, and are categorized as social / environmental expenditures.

All social expenditures are reported in Chapter 10.

The materiality of these payments to total reported payments is insignificant. As such, we recommend reinstating the thresholds in the following years, and only require companies to report payments determined to be material or payments that are required to be disclosed by the EITI standard, such as social and environmental payments. Many companies were not sure what type of payments to report under "Other payments made to the state", which led to payments being omitted, as well as companies not reporting any payments under this category. As such, we expect that specifying the type of payments required to be reported will increase the accuracy and completeness of company reporting.

7.4.5 Other payments made to LGUs

In order to conduct an analysis of revenues collected by LGUs from the sectors in scope, both the payments reported by companies and those reported by the six selected LGUs were analysed.

In both cases, considering the relatively low materiality of this payment flow, any omission or misstatement uncovered would not significantly affect the comprehensiveness of the EITI Report.

Albanian law allows LGUs to set fees and taxes in their municipalities at their discretion; as such, there can be significant differences in the pricing in each LGU. Due to this, the level of payments may not be an accurate indicator of company activity, but rather an indicator of LGU taxation and pricing practices.

Other payments to LGUs – LGU reporting

Other payments to LGUs are comprised of local taxes reported by the six selected LGUs – Municipality of Fier, Patos, Bulqizë, Roskovec, Lushnjë and Krujë –, which represent major extracting districts in Albania.

Royalty allocated is not considered as “Other payments to LGUs” or “Local taxes”. The payments treated as other payments to LGUs are payments that companies make directly to LGUs. They comprise 1.49% of the total payment flows reported by public entities for 2017, and 1.16% of flows reported for 2018. Payments reported by LGUs, and their relative materiality, is shown in the following table.

Table 39: Payments made to reporting LGUs

LGU (Municipality of)	Amount 2017 (in ALL)	% of other payments to LGUs	% of total payments	Amount 2018 (in ALL)	% of other payments to LGUs	% of total payments
Bulqizë	5,856,044	2%	0.03%	9,360,000	4%	0.05%
Fier	-	0%	0.00%	-	0%	0.00%
Krujë	107,357,802	36%	0.53%	94,160,577	40%	0.47%
Lushnjë	3,500,000	1%	0.02%	3,579,840	2%	0.02%
Patos	36,487,938	12%	0.18%	39,139,780	17%	0.19%
Roskovec	146,868,292	49%	0.73%	86,868,292	37%	0.43%
Grand Total	300,070,076		1.49%	233,108,489		1.16%

38% of payments were made by mining companies and 62% were made by oil & gas companies in 2017. In 2018, mining companies made 44% of the payments to LGUs, and oil & gas companies paid 55%. The LGUs are selected based on the royalty they receive from the extractive industry. The contributions made by hydropower companies to these LGUs is negligible.

Krujë is one of the municipalities generating the largest amount of revenue; simultaneously, it is the municipality receiving the least amount of royalty (see section 6.2.2). This municipality generated all of its revenue from the mining sector. The other two municipalities receiving a large portion of revenues, Patos and Roskovec, received material payments from oil & gas companies. They were also the two municipalities receiving the largest amount of sub-national transfers.

Municipality reporting lacked the detail required to understand what type of payments they received from companies. As a result, we cannot deduce whether the payments they reported are directly linked to the companies’ extractive activities. The following subsection sheds some light on this matter.

Other payments to LGUs – Company reporting

Company reporting allows us to analyse payments made to all LGUs, in order to gain additional insight into where companies make the most payments, and how this relates to their production activity. Payments reported by

companies are disclosed in the following tables. As reported by companies, payments to LGUs comprised 3% of total payments for 2017 and 2018.

Table 40: Payments made by the mining sector 2017

LGU (Municipality of)	Amount (in ALL)	Social and Environmental payments	Payments for services ¹³⁹	Local taxes	Other payments	% of payments made to LGUs in the sector	% of total payments to LGUs
Krujë	66,812,269	134,500	-	47,110,529	19,567,240	42.4%	10.43%
Lezhë	14,803,571	940,000	9,291,300	4,572,271	0	9.4%	2.31%
Vorë	9,668,029	-	-	8,258,393	1,409,636	6.1%	1.51%
Bulqizë	7,818,240	140,000	280,000	3,545,000	3,853,240	5.0%	1.22%
Skrapar	7,534,675	6,768,000	440,000	326,675	0	4.8%	1.18%
Tiranë	6,397,738	-	2,349,278	3,762,692	285,768	4.1%	1.00%
Other	44,624,438	1,894,900	7,981,566	20,781,253	13,966,719	20.4%	4.6%
Total	157,658,960	9,877,400	20,342,144	88,356,813	39,082,603	-	22.6%
%		6%	13%	56%	25%		

Table 41: Payments made by the mining sector 2018

LGU (Municipality of)	Amount (in ALL)	Social and Environmental payments	Payments for services	Local taxes	Other payments	% of payments made to LGUs in the sector	% of total payments to LGUs
Krujë	112,181,093	61,000	15,046,030	94,568,516	2,505,547	56.9%	16.28%
Vorë	10,217,983	-	-	8,801,865	1,416,118	5.2%	1.48%
Mirëditë	10,140,300	1,500,000	3,988,010	3,481,570	1,170,720	5.1%	1.47%
Tiranë	8,657,124	27,000	2,962,624	3,003,578	2,663,922	4.4%	1.26%
Bulqizë	7,941,616	-	-	6,961,616	980,000	4.0%	1.15%
Kukës	6,528,148	-	666,250	3,553,897	2,308,001	3.3%	0.95%
Other	41,486,203	2,764,914.00	8,736,072	23,159,119	6,826,098	21%	6.02%
Total	197,152,468	4,352,914	31,398,986	143,530,161	17,870,406	-	28.61%
%		2%	16%	73%	9%		

In both years, local taxes comprised the largest share of payments made to LGUs, and environment-related payments the smallest. Having municipalities such as Tirana or Vorë receive large amounts of revenue from the extractive sector shows that payments made to LGUs are not directly linked to extractive activities. As reported in Chapter 4, Bulqizë is one of the largest extractive districts, with the largest number of employees; yet it receives less

¹³⁹ Payments for services include payments made for the obtainment of construction permits, which, depending on the LGU, may amount to a relatively material amount in comparison to other payments.

revenue than other municipalities where there is minimal mining activity. These payments may arise due to other activities, such as construction or other commercial activities, under the same NUIS.

As such, we recommend that these revenue streams not be part of the reconciliation procedure.

Table 42: Payments made by the hydropower sector 2017

LGU (Municipality of)	Amount (in ALL)	Social and Environmental payments	Payments for services	Local taxes	Other payments	% of payments made to LGUs in the sector	% of total payments to LGUs
Elbasan	14,384,998	-	-	-	14,384,998	31.0%	2.25%
Kukës	10,475,759	-	3,202,088	7,273,671	-	22.6%	1.64%
Librazhd	5,810,322	4,920,000	-	890,322	-	12.5%	0.91%
Maliq	5,194,204	3,764,065	1,326,139	104,000	-	11.2%	0.81%
Tiranë	3,681,340	-	504,876	3,176,464	-	7.9%	0.57%
Finiq	3,548,969	-	-	3,548,969	-	7.6%	0.55%
Other	3,315,828	537,888	325,480	2,452,460	-	7.1%	0.52%
Total	46,411,420	9,221,953	5,358,583	17,445,886	14,384,998		7.25%
%		20%	12%	38%	30%		

Table 43: Payments made by the hydropower sector 2018

LGU (Municipality of)	Amount (in ALL)	Social and Environmental payments	Payments for services	Local taxes	Other payments	% of payments made to LGUs in the sector	% of total payments to LGUs
Elbasan	17,053,393	3,000,000	14,053,393	-	-	41.2%	2.47%
Kukës	9,294,079	100,000	6,430,511	1,763,568	1,000,000	22.5%	1.35%
Maliq	3,304,743	144,852	3,051,691	108,200	-	8.0%	0.48%
Librazhd	3,020,744	-	-	20,000	3,000,744	7.3%	0.44%
Bulqizë	2,752,500	-	-	420,000	2,332,500	6.7%	0.40%
Cërrik	1,542,437	-	1,542,437	-	-	3.7%	0.22%
Other	4,396,379	66,000	2,501,030	1,727,258	102,091	10.6%	0.64%
Total	41,364,275	3,310,852	27,579,062	4,039,026	6,435,335		6%
%		8%	67%	10%	15%		

Based on the abovementioned data, the reporting companies in the hydropower sector pay significantly less in local taxes than the companies in other sectors, comprising 7.3% and 6% of total taxes paid to LGUs, as reported by companies, in 2017 and 2018 respectively. Based on the payments reported for 2017 and 2018, no trend can be deduced regarding

the nature of payments reported by the sector. However, the number of hydropower companies in our sample is quite small, and may not be sufficient to carry out a comprehensive analysis regarding the entire sector.

Table 44: Payments reported by LGUs 2017

LGU (Municipality of)	Amount (in ALL)	Payments for services	Local taxes	Other payments	% of payments made to LGUs in the sector	% of total payments to LGUs
Roskovec	147,840,650	-	147,840,650	-	33.9%	23.08%
Mallakastër	132,492,540	-	132,492,540	-	30.4%	20.69%
Fier	61,939,798	7,000	61,598,448	334,350	14.2%	9.67%
Patos	42,130,612	-	42,120,612	10,000	9.7%	6.58%
Kuçovë	40,549,349	-	40,549,349	-	9.3%	6.33%
Other	11,408,888	-	11,393,043	15,845	2.6%	1.78%
Total	436,361,837	7,000	435,994,642	367,195		68.14%
%		0%	99.9%	0%		

Table 45: Payments reported by LGUs 2018

LGU (Municipality of)	Amount (in ALL)	Payments for services	Local taxes	Other payments	% of payments made to LGUs in the sector	% of total payments to LGUs
Patos	143,209,679	31,963	43,152,526	100,025,190	31.8%	20.78%
Ballsh	90,754,800		90,754,800	-	20.1%	13.17%
Roskovec	88,582,750		87,434,126	1,148,624	19.7%	12.85%
Fier	60,918,620	2,968,000	57,613,470	337,150	13.5%	8.84%
Kuçovë	38,396,173	71,173	38,325,000	-	8.5%	5.57%
Other	28,825,709	0	28,793,644	32,065	6.4%	4.18%
Total	450,687,731	3,071,136	346,073,566	101,543,029		65.39%
%		1%	79%	23%		

Payments made to LGUs from companies in the oil sector comprised the largest amount of revenue paid to directly to LGUs, 68.14% and 65.39% for 2017 and 2018 respectively. The majority of these payments are local taxes. Oil companies usually operate larger areas in certain districts, which may have a significant impact on the amount of tax they are required to pay. Additionally, the structures they construct have a major irreversible impact on the area.

LGUs can treat certain companies having a significant impact in their district as "VIP". As such, these companies are taxed at higher rates.

The LGUs receiving payments from this sector are directly aligned with where they conduct their activities. As special rates may be applied to oil & gas companies, including LGU payments in this sector in future reconciliation procedures may increase transparency on this procedure.

Progress on LGU reporting

Issues have been identified with LGU reporting in this, and previous, reporting cycles. To address this, AlbEiti aims to conduct a study regarding LGU reporting. This study will commence in 2021, and aims to assess the actual Local Content Reporting and the development of a Local Content Reporting Standard in areas rich in natural resources. As such, the study has the following key tasks:

1. The development and preparation of a respective reporting methodology, including the scoring standard;
2. Piloting the reporting methodology in at least 2 cities/regions. The EITI team will work on identifying the respective pilots.

The outcome of this assignment will be a reporting methodology that will allow policymakers within government but also private sector actors to better evaluate and fine-tune their policies and engagement around local content.

It will however be important to find ways how such a system can be integrated into existing reporting initiatives.

This new reporting standard will be developed in close cooperation with major stakeholders i.e. government policymakers, company representative and civil society actors. Engagement and consultation but also active participation by all stakeholders throughout the process is vital to make sure the standard meets the needs of government policymakers as well as company actors and is widely used and accepted.

7.4.6 Subnational transfers of royalty

Based on the MSG decision, subnational transfers of royalty were analyzed for the six selected LGUs: the Municipality of Fier, Patos, Bulqizë, Roskovec, Lushnjë and Krujë, which collectively comprise **90%** of the subnational transfers of royalty made in 2017, and **94%** of the transfers made in 2018.

LGUs reported the amounts received from the Ministry of Finance and Economy, instead of the amount claimed or the actual transfers receipt. An analysis of allocated revenue can be found in Chapter 6. A full reconciliation and an analysis of the practical application of the revenue allocation procedure could not be completed due to the absence of the required data.

Two of the reporting LGUs, Krujë and Fier, were subject to financial audits by KLSH in 2017. The MSG could benefit from the involvement of KLSH to provide assurance in this matter.

7.5 Information reported and level of disaggregation of information

This section discusses the private and public entities' obligation to report, advances in the laws pertaining to reporting, as well as the publication of the reported data.

7.5.1 Disclosure of flows by entity and payment stream

EITI Reporting in Albania, for the mining and petroleum sector, is regulated through Law No.10304 "On the Mining sector in the Republic of Albania", dated 15 July 2010 (as amended in March 2015) and Law no.7746 "On Petroleum (Exploration and Production)" dated 28 July 1993 (as amended in October 2014), respectively.

Both laws demand the reporting of flows originating from the licensees operating in the oil and mining sectors, as well as the reporting of the recipient counterparties including the General Directorate of Taxes, Albanian Custom Administration and the central and local public institutions, which collect revenue from the sector. Companies operating in the hydropower sector are not legally bound to report.

The EITI reporting requirements for the recipient Government institutions currently disagree with their statutory duty to maintain confidentiality regarding the information obtained through their regulatory activities. These confidentiality provisions, referred to in the laws applicable to tax and customs procedures in Albania, allow access to the data only upon explicit consent from the licensee. Government bodies may exchange the data only under strict confidentiality terms. The law on mining releases public institutions from their obligation to protect the privacy of companies' financial information, however, this is not the case for other sectors.

In order to release disaggregated company data in this report, companies are asked to provide their official consent through a representation letter.

Current regulatory enforcement does not address the forms of reporting with regard to cash flows and contextual information. An initial version of the reporting template, specific to reporting by the mining sector, has been approved via DCM no. 233 on 23 March 2011. Because it is dated prior to the publication of updated EITI standard in 2016, and as follows the new EITI standard in 2019, the form fails to address many aspects of current reporting requirements such as the publication of data on a disaggregated level, project-level reporting, etc.

In order to overcome this barrier, the reporting templates included a letter granting the explicit consent of the licensee:

1. To allow the recipient public entities regarding the reporting of information on licensees, which are classified as confidential under governing laws, regulations and agreements;
2. To allow the publication of the concerning cash flows, disaggregated by payment stream and by licensee, in the EITI report.

However due to significant delays in the reporting process from both licensees and recipient public institutions, this procedure resulted not to be effective for the purpose of this reporting as we received signed representation letters from **65** out of **137** companies, **2** of which gave their explicit non-consent. As a result, the flows pertaining to these reporting entities were aggregated and presented in total in the Annexes of this report. The full list of reporting companies is in Appendix 5.

Considering the low number of signed official confirmations, we sent a negative confirmation by email:

- Explaining that the information reported for the EITI reconciliation process for the reporting years 2017 and 2018 would be published in the EITI report, disaggregated into the level of taxes paid by each licensee
- Asking reporting entities to express their explicit non-consent in case they did not agree on the disaggregated disclosure of their reported flows.

The figures are presented in an aggregated form for companies which explicitly refuse the disclosure of their payments in this report.

7.5.2 Forthcoming regulatory changes

The Government of Albania is in the process of issuing a new law on EITI implementation in Albania. This new law sets the roles, definitions, reporting requirements, and defines a reporting timeline.

According to the draft law, private and public entities operating in the sector must report the payments and information requested by the secondary regulatory act that will accompany the law for EITI reporting purposes, no later than March 31 of the subsequent calendar year. In addition to the flows, regulatory public entities shall report contextual information on the sector regulation and activity on an ongoing basis.

During this reporting cycle, the MSG informed that the law is still under review by the concerned governmental parties. The situation created by Covid-19 significantly impacted the reviewing process as governmental institutions were concerned with minimizing the effects of the virus on the country.

To the date of this report, the legal requirements regarding the reporting and disclosure of flows and contextual information from both public and private entities in each sector have not changed.

7.6 Disclosure of beneficiary owners

The 2016 EITI standard required that by 1 January 2020, all implementing countries must ensure that corporate entities that bid for, operate or invest in extractive assets disclose the identity of their beneficial owners. It is recommended that the beneficial ownership information is made available through a public register. In addition, any politically exposed persons who are beneficial owners must be identified. The 2019 EITI standard imposes the same requirements.

The EITI standard requires that the MSG determine the definition of beneficial ownership to be used in each implementing country. Drawing upon the standard's recommendations and requirements, the MSG defines beneficial ownership as follows: *"Beneficial owners are those persons who individually own or control more than 25% of a company's shares or of voting rights and/or if he or she is politically exposed, regardless of their participation in the company, the applicable threshold shall be lowered to 10%".*

7.6.1 Current status

The Government of Albania does not maintain and / or publish a register listing all the beneficial owners and their shares in accordance with EITI definition. Information is gathered to a certain extent when a PSA is awarded

however, the process for updating, publishing and ensuring the accuracy of the information provided has not been established.

Current transparency disclosures include providing updated information on the names of the direct legal shareholders for domestic companies, and parent companies for branches or representative offices of foreign companies. This information is available for all companies operating in the Republic of Albania and can be accessed at the National Business Centre website: <http://www.qkr.gov.al/search/search-in-trade-register/search-for-subject/>. This information is disclosed in the Commercial register extract or in the documents attached to it.

The current legal definition for beneficiary ownership is depicted in the law against money laundering (Law no. 9917, dated 19.05.2008 "On prevention of money laundering and financing of terrorism", as amended). This law stipulates a similar definition to that of the MSG regarding beneficial ownership, and requires that the entities that are subject of the law identify and document beneficial owners. However, considering that such information construed as personal data, in accordance with Law on data protection (Law no. 9887, dated 10.03.2008 "On personal data protection", as amended), it cannot be disclosed to any other authority except those responsible for the prevention of money laundering and cannot be made publicly available by any institutions who are in possession of this data.

Regarding companies operating in the extractive and hydropower industries, the special applicable legislation, or any of the bylaws issued in their implementation, do not place any obligations or requirements on the companies / contractors to provide information with regard to their beneficial ownership. As a result, as of the date of this report, none of the governmental agencies possess a register of beneficial owners regarding these sectors.

7.6.2 Forthcoming regulatory changes

In order to ensure that the necessary preparatory steps and reforms are undertaken, EITI Albania initiated a legal due diligence initiative aiming to agree and publish a roadmap to beneficial ownership disclosures by January 2017 and draft a new law which provides the definition for beneficiary ownership, as well as the reporting requirements.

The draft law aims to align the legal definition of beneficial ownership with that defined by the MSG.

The law charges the Ministry responsible for extractive resources to maintain an updated register of extractive resources that bid for, operate and/or invest in extractive assets. For this purpose, beneficial ownership will be disclosed since the bidding process and any changes will be reported to the responsible Ministry within 10 days of the transaction. The register shall be publicly available and instantly accessible, except for the information on the date of birth and residential address of the beneficial owner.

The draft law further mandates that public and private legal entities carrying out exploration and/or exploitation activities in the extractive industries in Albania disclose and report data on their beneficial owner(s) annually, submitting the relevant beneficial ownership EITI Declaration Form including:

- The full name, date of birth, nationality, country or state of residence, residential addresses and service address of each beneficial owner; and
- A statement of the nature and extent of the interest held by each beneficial owner.

Politically exposed persons are defined by law no. 9049, dated 10.04.2003 "On the declaration and audit of assets, financial obligations of the elected officials and certain public employees", as individuals who have had or have important functions in a government and / or in a foreign country, such as: head of state and/or government, senior politicians, senior officials of government, judiciary or the army, senior leaders of public companies, key officials of political parties, including the members of the family or associated persons in close personal, working or business relationships.

The law requirements also extend to the members of the family or associated persons in close personal, working or business relationships, excluding employees of the middle or lower management level, according to the provisions of the civil service legislation. According to the legal due diligence result, this definition is in line with Financial Action Task Force.

The only law in effect, at the date of this report, providing a definition of "beneficial owner" is the Law No.9917, May 19, 2008 "on the prevention of money laundering and financing of terrorism" as amended (the "Anti Money Laundering Law"). The legal due diligence review recommended some changes to the Anti Money Laundering Law in order to incorporate a suitable lower threshold and expressly refer its application to all companies in the extractive industry.

The MSG has worked closely with the government towards implementing legal reforms leading to the disclosure of beneficial owners. A new law, providing a definition of Beneficial Ownership which is more closely aligned with the definition in the EITI standard, has been approved and becomes effective in January 2021. The law requires the disclosure of the beneficiary owners of all companies registered in the country, and includes all fields listed in the EITI standard as mandatory disclosures. This information will be made publically available on the NBC website.

The law also provides a basis for the creation of a register of beneficial owners. However, it does not directly refer to the treatment of politically exposed beneficial owners.

7.6.3 Enquiries on beneficial ownership for the years 2017 & 2018

With the intent to fulfil EITI requirements, similar to prior years, the reporting templates for the years 2017 & 2018 included a specific form explaining the definition of beneficial ownership and asking the reporting entities to provide information on this matter.

At the date of this report we received filled reporting forms on beneficial owners only for 57 out of 123 reporting companies in 2017, and 60 out of 128 reporting companies in 2018. Of the completed reports, 26% were partially completed in 2017 and 23% in 2018.

4 out of 11 reporting hydropower companies, 53 out of 105 reporting mining companies for 2017 and 55 out of 109 for 2018, reported on beneficial

ownership. Only one hydrocarbon company filled the beneficial ownership template for 2018.

We conducted a verification procedure, through crosschecking the information reported in the templates and the companies' legal ownership information on NBC. 87.7% exactly matched the information on the company extracts. Out of the 7 that did not match, 3 were partially completed with one of the owners and the others, we noted that either reported previous owners that later had sold their quota or failing to understand the request and completing the names of the administrators.

In following years, company reporting may be used, by governmental institutions or AlbEiti, to provide assurance to the beneficial ownership register maintained by NBC.

8. Overview of flows reported and reporting entities

The MSG defines the revenue streams / payments and entities to be included in the reporting process, based on the share of revenue that flows into the State budget from the extractive and hydropower sectors. Subsequently, the chosen public and private entities are required to report taxes and revenues identified as material payments for the years 2017 & 2018.

This section describes the revenue streams that have been selected to undergo the reconciliation process.

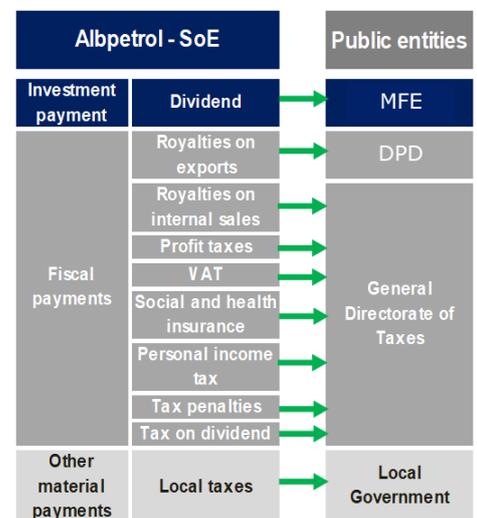
8.1 Selection of payments and reporting entities in the oil and gas sector

In accordance with the requirements set in EITI standard 4.1¹⁴⁰, the MSG selected the following for reporting:

1. All material payments arising from the contractual terms set in Petroleum Agreements such as share of oil production and bonuses. These payments are collected by Albpetrol for areas under Albpetrol’s administration, or AKBN for areas under AKBN’s administration. Currently, petroleum agreements granted for areas under AKBN’s administration have not entered the production phase and therefore did not generate share of oil payments in 2017 and 2018.
2. All material payments arising from the State’s direct investment in the sector. These typically include dividends paid from Albpetrol.

¹⁴⁰ EITI REQUIREMENT 4 lists the minimum payments which are required to be reconciled.

Figure 21 Reconciliation: Albpetrol



According to the MFE official website¹⁴¹, Albpetrol only distributed dividend to the state in 2017.

3. Fiscal payments such as royalty, profit tax and tax on dividend, which are directly related to the petroleum operations. In addition to the payments listed in EITI requirement 4.1, the MSG decided to also reconcile payments for tax penalties, payments for social insurance, health insurance and personal income tax and VAT as these have shown to be a substantial flow to the National Budget in the past.
4. Other material payments; local taxes for Albpetrol and O&G private companies, guarantee executed and other taxes such as carbon, excise & circulation tax for private hydrocarbon companies. An analysis of the materiality of these payments will be discussed in the following chapters.

All oil and gas companies were selected to report for the years 2017 and 2018. A summary of the key players and new licensees is available in chapter 3. In Albania, the MSG (through terms of references) has excluded payments that are not directly related to upstream oil, gas and mining activity, such as import duties which are general in nature and apply to all industries. Such fees and taxes are similar for all industries and no special rates apply for oil, gas and mining companies. In addition, license and entry fees do not give rise to substantial payments from the sector based on information collected in previous years and hence are not included in the reconciliation.

Social payments

Companies were asked to declare details of mandatory social payments referred in their license arrangement. The recipient of the payment was not required to confirm the receipt and accordingly, any payments declared were not reconciled between paying and receiving entities.

Payments in kind

Reporting entities were requested to report any contributions in kind made to or received by Government or state owned entities. However, apart from share of oil, no other in-kind payments were reported in 2017 and 2018.

8.2 Selection of payments and reporting entities in the mining sector

Payment streams selected for reconciliation in the mining sector include all fiscal payments such as royalty, profit tax and tax on dividend, which are directly related to the mining operations. In addition to these payments, the MSG decided to reconcile payments for tax penalties, payments for social insurance, health insurance, personal income tax, and VAT, as these have shown to be a substantial flow to the National Budget in the past.

Companies operating in mining were instructed to report and describe other material payments to the State in excess and to LGUs.

Figure 22 Reconciliation: Oil & Gas

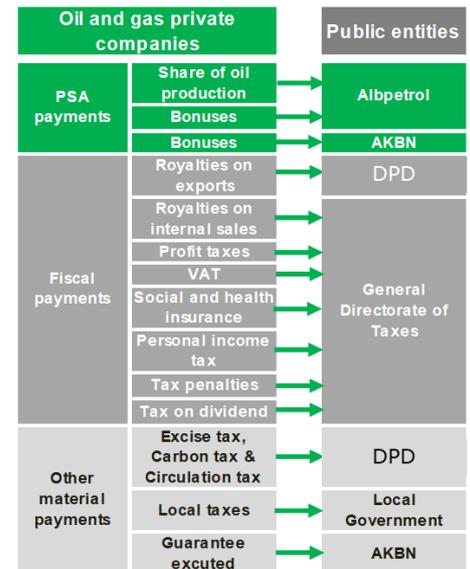
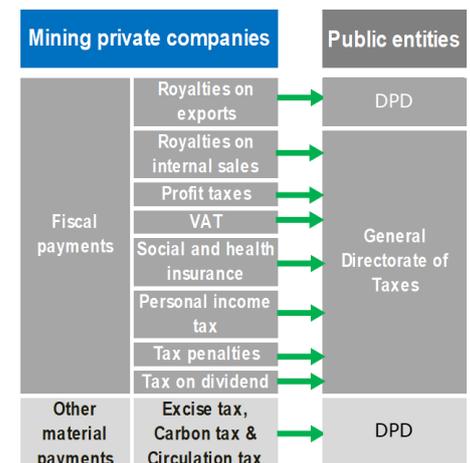


Figure 23 Reconciliation: Mining



¹⁴¹ MFE website: <http://www.financa.gov.al/dividenti-sipas-periudhave/>, accessed on November 4, 2020.

Regarding reporting in the mining sector, the MSG and EITI Albania selected three mining companies operating an exploration license for each year, in attempt to discover material payments arising from exploration activities, and the largest mining producers, based on the data provided by AKBN, compiling companies' self-declarations. The selection procedure ensured that 91% of production would be represented by the selected companies. Additionally, in order to ensure a reasonable reconciliation process, the MSG decided that companies in the mining sector participating to the EITI Report 2017 and 2018 will be all the companies with annual revenue > USD 150,000 in combination with the production level in each respective year.

The selection resulted in 138 reporting mining companies for each year; however, after many changes in the list of reporting companies due to companies' inactivity or license revocation, the final tally was 128 reporting entities for the year 2017 and 132 for 2018.

Concessions are rarely awarded in mining. As a result, in previous years concession-related payments were judged to be immaterial relative to the state revenue generated by the industry. Payments related to mining concession agreements were not subject to reconciliation for the years 2017 and 2018.

The selection is assumed to cover at least 80% of the estimated mining production value. However, as explained in Chapter 4, AKBN alerts that production data reported is based on self-declarations submitted by licensees, and it does not include all the information required to assess the monetary value of the production generated each year.

8.3 Selection of payments and reporting entities in the hydropower sector

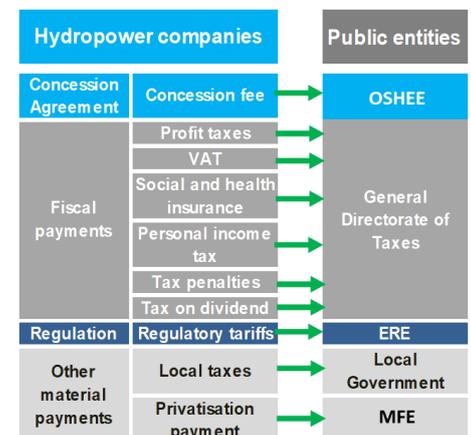
The MSG decided to include the hydropower sector under the cadre of EITI reporting starting from year 2013.

The MSG selected the 17 largest hydropower producers including KESH, which generated little over 90% of the output in 2017 and 2018.

Payment streams selected for reconciliation in the hydropower sector include:

1. *Concessionary fee*, which is payable in accordance with the concession agreement, and is based on the annual output generated by companies operating HPP concessions. Throughout our analysis, we understood that the concessionary fee is withheld from the payments OSHEE makes to producers generated from the energy sold to the state. As OSHEE is the party that handles the entire procedure, there is no value to be added through the reconciliation of this revenue stream.
2. *Regulatory payments*, made out to ERE for its role as the sector's independent regulator.
3. *Fiscal payments*, such as profit tax and tax on dividend, which are directly related to the mining operations. In addition to these payments, the MSG decided to reconcile also payments for tax penalties, payments for social insurance, health insurance and personal income tax and VAT as these have shown to be a substantial flow to the National Budget in the past.

Figure 24 Reconciliation: Hydropower



4. *Investment and other payments made by KESH to the State* in the capacity of its shareholder.
5. Companies operating in the hydropower sector were instructed to report and describe *other material payments* to the State and LGUs in order to evaluate their materiality.

8.4 Other limitations in the analysis of material payments

The Government’s reporting systems could not produce information on the revenue generated by each sector, aggregated for each applicable payment stream. We understand that the Government revenues and expenditures are recorded through a single cash management system: the Treasury system. This system can provide information on a monthly basis on revenue generated for each tax, however cannot disaggregate for the upstream oil and gas sector, the mining sector and the hydropower sector. The DPT provided us sectorial information based on their classification system, however, through our analysis, we have determined that¹⁴²:

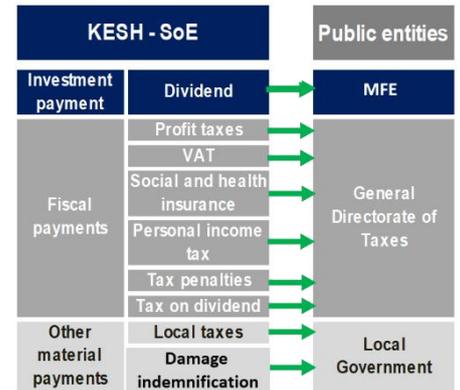
- The majority of the revenue generated by DPT’s hydrocarbon sector operate in downstream O&G.
- The companies classified as hydropower companies include all types of entities that operate in the energy sector.
- Subjects classified as mining companies include all companies engaged in the extractive sector as a whole, construction, etc. Many of the companies included generate the vast majority of their revenue through their non-extractive activities.

In absence of such information, the MSG cannot receive accurate and complete information, from the Government’s information system, on the total revenue generated for each applicable revenue stream by the upstream extractive and hydropower sectors.

In addition, the Government’s information system cannot produce information on total revenue generated by each individual licence (i.e. project) due to the following reasons:

- a. Companies may operate one or more licences, however, taxes and payment streams are not recorded separately for each individual licence, but for the entire business operating a Unique Tax Identification Number (NUIS / NIPT). Hence, the cost accounting systems can produce information for taxes paid by a NUIS, but not for taxes paid under each licence, unless a separate NUIS is granted for each operating licence.
- b. Each public entity collecting revenue maintains its own management accounting system for the purpose of recording and administering payments made by each NUIS. More specifically, the General Directorate of Tax, Albanian Customs Administration, Local Tax Directorates, Local Government Units, Ministries and other

Figure 25 Reconciliation: KESH



¹⁴² Our findings are deduced through the DPT’s reporting on the number of employees in each sector. Employee data was disclosed per NUIS, thus enabling us to check each companies’ activities, and gather a deeper understanding into the company classification system used by the DPT.

public entities that collect revenue, have their own records on revenue accrued and payments made by each NUIS. However, this information is not consolidated in the Government's information system to provide aggregated revenue generated by each individual NUIS. Therefore, the MSG cannot retrieve information on total revenue generated by each NUIS in a fiscal year in order to identify material reporting entities.

- c. Management accounting systems held separately by each public entity (including tax and customs authorities) could not produce information on revenue, disaggregated by payment stream, for the sectors of oil and gas, mining and hydropower. It is our understanding that sectors' classifications within their management systems are not set to distinguish licensees operating in the upstream oil and gas, mining (exploration and extraction) and hydropower sector.

Due to these reasons, the MSG cannot retrieve accurate and complete information on the revenue generated in total and by payment stream from the sectors under EITI reporting.

8.4.1 Limitations regarding the ex-post confirmation analysis of the company selection

As recommended through the validation of the 2016 EITI Report, it was our intention to conduct an ex-post confirmation regarding whether the selection of reporting companies covered at least 80% of payments received by the state in each sector.

Conducting this analysis requires information on the revenue generated by the state by all companies licensed in the sector. To conduct this analysis, we asked that reporting governmental entities report all payments they have received from the sector. The DPT holds information on the majority of the material flows to the sector. However, the way revenue was reported for each sector created barriers in conducting this analysis.

The DPT reported the revenue from each sector, disaggregated per payment stream. The sectors were based on their own classification criteria. Due to the reasons discussed above, we believe that this data is not representative of the extractive or hydropower sector; as such, it cannot be used to conduct this analysis. As this information was not disclosed by NUIS, we were unable to cleanse the data and remove companies which do not conduct activities in the scope of this report.

In order to achieve a level of assurance, we analysed the data reported by the DPD. The analysis is found in section 7.4.1.

As Bankers and Albpetrol are the only companies exporting crude oil, this analysis would not add any value. Royalty paid at customs companies which are not licensed in extractive activities was not included in this analysis.

8.5 Project-level reporting

The 2019 EITI Standard requires that EITI data is disaggregated by each individual project, company, government entity, and revenue stream. The standard defines project as "operational activities that are governed by a

single contract, license, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government". The standard stipulates that the MSG group must clearly identify and document which instances are considered a single project. To comply with requirement 4.9, a scoping study was conducted to define the term project for each industry, in a way that is consistent with the relevant national laws and systems, and which abides by the EITI definition.

A "project" for each industry in scope was defined as follows:

- **Hydrocarbon:** Each "Petroleum Agreement" is considered a project. Although Shell holds two exploration blocks, they operate each block under a different NUIS (see section 3.1.2). As such, we determined that the reporting for oil & gas companies is conducted at project level.
- **Hydropower:** Each concession (production licence) is defined as a project. The law requires that each concession be listed under a separate NUIS. Thus, apart from KURUM which is not a concession¹⁴³, all hydropower companies selected represent a single project. As such, we conclude that the reporting for the hydropower sector is conducted at project level.
- **Mining:** Each licence (permit), corresponding to a permit zone, is defined as a project. Mining companies can operate multiple mining licenses under the same NUIS. The sample selected for reconciliation originally had 49 companies operating multiple licenses. Considering that taxes in Albania are paid on a NUIS basis (as explained above), this creates issues in reconciliation at project level. The approach followed for mining companies is described in the following subsection.

Project-level reporting for the mining sector

To fulfil the requirement, the revenue streams which can be reported on a project basis were first identified as follows:

- Royalty
- Other information not subject to reconciliation: production, licences held by each subject, sales, etc.

As follows, companies were asked to report the two flows at project level for the year 2018. 35 companies holding multiple licenses reported for 2018; only 16 reported at project level. The following table lists the companies holding multiple licenses, and those that reported royalty per project:

Table 46: Mining companies holding multiple licenses

Subject	NUIS	# of licenses	Reported	Project-level reporting
"Flu-To-Ne" Sh.P.K	K19006207M	2	no	-
Afrimi K shpk	K07713216Q	4	no	-
Alesio 2014	L41713003M	2	no	-

¹⁴³ Although Kurum is not a concession, due to the geographic and operational integration of its HPPs, it would qualify as a project following the EITI Standard's definition.

Subject	NUIS	# of licenses	Reported	Project-level reporting
Babasi COO shpk	J74517209B	2	yes	yes
Bytyçi	K49326630V	4	no	-
Bledi	K36811904G	3	yes	no
Ervini shpk	K26513467T	2	yes	no
Al-Gem sh.a	L11401018K	2	yes	yes
Antea Cement Sh.a	K61914005R	3	yes	no
Babasi - 2	K04226216O	2	yes	no
Beralb sha	K12107002A	8	yes	yes
Blerimi Kosturr 2010	L07525201B	3	yes	no
Fabrika e Pasurimit te Kromir Bulqize	K06626418M	6	yes	no
Gentari	J81503013L	2	no	-
Gerda - 07 sh.p.k	K77315401J	2	yes	no
Isfat	K81811029B	2	no	-
Joal - 06	K64006602O	2	no	-
Krasta	K26513465D	4	yes	no
Lubima Shpk	K96419401J	2	no	-
KLERVIBRIS	K86328401E	2	yes	no
EGI-K SHPK	K77424401L	3	yes	yes
Favina	J64104078V	2	yes	no
Gega - G	K27713604T	3	yes	yes
Jaho-Mat	K07729917I	3	yes	no
K-12 (Red mines)	K62418008C	2	yes	no
Koka	K06626403L	4	yes	no
Koldashi Chrome Minerals sh.p.k	L08412202M	2	yes	yes
Kuarci Blace	K24207608A	2	yes	yes
Mara 2011	L18516901B	3	yes	yes
Mineral Invest sh.p.k (ish Lahaze)	L32009020I	2	no	-
MineralUnit shpk	L28102601R	2	no	-
Mining Ferro Nikel	L31929015F	4	yes	no
Ra-Krom Tirana	K88016902A	2	yes	no
Tete Albania	K71627041B	4	yes	yes
TUR-ALB-KROM sh.p.k	K81819509L	3	yes	no
Valteri Grand Sh.P.K	K72327010L	2	yes	yes
Vellazeria Minerals Albania shpk	J76418901I	2	no	-
Victoria Invest Internacional	L02712202J	2	no	-
Ylberi	K07729908J	2	yes	no
Salillari	J62903125G	4	yes	yes
Shpresa - AL	K31321021N	2	yes	yes
Sorige Alb	K87608602E	2	yes	yes
Tadri sh.p.k	J68403919H	3	yes	no
Topi Eki	J82916504G	6	yes	no
Vellezerit Hysa	K12911201C	2	yes	yes

Subject	NUIS	# of licenses	Reported	Project-level reporting
Vellezerit Llupo	K02701009U	2	yes	no
Vllaznimi Deda Imp-Exp	J78716319A	3	yes	no
Xhiredone	J71909005P	3	yes	yes
Xhulio	J74517202O	3	yes	yes

Through the assessment of company reporting, some inconsistencies between the licences per company reported by AKBN, and those reported by the companies themselves were noticed. Considering the other issues noticed in the data provided by AKBN, such as differences in the total number of companies reporting production and the total number of active licenses reported by AKBN for the purpose of this report, the data reported by companies may be used to determine the accuracy of the register of licences. A collaborative effort between AlbEiti and AKBN may be advisable to resolve these issues.¹⁴⁴

Antea Cement, the largest domestic producer of cement, clarified that they do not sell the raw materials they extract (limestone and clay), and thus royalty is paid on sales of their final product (cement). Their processes make it impossible to determine which permits generated each batch of product, and thus are unable to report royalty paid per permit. Dividing the company into two companies, one for the extraction of minerals and the other for processing, with different tax identification numbers, would resolve this issue. However, companies operating in the non-metallic mining industry have no incentive to do this, as they would not benefit from the reduced royalty rates applied for companies selling minerals to be processed domestically. Thus, as this is not a legal requirement, and it would impose an administrative, cost and time burden on companies, we do not expect any changes in this matter.

The governmental institutions receiving these payments, especially royalty which is a material flow, are unable to report per each project, due to the constraints imposed by the system. As previously explained, their system is based on company NUIS, making it impossible to reconcile at project level.

Having a taxation system based on mining permits would provide the benefit of understanding the percentage of revenue the state truly gains from the sector. However, having to report separately for each permit, may disincentive companies to undertake many projects, as it would lead to a larger administrative burden. Additionally, implementing this change would not provide any benefit to neither DPT nor DPD in the execution of their responsibilities. Thus there is no incentive for these institutions to request changes that would support project level reporting.

¹⁴⁴ This report considers the active licenses as published and reported by AKBN to be accurate. Additionally, the production values reported by AKBN are relied upon due to many companies not reporting on production throughout the reporting cycle.

9. Approach, methodology and work done

The methodology is designed to fulfil all requirements set by the 2019 EITI standard. The application of the methodology, adaptations, the issues faced due to Covid-19, and the approach are discussed in this section.

We conducted our work in accordance with the terms set forth in the consultancy contract dated January, 21 2020 ("the Administrator's term"). The objective of our engagement was to compile the EITI report for the years 2017 and 2018 in accordance the 2019 EITI Standard.



In accordance with our scope of work we performed the following:

9.1 Collated the necessary contextual information with regard to the following:

- Description of the legal framework and fiscal regime governing the extractive industries (Requirement 2).
- Overview of the extractive industries, including any significant exploration activities (Requirement 3);
- Contribution of the extractive industries to the economy for the fiscal years covered by the EITI Report (Requirement 6) limited to the analysis and information published by the Albanian Institute of Statistics;
- Production data for the fiscal year covered by the EITI Report (Requirement 3);
- Information regarding state participation in the extractive industries and hydropower sector (Requirement 4);
- Distribution of revenues from the extractive industries (Requirement 5);
- Information on the licensees register and process for allocation of licenses (Requirement 2);

- A compact description/guideline of the licensing steps, requirements and involved institutions per each of the industries analysed on the report;
- Any information requested by the MSG on beneficial ownership (Requirement 2);
- Any information requested by the MSG on contracts (Requirement 3).

Process and approach for collating and analysing contextual information

We performed a preliminary desk review and analysis of the following background information:

- Law and regulation, including the governance arrangements and tax policies;
- Conclusions and recommendations from previous EITI Reports and Validations.
- Facts and procedures published on the websites of:
 - Ministry of Infrastructure and Energy - www.energjia.gov.al;
 - Ministry of Finance and Economy - www.ekonomia.gov.al;
 - General Directorate of Taxes – www.tatime.gov.al;
 - Albanian Customs Administrative – www.dogana.gov.al;
 - AKBN – www.akbn.gov.al;
 - Albpetrol – www.albpetrol.al;
 - Albanian Statistic Institute – www.instat.gov.al;
 - Energy Regulatory Authority - www.ere.gov.al;
 - KESH – www.kesh.al;
 - OSHEE – www.oshee.al;
 - OST – www.ost.al; and
- Websites of major companies operating in the private sectors of oil and gas, mining and hydropower: www.bankerspetroleum.com; www.albchrome.al; www.beralb.com; www.devollhydropower.al; www.energji-ashta.al etc.

Based on the preliminary summary and analysis of contextual information, we developed reporting templates to collect the required information, which was not published / accessible on the government entities' websites at the time (February 2020).

The public entities submitted their reporting of contextual information via email from March until September 2020. We collated, analysed and corroborated the information received through meetings and correspondences.

Where applicable, we identified and analysed limitations and barriers to collating and publication of contextual information in the report.

Disclaimer

Our work with regard to contextual information is limited to the gathering and analysing of the information presented in this Report in accordance with the terms of references, which were an integral part of our engagement contract. Our work did not extent to providing assurance or reconciliation of the contextual data and information presented in this study. However, we do provide recommendations related to the maintenance of contextual information, based on the reporting all parties

involved. All sources of information are clearly referenced across the study.

9.2 Approach followed in the collection and reconciliation of payments



In accordance with the Administrator’s role, as set in the EITI Standard and the terms of reference, which were an integral part of our engagement contract with regard to reconciliation of material payments, we:

- Reviewed the materiality thresholds, reporting entities and payment streams selected by the Albanian Working Group. Commented, as applicable, on limitation of data used for setting materiality thresholds and making selections.
- Based on the revenue streams approved by the Albanian Working Group, prepared the draft EITI Reporting Template for review and approval by Albanian EITI Secretariat and Albanian Working Group.
- Provided ongoing instructions and tips for the reconciliation process and submission of reporting to companies operating in the oil and gas, mining and hydropower sector.
- Distributed the reporting templates electronically via email to all the selected reporting companies and public institutions. In many cases information obtained with regard to reporting licensees on tax identification number, contact details, address etc. resulted to be incorrect. Such barriers complicated and further extended the process of collating and reconciling payments;
- Collected reports from the recipient public entities and licensees that provide the basis for reconciliation. The initial reporting subjects were contacted on February 24th 2020; reports were submitted electronically (via email) until October 13th 2020, substantially beyond the deadline set on March 10th 2020;¹⁴⁵
- Updated AlbEiti on regular basis on the status of reporting of public entities and licensees in order to ensure cooperation of these parties within the timeline set by our engagement contract;
- Compared amounts reported by the recipient public entities and the licensees to determine if there were discrepancies between what the public entities report as received and the licensees report to have paid;
- Contacted public entities and licensees to clarify the reason for the discrepancy. Companies and institutions were allowed to submit clarifications until mid-November; this was allowed in order to ease their operations, strained due to the unprecedented situation created

¹⁴⁵ As will be explained, delays were expected due to Covid-19, errors in the initial lists of points of contact, and changes (additions and removals) in the list of reporting subjects.

by the virus.¹⁴⁶ This meant that the process of investigating and clarifying the payments was extended until mid-November.

- Reconciled the reported figures against other publicly available information, including the State Budget accounts, where these were provided at a disaggregated level;
- Prepared the draft report summarizing the results of the work and lessons learned including recommendations for improvement and follow up on prior year’s recommendations;
- Where applicable commented on limitation and barriers identified during the process;
- Obtained and reflected on the draft report, input from stakeholder groups and delivered the final report.

Figure 26 as follows summarizes the reporting and reconciliation process.

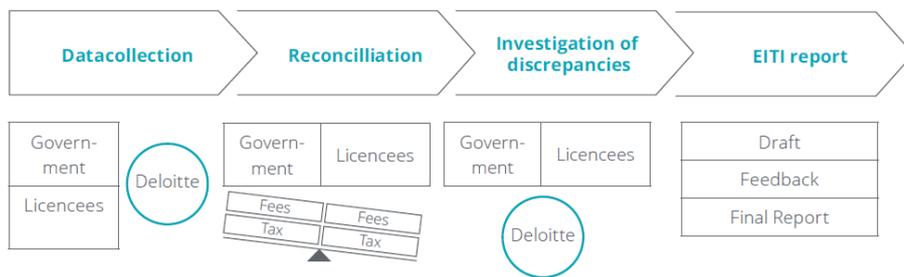


Figure 26 - Flow of the reconciliation process

We obtained the financial statements of Albpetrol and KESH, but because these entities report on an accrual basis receive payments in kind rather than cash flows, we could not directly compare cash flows reported by the licensees to what was disclosed in Albpetrol’s and KESH’s audited financial statements for the years 2017 and 2018 (see section 7.3.2). Other governmental institutions do not publish their financial statements, and have historically not supplied their financial statements for the purpose of this report. In any case, as discussed, the difference in nature of reporting between financial statements and EITI numbers does not allow for their direct comparison.

Due to the reasons discussed in Chapter 7, the auditor’s confirmation letter was not requested in this reporting cycle. If this assurance process is to be followed in succeeding years, we recommend that the MSG request that the confirmation letter be integrated into the companies’ usual audit procedure and ensure that all reporting entities be audited regardless of their legal form.

By the date of this Report we received reporting templates for 120 out of 155 selected licensees for 2017, and 121 out of 158 selected for 2018.

The EITI Standard provides no materiality thresholds for explanation of discrepancies. In order to determine which revenue streams may amount to

¹⁴⁶ Companies experienced high employee turnover and a halt in sales due to the virus. Governmental entities were faced with the challenge of creating the appropriate conditions to minimize the effects of the virus. Points of contact in both public and private companies faced both the health and economic implications of Covid-19 throughout the reporting cycle. Due to these reasons, they were allowed more time to deliver reports on EITI numbers, and clarifications explaining discrepancies.

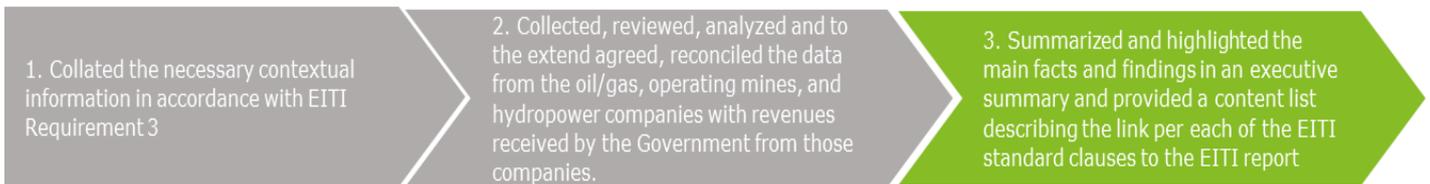
a material flow, no thresholds were applied to the requested flows. The materiality analysis is presented in chapter 7.

In the case that we did not succeed in resolving a certain discrepancy through contact with the licensees, the respective governmental agency was contacted and asked for further details regarding unexplained differences. Governmental entities, especially the DPT and DPD, claimed that the information on their systems is accurate and audited, and thus, the error lies in company reporting.

The process followed for the collection of payments cannot fully confirm that there were no other payments made to the government other than those that were reported, as payments may have been omitted in the reporting of both licensees and governmental agencies. Through reviewing the reports, it is clear that companies and public entities report different payments when asked to report “all other payments”. However, the requests for reporting are based on the laws and regulation in place during 2017 and 2018. As such, we believe that the majority of (obligatory) payments to the state are represented in this report, and that any omission are immaterial payments.

The current regulations do not require us to perform detailed testing in order to uncover such omissions; and to uncover these omissions, in the role of independent administrator, would be challenging even through detailed testing of all licensees, which are unlikely to cooperate further than what is required for regular EITI reporting.

The results of our reconciliation procedures are presented in chapter 10.



Finally, in order to highlight main facts and provide easy-to-read information, we summarized the main facts and findings from the report in an executive summary, provided key facts over the sectors in section 2.1, and summarized results of the reconciliation in chapter 10.

The full results of the reconciliation process are found in the appendices.

9.2.1 Assumptions and challenges of the reconciliation of certain revenue streams

After the initial comparison of the data reported by public and private entities, the preliminary discrepancies were identified. We distributed an additional reconciliation template to licensees showing the values reported initially by each licensee selected for reconciliation (both licensees and government data), and asked licensees to confirm whether numbers stated in the additional reconciliation template agreed and to explain the unidentified discrepancies.

We also asked the government entities to provide further information on payments for those amounts where differences between the data reported by licensees and the government were identified.

During the reconciliation process we encountered various challenges to reconcile some discrepancies, focusing mainly on social and health insurance payments, TAP payments, tax penalty payments and royalty payments paid on exports to the custom authorities.

Social and Health Insurance Payments and TAP payments

General Directorate of Taxes has reported aggregated revenues for: Health Contributions, Social Contributions, Social and Health Insurance Contributions, TAP and Employment Income Tax. While licensees have reported payments for Social and Health Insurance Contributions and TAP.

There have been cases when licensees have reported payments for social and health insurance contributions and TAP in total, not presenting the payments divided according to the relevant payments streams form.

For the discrepancies that resulted during the process of reconciliation, we have made several assumptions:

1. In the case when the licensees have reported payments for social and health insurance contributions and TAP in total, we have compared them with the revenues reported by the General Directorate of Taxes for: Health Contributions, Social Contributions, Social and Health Insurance Contributions, TAP and Employment Income Tax.
2. We have had cases when the General Directorate of Taxes have reported aggregated revenues only for Social and Health Insurance Contributions and the licensees have reported payments for Social and Health Insurance Contributions and TAP. During the reconciliation process we have found that the discrepancies between the revenue streams reported from General Directorate of Taxes for Social and Health Insurance Contributions and the payments reported from the licensees for Social and Health Insurance Contributions was equal to the total amount of payments declared by the licensee for TAP. Therefore, we have called these payments reconciled.

Tax Penalty Payments

Many licensees confused payments of taxes with each other and penalties paid. In addition, the General Directorate of Taxes did not provide disaggregated disclosures of revenue collected by the oil and gas, mining and hydro-energy sectors.

In order to be able to reconcile the discrepancies that resulted after the reconciliation process for the tax penalties payments we have made some assumptions:

1. Initially we tried to reconcile the tax penalties reported by the licenses with the Global revenue stream reported by the General Directorate of Taxes.
2. During the reconciliation process, we asked the licensees to provide clarifications about the tax penalties they have declared.
3. Then we reallocated the tax penalties declared by the licensees according to the payments streams (Social and Health Insurance Contribution, TAP, Royalty, Tax on Profit, VAT) for which they were made, based on the comments made by the licensees on the tax penalty form.

Royalty Payments paid on exports to the Customs Authorities

The differences we encountered in this payment stream came mostly from the values that licensees have presented as payment for royalties paid on export to the Customs Authorities.

Licensees reported deposits made for royalty, rather than actual royalty paid on exports to the DPD.¹⁴⁷ The DPD reports the exact amount of royalty paid, as recorded in their systems.

Additionally, when adjustments are made, the changes in the system are made retrospectively; thus if an amount is paid in 2019 but corresponds to an export in 2018, the system reflects it as paid in 2018. However, these issues were resolved with the support of the Customs' Authorities.¹⁴⁸

During our work to clarify the discrepancies found during the reconciliation process, some licensees, after being contacted by us both by email and by phone, returned a response in abbreviated form. Their response, in which they accept the values reported by the institutions, has not been taken into account to reconcile the differences since they do not give adequacy and assurance.

The total values of the differences for these licensees are respectively for 2017 in the amount of (2,779,202) ALL and for 2018 in the amount of (3,390,637) ALL.

Payment streams withdrawn from the reconciliation procedure

Concession fees, in the hydropower sector, and **guarantee executed**, in the oil & gas sector, were both withdrawn from the reconciliation procedure as they are not payments that licensees make, rather than amounts withheld by the benefiting institution.

- Concession fees are collected by OSHEE. The SoE subtracts the amount corresponding to the concessionary fee from the payments it makes to the licensees when purchasing energy from the latter.
- Oil & gas companies are required to deposit a certain amount into an account as a guarantee. This amount is stipulated in the petroleum agreement. When a company fails to abide by its investment plan or contract, AKBN is withdraws the amount corresponding to the damages from the account, thus considering the guarantee executed.

9.3 Effects of Covid-19 on reporting

March 10th, the deadline set for company reporting closely corresponded with the start of quarantine in the country. The unprecedented situation created by Covid-19 significantly affected the reporting of both private and public entities. A state of quarantine was imposed midst the initial collection of

¹⁴⁷ In case of exports, the licensees deposit prepayments for royalty in advance in the Customs' account. Royalty is withheld out of this prepayment on the export date. The Government's revenue is recorded on the export date and prior to this date the prepaid deposit pertains to the licensee. Therefore, prepayments are not considered as cash revenue, until used to pay royalty on export.

¹⁴⁸ Issue arose when reconciling the royalty paid by Bankers to Customs.

information from the reporting subjects. This resulted in unforeseen delays in reporting from all parties involved.

Through our communication with key persons in both public and private entities, we understood that many of them had contracted the virus at one point throughout the reporting cycle, thus making them unable to participate in the process until they returned, or until someone else replaced them. As new individuals had to be brought to speed on the process, reporting was further delayed.

Challenges regarding private entities

The stress caused due to the uncertainty and severity of the situation made establishing a clear line of communication difficult from March to mid-May. A large portion of mining companies are located in remote areas of the country. Many points of contact reported not having access to files, or in some cases not having access to the internet, while at home. The stress resulting from the situation itself and its financial implications, coupled with the limited reporting time, may have resulted in increased inaccuracies in the filling of the templates.

We conducted a series of phone calls as reminders for reporting. The majority of companies stated that they would report as soon as they returned to the office. The phone calls revealed other issues regarding the inaccuracies of the contact information of each company (discussed further in section 9.3.2).

Once returning to the office, many companies had statutory reporting (the deadline of which was extended) as a priority. This resulted in further delays in the collection of reporting templates.

The final four templates from the mining sector were collected on October 12th, well after the reconciliation procedure of other entities had begun.

Challenges regarding public entities

The situation created by Covid-19 and the quarantine imposed by the state resulted in delays in reporting from governmental institutions, many of which could not report while working from home. The increase in work volume resulted in difficulty in fully reporting contextual information, as well as in the reporting required for the reconciliation of EITI numbers.

Throughout the reporting of contextual information, we noticed several differences in the reporting of different institutions. The stress and workload in the circumstances created by Covid-19 led to challenges in obtaining additional comments from reporting institutions.

9.3.2 Other challenges faced throughout the reporting cycle

Period of initial reporting

As mentioned, the initial deadline set for reporting companies was March 10th. This period coincided with companies' preparation for statutory reporting. This created an extensive burden for companies, many of which asked to extend the deadline. Accountants working in remote areas, which solely manage the accounts of many of the companies in scope, were especially vocal regarding this issue.

Chapter 11 discusses procedural recommendations, which if implemented, will aid in the timely reporting of both public and private entities. This would allow for a more streamlined reconciliation process, and a deeper analysis of the reported information.

Changes in the list of reporting companies and points of contact

The list of reporting companies has been amended on many occasions throughout the reporting cycle. This was due to issues such as:

- a. A company that was operational in 2017 or 2018 had had its licence revoked by the time the reporting forms were sent in 2020, and thus could not take part in the procedure.
- b. Not having a sufficient, or any, level of activity.

Companies were also added to replace the ones removed, in order to abide by the thresholds set in the inception report. Changes in the list of companies implied that the respective public institutions had to be contacted again, in order to provide information regarding the newly added entity. All changes regarding reporting subjects have been approved by the MSG.

Additionally, the contact list provided for companies had many inaccuracies in both the emails and phone numbers of reporting subjects. This was due to previous points of contact changing their numbers, or changing their workplace. Not having companies' correct contact information from the beginning negatively impacted the time it would take to gather company information. These issues were resolved with the continuous support of the EITI Secretariat in Albania.

Establishing contact with the reporting entities prior to the commencement of the data collection procedure would result various benefits, including having updated contact information and an increase in company knowledge and readiness for reporting. The EITI reporting cycle does not take part at the same time every year, and thus, companies may not have adequate time or resources to report accurately and on time. Conducting this procedure ahead of time may lead to the timely reporting of EITI numbers.

10. Results of the reconciliation

This chapter presents reconciliation of cash flows from the selected reporting entities, as well as a reconciliation of payments made by Albpetrol and KESH to the State budget.

Unless otherwise stated, the amounts in tables within this chapter are reported in ALL thousands.

The tables below summarize the result of the reconciliation for the years 2017 and 2018:

Table 47: Results of reconciliation for the year 2017

Sector	Sum of Payer	Sum of Recipient	Explained discrepancies		Adjusted reporting		Remaining discrepancy	
			Payer	Recipient	Payer	Recipient	Without counterparty	Unidentified
Oil and gas sector	8,629,022	8,299,936	(544,572)	10,006	8,084,450	8,309,942	(115,051)	9,241
Mining sector	3,711,223	3,894,256	84,876	41	3,796,099	3,894,297	58,330	39,868
Hydro-energy sector	3,558,586	4,015,653	133,074	30	3,691,660	4,015,683	4,971	319,051
Total	15,898,831	16,209,845	(326,622)	10,077	15,572,209	16,219,922	(51,750)	368,160

Table 48: Results of reconciliation for the year 2018

Sector	Sum of Payer	Sum of Recipient	Explained discrepancies		Adjusted reporting		Remaining discrepancy	
			Payer	Recipient	Payer	Recipient	Without counterparty	Unidentified
Oil and gas sector	8,371,693	7,602,462	(634,716)	175,295	7,736,976	7,777,757	56,301	(15,020)
Mining sector	3,943,998	3,788,701	27,028	102	3,971,027	3,788,776	(80,799)	(101,398)
Hydro-energy sector	6,549,780	6,659,975	47,324	0	6,597,104	6,659,975	44,517	18,354
Total	18,865,471	18,051,138	(560,364)	175,397	18,305,107	18,226,508	20,019	(98,064)

10.1 Reconciliation of aggregated cash flows from the oil and gas sector

In total, 10 private oil companies were asked to report payments in 2017, out of which 7 reported. 9 companies were asked to report for 2018, out of which 8 reported. Albpetrol also reported as a private entity making payments to the state based on its activities, and a public entity receiving its share in oil from private entities.

The table below presents the aggregated cash flows reported by petroleum companies.

Table 49: Aggregated payments from the oil and gas sector in 2017

Aggregated payments	Initial reporting	Explained discrepancies	Adjusted amount	Unexplained discrepancies	
				Without counterparty	Unidentified
Licensees	8,629,022	(544,572)	8,084,450	-	-
Government	8,299,936	10,006	8,309,942	-	-
Discrepancy	(329,086)	554,578	225,492	(115,051)	9,241

Table 50: Aggregated payments from the oil and gas sector in 2018

Aggregated payments	Initial reporting	Explained discrepancies	Adjusted amount	Unexplained discrepancies	
				Without counterparty	Unidentified
Licensees	8,371,693	(634,716)	7,736,976	-	-
Government	7,602,462	175,295	7,777,757	-	-
Discrepancy	(769,231)	810,012	40,781	56,301	(15,020)

The licensees initially reported payments of ALL 8,629,022 thousand to the Government, which were ALL 329,086 thousand higher than the payments reported by the Government for 2017. The discrepancy of ALL 554,578 thousand was explained through the reconciliation work. A list of discrepancies noted is presented in the reconciliations by revenue stream below.

The initial difference in 2018 amounted to TALL 769,231, with TALL 810,012 being explained through reconciliation work.

The column "without reporting from counterparty", includes amounts reported unilaterally by the Government for those licensees mentioned above, who failed to report by the date this Report is published, as well as payments reported by reporting licensees to institutions not subjected to EITI reporting.

10.1.1 Reconciliation of cash flows from oil and gas by revenue stream

Table 51: Aggregated payments from the oil and gas sector 2017 – by revenue stream

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Bonuses - AKBN	11,905	11,905	-	-	-	-
Bonuses-Albpetrol	11,518	14,174	-	-	1,561	1,095
Share of oil production ¹⁴⁹	2,139,780	2,306,119	-	-	-	166,339
Personal income tax & payments for SI and HI	1,342,995	1,182,389	(168,454)	-	3,430	4,418
Royalty - exports	1,457,000	1,453,337	-	3,663	-	-
Royalty - internal sales	1,487,285	1,109,350	(378,013)	-	78	-
Tax on dividend	-	-	-	-	-	-
Tax on profit	20,880	20,980	50	-	50	-
Tax penalties	689	-	-	-	-	689
VAT	1,329,596	1,355,109	156	-	5,183	20,173
Local taxes	255,070	187,119	(10)	6,343	-	(61,598)
Other Payments - State ¹⁵⁰	572,305	659,455	1,699	-	(1,061)	86,512
Excise tax	110,561	319,860	1,577	-	(979)	326
Carbon tax	25,860	25,804	-	-	(82)	26
Circulation tax	148,427	232,240	-	-	-	83,813
Withholding tax	79,082	81,551	122	-	-	2,347
Total	8,629,022	8,299,936	(544,572)	10,006	9,241	(115,051)

Table 52: Aggregated payments from the oil and gas sector 2018 – by revenue stream

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Bonuses - AKBN	-	10,801	10,801	-	-	-
Bonuses-Albpetrol	11,985	10,640	-	-	(536)	(809)
Share of oil production	2,020,560	2,020,061	-	-	(499)	-
Personal income tax & payments for SI and HI	1,460,777	1,100,276	(361,539)	-	1,038	-

¹⁴⁹ The amount in ALL of "share of oil production" has been calculated using the average export prices for 2017 and 2018.

¹⁵⁰ Other material payments made to the state include excise, carbon, circulation and withholding tax.

Royalty - exports	2,080,358	2,079,824	5,060	-	(5,593)	-
Royalty - internal sales	1,093,372	671,813	(421,671)	-	112	-
Tax on dividend	-	-	-	-	-	-
Tax on profit	182,223	183,915	80	-	1,612	-
Tax penalties	40	-	-	-	-	40
VAT	775,830	833,272	36,449	-	8	20,986
Local taxes	196,234	129,176	-	4,424	(1,715)	(60,919)
Other Payments - State¹⁵¹	550,315	562,683	96,104	170,871	(9,947)	97,083
Excise tax	110,561	268,702	262,470	95,029	(9,332)	32
Carbon tax	29,940	21,436	-	7,584	(919)	-
Circulation tax	187,320	192,928	-	68,258	-	73,866
Withholding tax	222,494	79,617	(166,366)	-	305	23,184
Total	8,371,693	7,602,462	(634,716)	175,295	(15,520)	56,301

Oil & gas flows were **99.87%** reconciled for 2017 and **99.80%** reconciled for 2018.

Royalty stands out as the largest cash flow paid from the oil and gas sector, with 34% of the total payments reported in 2017, and 38% in 2018. Royalty paid to the customs authorities on exports was 17% of total payments reported in 2017 and 25% in 2018, which is explained with export trends of the crude oil. Payment of Social insurance and health insurance was the second largest payment stream, respectively at 16% and 17% of the total payments reported above for 2017 and 2018. The majority of flows in the petroleum sector are contributed by Bankers Petroleum.

Other reporting matters

As at the date of this Report, 3 out of 8 licenses submitted officially signed declarations and authorizations for publication of data, beside the electronic declarations submitted earlier via email. As explained, in order to increase feedback, we asked the non-reporting companies to inform if they explicitly disagreed to the disaggregated publication of flows.

None of the oil companies disagreed to the disaggregated publication of the flows, so all reported flows are presented on a disaggregated basis by entity and payment stream.

Discrepancies in reporting

In total, 6 oil companies adjusted their initial reporting, whilst Government entities did not make corrections in their initial reporting. By the date of this report 32 discrepancies amounting ALL 11,146 and 15,021 thousand remained unsolved as per 2017 and 2018 respectively.

The main reasons and explanations for the resolved discrepancies were as follows:

¹⁵¹ Other material payments made to the state include excise, carbon, circulation and withholding tax.

1. Amounts not reported initially by Tax authority. In these cases licensees provided payment documents showing the beneficiary entity.
2. In some cases the Licensees had not reported payments, which were declared from the Tax authority.
3. Parties reported accruals versus cash flows
4. Different assumption used in conversion from barrel to ton.
5. In many cases, licensees and the tax authorities reported taxes which were not in scope of the reconciliation.
6. Many licensees confused payments of taxes with the penalties paid pertaining to that tax.
7. Licensees reported deposits made for royalty, rather than actual royalty paid on exports to the custom authorities. (*)

(*) In case of exports, the licensees deposit in advance prepayments for royalty at the Customs' account. Royalty is withheld out of this prepayment on the export date. The Government's revenue is recorded on the export date and prior to this date the prepaid deposit pertains to the licensee. Therefore, prepayments are not considered as cash revenue, until used to pay royalty on export.

A disaggregated company-by-company overview is presented in Appendix 1

Social expenditures

Oil and gas companies make continuous social and / or environmental contributions to the community in which they operate and for the environment; these contributions may be based on their contractual obligations, legal requirements, or they may be made on a voluntary basis. The Social expenditures reported by the Oil companies amounted to ALL 78,865 thousand and ALL 89,597 thousand for 2017 and 2018 respectively. Out of these payments, ALL 252,000 in 2017 and ALL 172,000 in 2018 were paid directly to the state based on requirements imposed by the legal framework.

10.2 Reconciliation of aggregated cash flows paid to the State budget from the mining sector

In total, 128 mining companies were asked to report payments to the State budget for 2017, and 132 for 2018.

We received declarations for 102 companies for the reporting year 2017, and 101 companies for 2018. 26 and 31 companies failed to report for the years 2017 and 2018 respectively, until the date of this report. Details can be found in Appendix 2.

The table below presents the aggregated cash flows reported by mining companies.

Table 53: Aggregated payments from the mining sector in 2017

Aggregated payments	Initial reporting	Explained discrepancies	Adjusted amount	Unexplained discrepancies	
				Without counterparty	Unidentified
Licensees	3,711,223	84,876	3,796,099	-	-
Government	3,894,256	41	3,894,297	-	-
Discrepancy	183,033	(84,835)	98,198	58,330	39,868

Table 54: Aggregated payments from the mining sector in 2018

Aggregated payments	Initial reporting	Explained discrepancies	Adjusted amount	Unexplained discrepancies	
				Without counterparty	Unidentified
Licensees	3,943,998	27,028	3,971,027		
Government	3,788,701	75	3,788,776		
Discrepancy	(155,297)	(26,953)	(182,270)	(80,799)	(101,398)

The licensees initially reported payments of TALL 3,711,223 to the Government, which were TALL 183,033 lower than the payments reported by the Government in 2017. Licensees initially reported payments of TALL 3,943,998 to the Government, which were TALL 155,297 higher than the payments reported by the Government in 2017.

The discrepancies of TALL 84,835 and TALL 26,953 were explained through the reconciliation work in 2017 and 2018 respectively. A list of discrepancies noted is presented in the reconciliations by revenue stream below.

The column "without reporting from counterparty", includes amounts reported unilaterally by the Government for those licensees who failed to report by the date this Report is published, and vice versa.

10.2.1 Reconciliation of cash flows from mining by revenue stream**Table 55:** Aggregated payments from the mining sector 2017 – by revenue stream

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Payments for SI and HI and Personal income tax	1,405,808	1,464,609	5,256	-	49,223	4,323
Tax on profit	751,255	771,276	(1,468)	-	(3,876)	25,365
VAT	340,705	440,636	18,102	-	1,924	79,904
Royalty - Customs authorities	467,905	479,301	9,372	41	(3,804)	5,869
Royalty - Tax authorities	236,941	222,589	772	-	(8,093)	(7,031)
Excise, carbon & circulation tax	374,990	375,270	98	-	(124)	306
Tax on dividend	45,768	49,727	997	-	2,899	63
Tax penalties	7,602	479	-	-	(641)	(6,482)
Other Payments - State	5,537	28,111	16,173	-	3,396	3,005
Other Payments - LGU	74,712	62,258	35,574	-	(1,035)	(46,993)
Total	3,711,223	3,894,256	84,876	41	39,868	58,330

Table 56: Aggregated payments from the mining sector 2018 – by revenue stream

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Payments for SI and HI and Personal income tax	1,490,065	1,379,429	1,259	-	(112,027)	132
Tax on profit	895,149	856,384	14,846	-	5,997	(59,608)
VAT	610,522	621,680	7,660	-	6,614	(3,116)
Royalty - Customs authorities	286,761	280,390	(6,428)	-	(890)	947
Royalty - Tax authorities	319,986	300,560	10,455	(2)	(24,050)	(5,834)
Excise, carbon & circulation tax	142,184	142,759	-	-	0	575
Tax on dividend	68,503	66,930	58	-	(3,219)	1,588
Tax penalties	12,096	150	-	-	(346)	(11,599)
Other Payments - State	12,479	42,579	93	27	32,891	(2,830)
Other Payments - LGU	106,252	97,840	(915)	77	(6,368)	(1,051)
Total	3,943,998	3,788,701	27,028	102	(101,398)	(80,799)

Payment of social and health insurance, profit tax and royalty comprise respectively 38%, 20% and 19% of total reported cash flows from the mining

sector as of 2017. Contributions from the largest producers of chromium and limestone comprise together 38% of the total cash flows reported from the mining sector. Respectively, Albchrome (chromium) contributed with 17% and Fushë-Kruja Cement Factory (limestone) and Antea Cement (limestone) contributed with respectively with 5% and 17%.

Other reporting matters

By the date of this Report, 53 out of 118 reporting licensees submitted officially signed declarations and authorizations for publication of data, beside the electronic declarations submitted earlier via email. In order to increase feedback, we asked the non-reporting companies to inform if they disagreed to the disaggregated publication of flows.

Two mining companies, SorigeAlb, Xhireton, disagreed to allow disaggregated publication of their reported flows, so these are presented on an aggregated basis.

Discrepancies in reporting

By the date of this report discrepancies amounting to TALL 39,868 for 2017 and 101,398 for 2018 remained unsolved.

The main reasons and explanations for the resolved discrepancies were as follows:

1. Amounts not reported initially by Tax authority. In these cases licensees provided payment documents showing the beneficiary entity.
2. In some cases the Licensees had not reported payments, which were declared from the Tax authority.
3. Parties reported accruals versus cash flows
4. In many cases, licensees and the tax authorities reported taxes which were not in scope of the reconciliation.
5. Many licensees confused payments of taxes with the penalties paid pertaining to that tax.
6. Licensees reported deposits made for royalty, rather than actual royalty paid on exports to the custom authorities. (*)

(*) In case of exports, the licensees deposit prepayments in advance for royalty at the Customs' account. Royalty is withheld out of the prepaid amount on the export date. The Government's revenue is recorded on the export date and prior to this date the prepaid deposit belongs to the licensee. Therefore, prepayments are not considered as cash revenue, until used to pay royalty on export.

A disaggregated company-by-company overview is presented in Appendix 2.

Social expenditures

The Social expenditures reported by the mining companies amounted at 8,065,368 and 13,717,265 ALL on 2017 and 2018 respectively.

10.3 Reconciliation of cash flows collected from hydropower sector

In total, 17 hydropower companies, including KESH, were asked to report payments to the State budget, representing over 90% of power produced in 2017 and 2018. 11 companies reported throughout the reporting cycle.

The table below presents the aggregated cash flows reported by hydropower companies.

Table 57: Aggregated payments from the hydropower sector in 2017

Aggregated payments	Initial reporting	Explained discrepancies	Adjusted amount	Unexplained discrepancies	
				Without counterparty	Unidentified
Licensees	3,558,586	133,074	3,691,660	-	-
Government	4,015,653	30	4,015,683	-	-
Discrepancy	457,067	(132,969)	249,054	4,971	319,051

Table 58: Aggregated payments from the hydropower sector in 2018

Aggregated payments	Initial reporting	Explained discrepancies	Adjusted amount	Unexplained discrepancies	
				Without counterparty	Unidentified
Licensees	6,549,780	47,324	6,597,104	-	-
Government	6,659,975	-	6,659,975	-	-
Discrepancy	110,196	47,324	62,872	44,517	18,354

In 2017, licensees initially reported payments of TALL 3,558,586 to the Government, which were TALL 457,067 lower than the payments reported by the Government. TALL 132,969 were explained through reconciliation work.

The initial difference in 2018 amounted to TALL 110,196, from which 47,324 were explained.

The column "without reporting from counterparty", includes amounts reported unilaterally by the Government for those licensees who failed to report by the date this Report is published, and vice versa.

10.3.1 Reconciliation of cash flows from hydropower by revenue stream

Table 59: Aggregated payments from the hydropower sector 2017 – by revenue stream

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Payments for SI and HI	710,117	682,403	(40,164)	-	12,450	-
Tax on profit	1,622,071	1,619,753	(2,399)	-	81	-
VAT	1,131,279	1,453,136	13,679	-	308,178	-
Tax on dividend	39,211	185,512	146,301	-	-	-
Tax penalties	3,066	150	(1,248)	-	(1,668)	-
Regulatory tariffs	13,093	29,529	16,436	30		30
Other Payments - State ¹⁵²	39,493	44,914	469	-	10	4,941
Other Payments - LGU	256	256	-	-	-	-
Total	3,558,586	4,015,653	133,074	30	319,051	4,971

Table 60: Aggregated payments from the hydropower sector 2018 – by revenue stream

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Payments for SI and HI	720,880	677,071	(43,751)	-	(58)	-
Tax on profit	2,543,661	2,622,397	78,732	-	4	-
VAT	3,239,239	3,285,074	-	-	18,409	27,426
Tax on dividend	-	-	-	-	-	-
Tax penalties	148	100	-	-	-	(48)
Regulatory tariffs	3,820	23,453	13,859	-	(1)	5,776
Other Payments - State	39,280	51,061	417	-	-	11,364
Other Payments - LGU	2,753	820	(1,933)	-	-	-
Total	6,549,780	6,659,975	47,324	-	18,354	44,517

Tax on profit, VAT and payment of social and health insurance comprised the largest regular payment flows, 44%, 30% and 19% respectively of total reported cash flows from the hydropower sector in 2017, and 38%, 49% and 10% for 2018. KESH and Energji Ashta represent the major contributors in the cash flows shown above.

¹⁵² Withholding tax, collected by DPT is the only other material payment to the state represented.

Other reporting matters

By the date of this Report 7 out of 11 reporting licensees submitted officially signed declarations and authorizations for the publication of their data, beside the electronic declarations submitted earlier via email.

None of the hydropower companies disagreed to disaggregated publication of the flows, so all reported flows are presented on a disaggregated basis by entity and payment stream.

Discrepancies in reporting

Only one company made changes to their initial reporting. By the date of this report discrepancies amounting to TALL 319,051 and 18,354 remained unsolved for 2017 and 2018 respectively.

The main reasons and explanations for the resolved discrepancies were as follows:

1. Profit tax payments were netted with VAT receivable balance and resulted in lower or nil net cash flows.
2. Parties reported accruals versus cash flows
3. Amounts not reported initially by Tax authority. In these cases licensees provided payment documents showing the beneficiary entity.
4. In some cases the Licensees had not reported payments, which were declared from the Tax authority.
5. In many cases, licensees and the tax authorities reported taxes which were not in scope of the reconciliation.
6. Many licensees confused payments of taxes with the penalties paid pertaining to that tax.

A disaggregated company-by-company overview is presented in Appendix 3.

Social expenditures

The Social expenditures reported by hydropower companies amounted at TALL 125,104 and TALL 459,340 for 2017 and 2018 respectively.

10.4 Reconciliation of cash flows paid by Albpetrol to the State budget

Table 61: Summary of cash flows contributed by Albpetrol in 2017

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Dividend	-	-	-	-	-	-
Royalty - exports	-	-	-	-	-	-
Royalty - internal sales	578,086	578,626	531	-	9	-
Payments for SI and HI and Personal income tax	445,477	445,498	-	-	21	-
Tax on profit	20,880	20,980	50	-	50	-
VAT	1,329,596	1,334,779	-	-	5,183	-
Tax penalties	40,000	-	-	-	-	40,000
Tax on dividend	-	-	-	-	-	-
Local taxes	76,112	68,060	(10)	8,043	0	-
Total	2,490,151	2,447,943	571	8,043	5,263	40,000

Table 62: Summary of cash flows contributed by Albpetrol in 2018

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Dividend	-	-	-	-	-	-
Royalty - exports	34,200	28,607	-	-	(5,593)	-
Royalty - internal sales	529,525	535,862	6,337	-	-	-
Payments for SI and HI and Personal income tax	468,535	468,540	-	-	-	5
Tax on profit	181,000	181,040	40	-	-	-
VAT	759,713	796,689	36,976	-	-	-
Tax penalties	-	-	-	-	-	-
Tax on dividend	-	-	-	-	-	-
Local taxes	44,920	11,767	-	-	-	(33,153)
Total	2,017,893	2,022,505	43,353	-	(5,593)	(33,148)

In agreement with PSAs granted for areas under its administration, Albpetrol collected the following payments from the petroleum sector.

Table 63: Summary of cash flows collected by Albpetrol in 2017

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Share of oil payments (tons)	72,697	78,348	-	-	-	(5,651)
Bonuses - Albpetrol	11,518.01	14,173.54		--	3,465.62	-

Table 64: Summary of cash flows collected by Albpetrol in 2018

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Share of oil payments (tons)	56,618	56,604	-	-	(13.98)	-
Bonuses - Albpetrol	11,985	10,640	-	-	(1,345)	-

Share of oil payments were entirely paid in kind and amount to 72,697 ton in 2017, and 56.618 ton in 2018.

10.5 Reconciliation of cash flows paid by KESH to the State budget

In 2017 and 2018, KESH contributed the following to the State budget:

Table 65: Summary of cash flows contributed by KESH in 2017

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Dividend	39,211	185,512	146,301	-	-	-
Payments for SI and HI and Personal income tax	249,706	249,705	-	-	-	-
Tax on profit	1,427,351	1,427,351	-	-	-	-
VAT	643,873	657,553	13,679	-	-	-
Tax penalties	-	-	-	-	-	-
Local taxes	-	-	-	-	-	-
Total	2,360,141	2,520,121	159,980	-	-	-

Table 66: Summary of cash flows contributed by KESH in 2018

Revenue Stream	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without counterparty
Dividend	-	-	-	-	-	-
Payments for SI and HI and Personal income tax	253,902	253,902	-	-	-	-
Tax on profit	2,256,341	2,420,423	164,082	-	-	-
VAT	2,307,518	2,307,478	-	-	(40)	-
Tax penalties	85,468	-	-	85,468	-	-
Local taxes	-	-	-	-	-	-
Total	4,903,229	4,981,803	164,082	85,468	(40)	-

11. Lessons learned and recommendations

This chapter presents the recommendations of past reporting years, a reflection of the progress made until 2018, and recommendations for the future regarding all reporting matters.

During the course of this assignment, we noted areas that could be further improved affecting the extent of EITI reporting process. The determination of relative merit of each recommendation, and timeline for implementation where accepted, remains the responsibility of the Albanian Working Group.

Following the recommendations in the EITI report for 2010, the Albanian Working Group appointed a focal point in every concerned Government agency including MEI, AKBN, Albanian Geological Survey, General Directorate of Taxes, Albanian Custom Administration etc., but also within the major extractive companies operating oil, gas, and mining, in order to strengthen access to reliable and timely data.

The appointment of EITI focal points among the concerned Government institutions aimed to positively contribute to the increase of their awareness and coordination of EITI activities, and to the degree of readiness for reporting. However, further efforts can be made to improve reporting and analysis of extractive industry activities and cash flows.

During our work, we noted that access to reliable and comprehensive data was hindered by various barriers including regulatory aspects, public and private entities' inclination to report, poor quality of data available etc. Some of these barriers and suggested remedial actions are listed in the following points throughout this chapter.¹⁵³

¹⁵³ Unless otherwise noted, these findings and recommendations have been brought consistently in the previous EITI report, and have been updated according to our experience throughout the preparation of this report.

Any new recommendations are noted as such.

11.1 The reporting of private entities

This section addresses the challenges in receiving timely and reliable information from reporting licensees, our findings and recommendations, as well as the progress made in this reporting cycle following the recommendations of previous years.

Recommendation	Progress made in 2017 and 2018
<p>1. Delays and discrepancies</p> <p>The licensees' reporting was significantly delayed and came with many discrepancies. Through inquiries with the reporting companies, we understood that in most cases, the information to be reported was not readily available from their accounting and reporting systems and required additional elaboration. Due to time constraints, some of them refused to cooperate with us during the reconciliation process.</p> <p>In most of the cases companies omitted payments in their initial reporting or reported accruals instead of payments. Discrepancies were mainly identified in the reconciliation of payments made to tax authorities. In many cases companies confused payments and tax net offs made for different type of taxes. This fact was even more evident in cases where payments were due after findings arising from tax audits.</p> <p>Recommendation</p> <p>In order to facilitate the reconciliation and reporting, we suggest establishing an annual time-scheduled process. The annual deadline for submission of declarations should be planned ahead and be included in the reporting entities schedule. Accordingly, the selection of the reporting entities and reporting requirements should be planned and communicated months ahead of the reconciliation work schedule, leading to a greater degree of preparedness for reporting on the licensee's part.</p> <p>The Ministry must oversee the strict application of local legislation related to the financial reporting and auditing of financial statements of the companies in this sector. This will enable an increase in the quality and quantity of the financial information produced in relation to the extraction activity in Albania.</p>	<p>Reporting for the years 2017 and 2018 came with substantial delays.</p> <p>Although companies in the extractive industry are legally required to participate in EITI reporting, the process is still not part of their regular schedule, and remains problematic for licensees.</p> <p>The Government is still in process of revising the draft law which will enforce EITI reporting across all sectors concerned.</p> <p>Covid-19 has had a substantial effect on this reporting cycle; as companies coped with the limitations brought by the quarantine (which occurred mid-reporting) and adjusted to the new way of working, they struggled to comply with the set reporting schedule. This was increasingly relevant for companies in remote areas of the country where many mining licensees are located.</p> <p>In the end of the reporting cycle the rate of reporting was 77.42% of companies, representing 94% of fiscal revenues, for 2017 and 76.58% of companies, representing 93% of fiscal revenues, for 2018.</p>
<p>2. Assurance process</p> <p>As per the legal framework regarding the auditing of financial statements, the companies reporting the majority of EITI flows must undergo statutory audit. However, as explained in chapter 7, due to differences in the nature of reporting (accrual vs. cash basis), the audited financial statements cannot provide direct assurance on EITI reported numbers.</p> <p>As statutory audits are conducted earlier for the reporting years, obtaining assurance through the engagement of auditors comes with</p>	<p>As discussed in Chapter 7, due to reporting companies' low participation in assurance activities throughout previous reporting cycles, this year this procedure was not conducted.</p> <p>Additionally, we determined that it did not have a significant increase in the level of assurance, but</p>

extra audit costs for licensees. Although the Government is in the process of issuing a draft law to enforce EITI reporting, it does not address assurance requirements.

Recommendation

In the context of improving the quality of reporting and at the same time obtaining assurance on the reported information, we recommend that the MSG require licensees to disclose EITI payments, and other essential information, in the required format in a separate report or in an annex of the annual financial statements. In both cases, this information should be subject to independent annual audits.

Integrating the preparation of EITI reporting in the annual statutory reporting cycle makes it significantly more convenient for companies to obtain assurance on EITI numbers.

rather functioned as a formality. The statistics on statutory audit can be found in Chapter 7.

3. Other quality aspects of the payments analysis

A. Reporting on an activity basis

Operating licensees in Albania are taxed on an NUIS / NIPT basis – i.e. based on the results reported under each tax identification number. The tax and customs legislation in Albania does not require companies to report separately on the activities they conduct under the same NUIS. Due to this, the payments reported may include payments stemming from the entities' operations in other sectors (i.e. – reporting licensee pursued mining activity and construction business) under the same tax number. This issue is especially pertinent in the mining sector.

As a result, there is no way to distinguish between payments made due to extractive activities, and those made due to other activities such as processing, construction, trading, etc.

B. Reporting on project-basis

The term "project" is not defined in Albanian legislation, reporting on a project basis cannot be conducted. The definition of "project" used in this report was defined in the scoping study undertaken prior to this reporting cycle (see section 8.5). As the term project is not defined, project-based reporting, as required by the EITI Standard, cannot be achieved within the current legal framework.

As discussed in Chapter 8, these issues are minimized for hydropower and oil companies, as one is required by law to register a NUIS for each "project" and the other has adopted this practice.

Previous Recommendation

We suggest that MIE propose and support the establishment of new regulatory practices requiring licensees to report on a project / license basis.

Project level reporting will allow for better comparison of trends of payments by license terms to level of production and taxes applied, and will provide MIE with a useful basis for budgeting revenues and analysing effectiveness of fiscal policies applied in mid-term and long-term.

Recommendation

The majority of revenues are still reported on a NUIS basis; thus the true contribution of the mining sector to the state cannot be evaluated, as payments reported do not distinguish between obligations resulting from extractive activities or others.

Reporting on a project-basis, from both private and public entities remains problematic for mining companies. Companies which held multiple mining licenses were asked to report payments such as royalty on a project basis. However this was challenging for companies that conduct both extractive and processing activities, and pay royalty on the final product.

Still, the system used by the DPT and DPD does not disaggregate payments on project level – the DPT also reported they cannot report analytical data where the collected revenue is disaggregated per payment. As such, even for companies that did report on a project level, the values reported could not be reconciled in that manner.

Section 8.5 discusses project-level reporting in detail.

We recommend that the MSG collaborate with the Albanian Government to create a legal definition of the term “project” for the industries relevant to AlbEiti. As mentioned, through carrying out the scoping study, we concluded that the term “project” is not defined in the Albanian legal framework. The definition used throughout this report is the result of the scoping study; it is based on the EITI Standard, and adapted for the Albanian legal framework and the way companies in the three industries operate in Albania.

In order to genuinely achieve project level reporting licensees would have to have a unique tax number for each project – i.e. each licence or group of licences which are geographically and operationally integrated. This would mean that companies would have to report and pay taxes, or other payments to the state, solely based on their extractive activities. Additionally, this type of reform would ensure that data would be available at project-level on the DPT database. This would create a basis for comparison, which has a more strict level of control, for the data companies report to AKBN.

Creating a basis for project-level reporting will also resolve the issue of distinguishing the extractive activities from the other commercial activities conducted by a company. However, before such changes can be made, we recommend that the MSG undertake an economic study to understand the true benefit, for all parties involved, of taking steps towards facilitating project-level reporting. As this would come with a time and cost burden to both public and private institutions, the benefits must be understood.

11.2 The reporting of public entities

Recipient public entities' reporting came with significant delays and many discrepancies. As mentioned above, through inquiry and communications, we understood that their management information systems and structures did not support EITI reporting requirements. This section lists previous issues and their respective updates, our approach and recommendation, as well as progress made throughout the reporting years.

Recommendation	Progress made in 2017 and 2018
<p>4. Lack of centralized reporting at government level</p> <p>The Central Government reporting system cannot produce data on total taxes paid by individual taxpayers. It is our understanding that the Government's cash collection activities and payments are recorded into a single cash management system: the Treasury system.</p> <p>In previous reporting cycles we have been informed that this system can provide information on a monthly basis on revenue generated for each tax; however it does not provide disaggregated information by individual taxpayer. Due to this, the MSG has opted to request information from all government agencies that collect substantial cash flows from the sectors in scope, instead of deriving information from a single source.</p> <p>Previous Recommendation</p> <p>In order to enhance effectiveness and efficiency of reporting from the Government we recommend either of the following:</p> <ol style="list-style-type: none"> Cooperating with the Government's reporting team to institute reports that can be produced by the Treasury system, containing information on payments collected by revenue streams from individual tax payers. For a number of reasons explained in the following points, access to reports from the Central Government reporting system would be the best option. As the previous recommendation may not be feasible in the short or medium term, we recommend looking for opportunities to produce such disaggregated payment information from the MIS of each respective government agency, collecting revenue from the sector. 	<p>No progress was made in 2017 or 2018.</p> <p>Information was once again collected from each respective government agency, which reported as per their respective MIS'.</p>
<p>Recommendation</p> <ul style="list-style-type: none"> Following point (a), in order to facilitate the reconciliation procedure, the system used by the government would have to support the reporting of analytical data, disaggregated per payment, and categorized by NUIS and revenue stream. In the long term, establishing a dedicated platform for EITI reporting to be used by both private and public entities would significantly impact the quality of reporting. All parties would have more knowledge regarding the information they are required to disclose, and the reporting of both parties. This would incentivise accurate reporting, increase reporting party readiness, and provide greater transparency on the revenue collected by the government. 	
5. Reporting from Local Government Units	The LGUs reporting came with delays and many

Reporting licensees' activity extends to a large number of local government units, as described in Chapter 7. In this reporting cycle, the MSG selected six LGUs to report EITI flows. The selection was performed based on the royalty allocated to each LGU, which reflects the extractive activity of the sector; other payments made to LGUs were not considered in the selection.

Despite the legal requirements, and continuous cooperation among the AlbEiti secretariat and certain LGUs, their reporting was incomplete, significantly delayed, and contained many discrepancies.

The Petroleum Law and Law on Mining request operating licensees, respectively in the oil & gas and mining sector, to report data and information in accordance with the EITI Standard. Additionally, both laws demand reporting from the General Directorate of Taxes, Albanian Customs Administration and the central and local public institutions collecting revenue from the sector. Although reporting is required, the lack of willingness to participate in reporting points to a lack in enforcement of these requirements.

Previous years' and this year's recommendations

- a. LGUs have certain autonomy in taxing businesses operating in their districts. To improve the transparency on payments of local taxes, fees, contributions, and other activities resulting in revenue LGUs generate from the sectors, we recommend selecting a number of LGUs based on level of production activities reported by AKBN. To support the timely reporting of LGUs, the selection of reporting LGUs and requirements should be planned and communicated months ahead of the reconciliation work schedule, in order to fit the reporting requirements within their schedules.

AlbEiti must emphasise the necessity to provide disaggregated payments and commentary information on methods for setting tax rates and fees when these are not specified in the Law for local taxes 9632 dated 30.10.2006, as amended and the accompanying regulations.

- b. In order to ensure consistent implementation of these requirements we recommend that the MSG introduce complementary regulation addressing the continued cooperation with LGUs, and how their participation is essential to ensuring transparency in the sector.
- c. Throughout the reporting cycle we have noticed that LGUs are not aware of the information they are required to report. Additionally, some have reported that they are unable to conduct all activities they are charged with, regarding the extractive sector. As such, we recommend undertaking capacity building initiatives to increase the level of information and knowhow in LGUs regarding these procedures.

discrepancies in this reporting cycle. Although all selected LGUs reported, their reporting was partial in all cases. The reason for omitting to report certain flows was not disclosed by LGUs.

This year, a materiality analysis regarding payments made by reporting companies to all LGUs was conducted. This analysis aimed to evaluate the total revenue LGUs receive from the extractive sector, apart from the allocated royalty. The analysis and findings are reported in Chapter 7.

The draft law being prepared by the Government will enforce EITI reporting for all parties, including the LGUs.

6. Limitations on reports produced by Tax authorities

The system of General Directorate of Taxes, which administers the largest number and value of revenue, did produce reports on payments made by companies based on Tax identification number. The reports disclosed the total payments made per revenue stream per NUIS.

Recommendation

As mentioned above, in order to enhance the overall effectiveness and efficiency of reporting from government agencies, we recommend that the

Reporting by the DPT was delivered on time; the tax authorities have developed a system which enables the quick export of payments from their database.

The DPT reported that they are unable to provide data

MSG and AlbEiti cooperate with the Government’s reporting team to establish reports that can be produced from the Government’s reporting system.

However, if this option is not feasible in short or medium term, considering the relative size of revenue collected by tax authorities from the concerned sectors we recommend exploring opportunities to produce analytical data on taxes and payments collected, disaggregated by payment, from the Tax reporting systems.

disaggregated at payment level.

Certain challenges faced throughout the reconciliation, due to the classification of payments in the institution’s system, are discussed in Chapter 9. As explained, this year we chose to adopt the DPT’s classification in this report.

7. Assurance processes (government institutions and SOEs)

Reporting from government institutions

Revenue reported by public institutions collecting revenue from the extractive sectors including MIE, AKBN, Tax authorities, Customs Authorities and LGUs could not be agreed with audited disclosed numbers. These institutions do not publish annual audited financial statements, however they are subject to performance and compliance audits performed by the Supreme State Auditor in Albania.

Reporting from Albpetrol

Albpetrol produces annual financial statements and undergoes through statutory audit process in line with regulatory framework. Additionally, Albpetrol has been audited by KLSH in both 2017 and 2018. Revenue reported by Albpetrol with regard to bonuses and in-kind oil payments cannot not be compared to the amounts disclosed its audited financial statements, because the annual financial statements are prepared on accrual basis of accounting. However, the oil payments are subject to reconciliation, which provide a certain degree of assurance.

Recommendation

In the context of improving the quality of reporting and at the same time obtaining assurance on the reported information from the Government institutions, we recommend that the MSG consider engaging the Supreme State Auditor to provide assurance on the EITI numbers produced by MIE, AKBN, Tax authorities, Customs Authorities, selected LGUs, and other reporting governmental entities.

Regarding Albpetrol, the MSG may ask the latter to disclose EITI revenue in the required format, and other information in a separate report or in an annex to the annual financial statements. In both cases, this information should be subject to independent annual audits.

The reporting governmental institutions have not undergone a financial audit from KLSH in the reporting years.

Albpetrol and KESH have had their financial statements audited, and both SoEs have had issues with their reporting. In addition, Albpetrol has been audited by KLSH in both reporting years. The audit has produced findings that question the institution’s management, ability to use government funds and ability to generate revenue for the state. These have not been accepted by Albpetrol.

A summary of these findings is reported in Chapter 7.

11.2.1 Quality aspects of the contextual information presented in the report

Comment and Recommendation	Progress made in 2017 and 2018
<p>8. Publication of statistics in the sector</p>	<p>AKBN, MIE, MFE and other institutions all disclose certain contextual information on their websites, or provide links to current laws and regulations. When this data is publically available, it has been referred to in the text, throughout the report.</p>
<p>The EITI standard imposes certain requirements regarding the disclosure of contextual information and regulations governing the extractive industry, which include, but are not limited to, the disclosure of:</p>	<p>However further improvements are necessary to ensure the comprehensive public disclosure of activities.</p>
<ul style="list-style-type: none"> a. An overview of the extractive industry in terms of reserves, regions, current structure and size, significant exploration activities etc. b. Contribution in the economy – employment and export levels c. Total government revenue generated by the sectors and funds earmarked for specific programs / geographic regions and sub-national transfers d. Environmental and social impact studies performed for the sector e. Public information on license allocations, register of licensees, beneficial owners, contract terms etc. 	<p>Reporting on contextual information was not complete throughout the reporting cycle.</p>
<p>We noted progressive efforts made by MEI, AKBN and Albpetrol by publishing information on their website, however data is scattered across different sources and further improvements are still necessary to provide comprehensive and consistent reporting on the extractive industry.</p>	<p>Additionally, institutions regularly referred to the laws and regulations governing their processes, and did not provide details into how the procedures are executed in practice.</p>
<p>Additionally, as noted throughout the report, in some cases information reported by AKBN included discrepancies when compared to other sources, even within AKBN. For example, the total number of active licenses as reported by AKBN conflicts with the report published by the institution, which is based on companies’ self-declarations, rather than AKBN’s register of licensees.</p>	<p>Reporting on this information requires a lot of time and resources from the reporting institutions. Considering the circumstances created do to Covid-19, partial reporting on this information is expected.</p>
<p>The contextual information in this Report is referenced to different sources dispersed across public sector and often not publicly available. Certain analyses were limited due to unavailability of data on the sector. Where statistics are available, they include information for a wider sector (<i>for example, the GDP disclosed for the Energy and resources include: extractive industries; electrical power, gas, steam and air condition supply and other related to waste management</i>).</p>	<p>Gathering contextual information in the hydropower sector was less challenging due to the information published in ERE’s annual reports. AKBN publishes a report on the mining sector, however it is not as detailed, and thus, additional reporting from the institution is necessary</p>
<p>Recommendation</p>	
<p>In order to enhance completeness, accuracy, reliability, and accessibility, of the contextual information, we recommend that the Ministry of Infrastructure and Energy publish, on a periodical basis (at least annually), contextual information including: the potential of the industry and current production, the contribution to the economy, the strategy on the sector, events and facts, current regulation, and forthcoming changes, etc.</p>	
<p>Disclosures can include other information useful for statistics on the sector such as:</p>	
<ul style="list-style-type: none"> 1. Production size and quality details (gravity of oil, sulphur concentration, concentration of minerals etc.) 2. Investments (number of wells and mineshaft hold / developed) 3. Environmental rehabilitation projects and costs 	

4. Workforce employed, average salary and subcontracting, social expenses, etc.

These can be collected and elaborated annually and provide the basis for reporting statistics and factual information on the sectors. AKBN, engaging in several monitoring activities in the sector, can contribute to compiling of the sector's statistics through collating received information from individual licenses' annual reports. Additionally, an evaluation of the reports can be conducted based on KPIs set by the MSG on production, reserves, sales, employee number, investment in environment, social payments etc.

To increase comprehensiveness and accuracy of the reported data, MIE and AKBN may incorporate reconciliation and crosschecking procedures with other public institutions collating and administering data such as DPT, DPD, etc.

Additionally, the long-term strategies set by MIE should be regularly updated with current developments. To support these initiatives, new studies need to be undertaken regarding the reserves in the extractive sector. Although AKBN has reported that these initiatives exist, their results or progress have not been published. Updated information on reserves can also be provided by companies holding licences, which conduct their own studies.

In addition, through the use of KPIs, AKBN can summarize facts based on annual environmental studies highlighting risks and trends on a country level, as well as specific areas with a high concentration of extractive activities.

In the context of improving reporting and statistics on the extractive sector, we recommend that the Ministry of Infrastructure and Energy consider implementing similar reporting requirements to those listed in the EU Directives on Accounting and Transparency¹⁵⁴.

in the writing of the EITI Report.

Data regarding the extractive sector still remains scattered across websites, and differences are still noted between different sources.

9. Production data and values

Through inquiries with AKBN, we understood that production data reported by AKBN is based on self-declarations submitted by the licensees to AKBN, as part of their annual reporting. AKBN informed us that its current level of monitoring did not include assurance procedures to ensure the accuracy of self-declared production, revenue and reserves data.

Moreover, AKBN could not provide details of minerals composition and concentration in the reported mining output. In absence of such information, mining output could be priced after the average international market prices.

Recommendation

In addition to declarations submitted, we suggest that AKBN provide:

- An increase level of monitoring on companies' activities and production.
- A comparison of the production declared with the measurements made from AKBN throughout the year, including details of mineral concentration.
- A summary of production values based on local market transactions and exports, as well as a comparison of the prices applied in domestic

Production data is still collected through self-declarations submitted by the licensees. No assurance is provided by AKBN on these disclosures.

Information on domestic sales, and domestic prices for minerals, is not available. The DPT has not informed whether it exerts its legal right to conduct control procedures when companies declare the sale of minerals, and pay the corresponding royalty to DPT.

Export data has been provided by the DPD, and has been used to estimate production value. In some

¹⁵⁴ EU Accounting Directive 2013/34/EU

vs international sales, and between these prices and the international prices for the minerals produced.

cases, the DPD notes the concentration of the exported mineral. This information has been used as required in the report.

10. Disclosure of total government revenue

As explained we could not obtain a full disclosure of total Government revenue, and disaggregated by payment stream, from the extractive and hydropower sectors for the years 2011-2018. As noted earlier, the Central Government reporting system could not disaggregate information for the upstream oil and gas, mining and hydropower sectors, nor could they provide information disaggregated by individual tax payer.

The lack of availability of this data limits the ability to conduct analyses such as the relative materiality of the payment streams compared to total government revenue, payment trends compared to production, relative size of payments derived from individual tax payers, or whether the selection of companies is representative of the revenue generated in the sector.

Disclosure of the Government’s revenue has improved as a result of improve quality and variety of data reported by the tax authorities. However, this reporting is limited due to the inaccuracy in company categorization.

The DPT was asked to provide information on the total revenue collected by the sectors in scope. However, by reviewing the information disclosed by the DPT, we understand that their system cannot clearly distinguish the sectors in scope. This created a barrier in conducting an ex-post confirmation of the selection of companies, as well as in creating an understanding of the total revenue generated by the extractive sector.

Moreover, revenue disclosed may be related to other non-extractive activities performed by licensees under the same tax numbers.

Recommendation

The Central Government’s Treasury collects information on all payments made by individual taxpayers despite the collecting government entity or industrial sector. As suggested in earlier recommendations, through working with the Government’s reporting team, the MSG can obtain a holistic understanding of the government’s revenue from licensees operating in the extractive and hydropower sectors. Project-level reporting must be achieved in the mining sector, to accurately evaluate the sector’s contribution. Additionally, regularly monitored and updated registers of the licensees, and their information, must be maintained.

If cooperation with the Government’s reporting team is not possible in short or medium term, we suggest cooperating with tax collecting agents such as tax and customs authorities, as well as the local government units, which represent the main agents receiving and administering taxes and other payments.

In addition to fulfilling a standard requirement, updated information from the Government’s reporting system will enhance statistics from the sector.

11. Reserves

It is our understanding that the Government has not published any new studies regarding oil and mining geological reserves, or the reassessment of the country’s hydrological potential, in the last 25 years. In this case we suggest that the MIE publish the results of geological studies and maps from the 80s and 90s. However, their accuracy is limited due to:

- Advancements made in exploration and extraction technologies
- The lack of incorporating data on cumulative production to date, and the new discoveries of private companies.

AKBN has reported that new studies will be undertaken to re-evaluate the countries hydrological potential.

No updates on other studies have been disclosed.

Albpetrol's reporting regarding certain oil fields whose production has surpassed the estimated recoverable reserves shows that new studies are required. In the oil & gas sector, private companies have opted to conduct their own studies prior to entering the production phase.

Recommendation

We understand that assessing the national reserves takes many years and imposes a heavy cost burden to the State's Budget. However, reserves are key to providing contextual information on the overall value of the national resources in accordance with the EITI requirement 3. Additionally, new studies may attract more private investment in the sector. We recommend that MIE consider undertaking new studies in areas that show the most promise.

Furthermore, accurate information on proven and recoverable reserves combined with tighter control over current exploration and exploitation activities, would provide information leading to better fiscal planning and aid in the prevention of abuses with national resources.

12. Assurance on EITI reported flows

As discussed in Chapter 7, the previous method applied for the assessment of the level of assurance on EITI reported numbers has not been of value added. This was also identified by the Validation of the previous EITI report. For this reporting cycle, the MSG had not decide on a different method of assessing assurance levels for the reported numbers, or on the level of assurance required for the flows.

Recommendation

In order to satisfy Requirement 4.9 of the EITI Standard, we recommend that the MSG take the necessary steps to decide on:

- The levels of assurance they require for EITI reported numbers from private and public institutions, including SoEs – i.e. the elements, if any, that would be required to assess the level of assurance.
- A methodology on how the assurance level is to be assessed for private and public institutions, including SoEs.

In Chapter 7, we have proposed a methodology to be followed for this assessment. The MSG may evaluate the methodology, and build on it, for the following reporting cycles.

13. Maintaining an updated public register of licensees and concessions

MIE, AKBN and Albpetrol do not maintain a public register of licensees operating in the extractive sector in line with the EITI requirement 2.3. AKBN publishes a list of companies licensed in the sector, but does not disclose all the information mentioned in the standard.

To comply with the standard's requirements, AlbEiti complies and updates the public registers of oil, gas, and mining licenses semi-annually.

Recommendation

Since AlbEiti is neither the Contracting Authority, nor the Supervising Authority in this matter, the MSG may consider engaging MIE or AKBN to

Substantial progress has been made due to AlbEiti's engagement in building a register which is compliant with the standard's requirements.

In addition to compiling the lists AlbEiti also verifies the information gathered from different sources, and increases the reliability of the information.

validate and recognise the registers published by AlbEiti, and provide direct links to the AlbEiti website as the most up-to-date register.

Alternatively, the MSG may ask MIE or AKBN to update their registers on the same or a more frequent basis, so that citizens may have access comparable registers.

Government policy on this matter is documented in each sector's respective chapter within this report.

14. Transparency over license allocation

Requirement 2.2 in the EITI standard requires that the Government of Albania establish and maintain license award processes where decisions to award licenses are made based on established, consistent and clearly understood criteria / parameters. This may include technical and financial qualifications needed to hold an oil, gas or mineral right, legal criteria, criteria for health, safety and environment, work programs etc.

The standard also requires that the process is documented, and that all bids be publicly disclosed so as to increase transparency on the licence allocation procedure.

Currently established processes include the announcement of oil and mining areas available to be licensed and the accompanying technical details and application instructions. Additionally, the winning bid is publically available.

Mining licenses

Mining competitive bid announcements list technical and financial criteria under evaluation and respective weighs. The process is administered by the Public Procurement Agency, which is an independent public agency reporting to the Albanian Parliament.

The current process meets the EITI requirements set in point 2.2, except for the disclosure of non-winning applicants. This information is made available to the participants in the bid, however it is not made publically available, and could not be disclosed for the purpose of this report.

Oil licenses

Oil licence negotiations vary significantly from case to case, and is highly dependent on the offer being made by the private entity. The oil exploration blocks and oilfields available are continuously marketed by the MIE, AKBN and Albpetrol, in their respective websites.

Recommendation

Mining licenses

We recommend MIE consider sharing the names of non-winning applicants, as well as any irregularities encountered, with AlbEiti under a non-disclosure agreement. This would allow for an audit of the license allocation procedure. However, this disclosure must be supported by legal reforms, releasing MIE from its responsibility to maintain the privacy of the participating companies' information and bid.

Oil and gas licenses

We recommend that MIE make the following information, regarding PSAs allocated in the reporting period, publically available:

1. A description of the process for transferring or awarding the license (bidding or negotiation process)
2. The technical and financial criteria used

The procedures regarding license allocation are governed by the legal framework of each respective sector. The procedure is documented in Chapters 3, 4, and 5 for each respective sector.

Non-winning bids and bidders cannot be disclosed due to privacy concerns. Thus, an evaluation of adherence to procedure could not be conducted.

AKBN has reported on all concessions granted in hydropower, mining licenses awarded, and new petroleum agreements made in 2017 and 2018.

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3. Information regarding the recipient(s) of the transferred / awarded license, including consortium members where applicable
 4. Any non-trivial deviations from the applicable legal and regulatory framework governing license transfers and awards.

Additionally, the MSG may consider disclosing complementary information, such as:

- Details regarding employment terms, environment preservation terms, social expenditure, barter arrangements, etc., in the case that they have been included in the agreements.
- A description of economic and social benefits expected to be gained from the licence, and the actions planned to mitigate environmental risk.

In addition to complying with EITI requirements, these disclosures will enhance transparency of the process and contribute towards improving the effectiveness of bids and negotiations.

15. Reconciliation of subnational transfers

As noted in chapter 6, in November 2014, the Albanian Parliament introduced changes to the Law on National taxes for the allocation of subnational transfers of royalty and set the related reconciliation procedures.

The first year of implementation of these changes resulted in discrepancies where the numbers reported by the Ministry of Finance (now the Ministry of Finance and Economy) regarding the subnational transfers of royalty in 2015 were significantly lower than the transferable portion as set in the Law. This issue was also observed in 2017 and 2018, as shown in chapter 6.

Recommendation

In order to increase transparency and ensure that the new law changes are fully implemented, we recommend that the MSG include the reconciliation of subnational transfers of royalty, or other assurance procedures, in the forthcoming EITI reports.

We recommend that the following analyses be conducted in the subsequent EITI reports, in order to gain a comprehensive understanding of subnational transfers:

- A company-by-company analysis, which would reveal the number of private entities that make royalty contributions to the state but do not hold licenses for extractive activities. This analysis would shed light on the contributions of refineries, resellers, etc.
- A comparison between the amount of royalty collected per month reported by DPD and DPT, and the amount claimed by the LGUs.
- Insight into the procedure followed in practice regarding royalty distribution

The information from MFE could also provide a basis for a comparative analysis between:

- The self-declared production reported by private entities to AKBN
- The value and amount of minerals sold, based on the data provided by DPT and DPD
- The value and amount of minerals sold, as reported by private entities.

This reporting cycle, six LGUs were selected as reporting entities. Although the royalty allocated to them was not subject to reconciliation, we noted differences between the numbers reported by MFE to AlbEiti and the numbers reported by the recipient LGUs.

Our findings regarding the process are disclosed in Chapter 6.

Additionally, based on our correspondence with LGUs regarding royalty allocation, we recommend that capacity building initiatives be undertaken within LGUs regarding the royalty allocation and reconciliation procedure. Based on the legal framework, the LGUs' role in the procedure is essential to ensure that the appropriate amount has been transferred.

16. Government's participation in the extractive sector

Disclosure of policies ruling financial relationships between the MIE and Albpetrol

MIE and Albpetrol informed not having a specific policy for distribution of dividends. Dividends distributed by Albpetrol so far have been volatile and not closely linked to its profits and the level of retained earnings.

Disclosure of the level of participation in companies operating in the extractive sector

Research of the NRC in 2016 revealed other SoEs in the oil and mining sector which were not previously disclosed by the MIE or the Ministry of Economy and Finance. Analysis of their activities and relative size did not flag material payments which could have been omitted from this EITI report, however such relationship might give rise to material payments in the future.

Recommendation

In accordance with requirement 2.6, the Government must disclose any participation in the extractive industries that gives rise to material revenue payments. Implementing countries must disclose:

- a. An explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned entities (SoEs), e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing.
- b. Disclosures from the government and SoE(s) regarding their level of ownership in mining, oil, and gas companies operating within the country's extractive sector, including those held by SoE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period.

In order to satisfy the requirements of point 2.6, we recommend that MIE maintain an updated register listing all SoEs and other participations in companies operating in the extractive sector. The register must be updated regularly to account for new acquisitions, sales, privatisations etc.

Additionally, MIE must disclose its level of involvement in governing the economic and financial activities of these companies, through participation in the Board of Directors or other arrangements, including but not limited to:

- Current level and planned investments
- Loans and guarantees made
- Profit distributions and re-investments policies

In its reporting, MIE included the regulations governing its relationship to Albpetrol; however it did not provide specific details regarding the policies adopted in dividend distribution.

This report also includes information on Albgaz, the SoE operating in the gas sector. The information on Albgaz is extracted from ERE's annual reports.

Information on SoEs operating in the hydropower sector is regularly disclosed by ERE. Additionally, their financial statements are publically available.

The government's participation in the mining sector does not generate material revenue, as the companies are currently under liquidation.

Further information on SoEs operating in each sector is disclosed in chapters 3, 4, and 5.

17. Setting of materiality thresholds

The number of selected reporting entities has increased each year, due to increased number of the mining companies. The MSG constantly aimed to cover at least 80% of production reported by the mining sector. However the increase in reporting entities resulted in additional reconciliation efforts, and

In this reporting cycle, a materiality analysis was conducted to obtain a comprehensive understanding of the material revenue streams,

a substantial increase in the number of non-reporting entities in 2016. This trend followed in 2017 and 2018.

Selecting reporting subjects for 2017 and 2018

The selection criteria is disclosed in the inception report, and in chapter 8. To summarize:

- As very few companies operate in the oil sector, all companies holding a petroleum license in the reporting years were selected as reporting entities. (70% – representing 99.6% of fiscal flows – reported for 2017, and 88.9% – representing 99.5% of flows – for 2018)
- Mining companies were selected based on the production reported to AKBN; the selected entities covered 91% of production. (77.4% – representing 91.8% of fiscal flows – reported for 2017, and 76.6% – representing 86.3% of fiscal flows – for 2018)
- Hydropower companies were selected based on their output, as their production level is directly linked to the revenue they generate. The selected companies represent more than 90% of production. (64.7% reported for both years, representing 89.2% of fiscal flows in 2017, and 91.9% in 2018)

Previous Recommendation

We recommend that the MSG investigate the reasons behind the lack of participation in reporting, and enforce the implementation of current regulatory requirements regarding EITI reporting.

In the future, the MSG may consider revising the materiality threshold to strike a balance between comprehensiveness of disclosures and quality of the reporting.

Recommendation

In order to increase participation, the MSG must ensure that the reporting entities are still operational, and holding active licences / contracts when the reconciliation templates are sent out.

We recommend that information from institutions be obtained for all companies holding a license in the sectors prior to deciding which companies will be selected as reporting entities. This method will create two key benefits:

- Significantly lower the risk that companies making material payments be omitted.
- The ability to analyse payment data will lead to appropriate thresholds, based on information that is comparable between companies.

and the government entities receiving this revenue.

Additionally, we conducted an evaluation of the companies generating the largest amount of revenue in the mining. Based on this analysis, less than 50% of companies generate 90% of the fiscal revenue generated from companies selected as reporting entities.¹⁵⁵

The findings of our analyses are disclosed in chapter 7.

18. Disclosure of Albpetrol's share of oil

Albpetrol and the oil companies report aggregated amounts of the in-kind payments made, and do not identify payments made for PEP from those made for ASP. These payments are confirmed through regular reconciliation procedures between the two parties.

There have been no issues in reconciling payments made in-kind throughout this reconciliation. The only material amounts not

¹⁵⁵ Fiscal revenue is chosen for this analysis as it represents the largest portion of state revenue from the sector. Additionally, it is dependent on the company's activity, and not on one-off instances.

However, we have found that the lack of disaggregation in reporting can impact the reconciliation procedure.

reconciled were those made by companies that did not report.

Recommendation

To strengthen implementation, the MSG may request that future EITI reporting clearly disaggregate the state’s in-kind revenues from Albpetrol’s equity oil, as it has done in previous EITI Reports, and that these payments, including any outstanding liabilities, are reconciled between the parties for the period covered by EITI report.

19. Allocation of revenue not recorded in State budget

AKBN is the only non-budgetary public institution collecting revenue in the extractive sector and not depositing it in the National budget. To fulfil requirement 5 in the EITI standard, AKBN must provide a disclosure of how these revenue is spent or allocated to other budgets.

In 2016, same as in previous years, AKBN did not provide its annual financial statements detailing the level of retained earnings carried in its bank accounts, revenue collected and expenditure financed, budgeted investments and spending, etc.

AKBN did not disclose its financial statements for the years 2017 and 2018; as a governmental institution, they are not requires to publish their annual financial statements.

AKBN reported the total revenue generated from each sector, however little explanation was given with regards to the use and generation of these revenues.

Bonuses in the oil sector, the only revenue stream subject to reconciliation in which AKBN is a beneficiary, were also reported by AKBN.

Recommendation

In accordance with requirement 5.1, we recommend that the MSG ensure that the allocation of extractive revenues not recorded in the National Budget is explained, with links provided to relevant financial reports, as applicable.

11.2.2 Regulatory aspects in the context of EITI reporting

Comment and Recommendation

Progress made in 2017 and 2018

20. Transparency disclosure of payments received vs statutory confidentiality duty

The Petroleum Law and Law on Mining request that operating licensees in the oil & gas and mining sectors, respectively, report data and information in accordance with the EITI Standard. Furthermore, both laws demand reporting from the General Directorate of Taxes, Albanian Customs Administration and other central and local public institutions collecting revenue from the sector.

Regarding the oil and gas sector: EITI reporting requirements for the recipient Government institutions currently conflict with their statutory duty to maintain confidentiality over the information obtained in terms of their regulatory duties. These confidentiality provisions, referred to in the laws

The Government of Albania is still in the process of issuing a new law on EITI implementation in Albania. This new law sets the roles, definitions, reporting requirements and timeline for reporting.

According to the draft law, private and public entities operating in the sector will report the payments and information requested by the secondary regulatory act that will accompany the law

applicable to tax and custom procedures in Albania¹⁵⁶, allow access to the data only upon explicit consent from the Licensee. Government bodies may exchange the data under strict confidentiality terms.

Regarding the mining sector: The Law on mining states that state and local taxes are paid by companies in the sector are not confidential. However, it does not mention other types of payments made to the state.

Current regulatory enforcement does not address forms of reporting with regard to cash flows and contextual information. An initial version of a reporting template applicable to reporting from the mining sector was approved via DCM no. 233 on 23 March 2011. Because it was approved before the publication of new EITI standard, the form fails to address many aspects of current reporting requirement such as publication of data on a disaggregated level and assurance process.

In order to overcome this barrier, the reporting templates included a letter granting explicit consent of the licensee:

- To the recipient public entities regarding the reporting of information on licensees, which is classified as confidential under governing laws, regulations and agreements.
- To allow for the publication of the concerning cash flows disaggregated by payment stream and by licensee, in the EITI Report.

However, due to significant delays in the reporting process from both licensees and recipient public institutions, this procedure resulted not to be effective for the purpose of this report, as we received signed official confirmations from 65 out of 137 which reported flows.

Coordination of inter-institutional activities as pertaining to EITI – related initiatives

The coordination of activities among different public and regulated institutions presents a significant challenge in terms of the quality and timeliness of cooperation.

The appointment of EITI focal points among the concerned Government institutions positively contributed in the increase of their awareness and coordination of EITI activities in the short term. However, the positive effects are weakened due to the frequent change of staff and focal points in the concerned institutions, as well as due to their limited authority.

Interaction among public institutions for the EITI reporting processes was chaired by official communication of the Minister or higher authority, Deputy Minister in charge or his delegates. Based on the experience of the EITI reports for 2015 and prior reports, public entities take one or more months to officially responded to the MSG requests.

Although it has been over 10 years since the Government agreed to implementation of EITI in the country, the concerned public institutions, including the Ministry of Infrastructure and Energy, Ministry of Finance and Economy, AKBN, Albpetrol, General Directorate of Taxes, LGUs etc., have not yet established the necessary processes and infrastructure required for efficient reporting, following EITI requirements. Frequent changes in the focal points requires continued efforts the AlbEiti secretariat and the independent

for the purpose of EITI reporting not later than March 31 of the subsequent calendar year. In addition to the flows, regulatory public entities shall report contextual information on the sectors, on an ongoing basis.

The law is currently under review of the concerned government parties.

¹⁵⁶ Law no. 9920, dated 19.05.2008 "Tax procedures in the Republic of Albania, as ammended" and Law no. 8449, dated 27.01.1999 "Custom procedures in the Republic of Albania, as ammended".

administrator to ensure (1) that the relevant people within the institutions understand the requirements, and (2) their cooperation in the process.

Recommendation

The barriers listed above need to be addressed through regulatory reform and enforcement. We recommend that the MSG establish complementary regulation addressing all aspects required for the completion of the preliminary analyses. Additionally, we recommend that the following elements be included, in order to create a set schedule and format for reporting, thus increasing the preparedness of reporting entities:

- a. Timing and form of reporting by licensees
- b. Timing and form of reporting by recipient public entities
- c. Timing and form of reporting concerning the contextual information
- d. Level of assurance required for each reporting
- e. Forms to address confidentiality issues

The regulation also needs to address time required for and allowed to each reporting entity and public institution to understand and adopt the regulation and plan the EITI reporting accordingly.

Reporting templates and instructions shall be reviewed and updated for changes in EITI scope and standard, regulatory updates, and new facts affecting the extractive industry (i.e. new revenue streams, licensees etc.). The selection of the reporting entities should be planned and communicated months ahead of the reconciliation work schedule. We recommend requesting all licensees (where possible) to submit electronic declarations via web or email.

Setting a deadline for submission of declarations and reconciliation work

The annual deadline for submission of declarations should be planned ahead and be included in the reporting entities' schedule. As a result, the time required for the data collection procedures is expected to be reduced, and the accuracy of reporting would most likely be improved. The same deadline should be established for both licensees and recipient government entities.

Creating a reporting platform

Provided that the EITI Albania systems support this activity, we recommend that approved templates and instructions be published on the AlbEiti website, where they can be downloaded by the private and public reporting entities, completed, and uploaded through a dedicated portal on the website. The platform must adhere to the required security standards and independent auditing to ensure data protection. When official signatures are required, AlbEiti may consider adopting electronic signature applications. Alternatively, officially signed forms may be submitted thereafter by mail within the deadline set or be uploaded on the same web portal.

Declarations not selected for the reconciliation process may be presented unilaterally in the report, or used to enhance the contextual data.

This would allow companies and government institutions more time to report, and would increase their knowledge regarding the process.

11.3 Progress on the recommendations arising from the validation of the EITI 2016 report

The following table lists the recommendations provided through the validation of the most recent EITI report for 2016, of the Inception Report for 2017 and 2018, and of the activities conducted to comply with the EITI standard. It also discloses the progress made in this reporting cycle. Updates regarding legislative and regulatory aspects, as well as initiatives from AlbEiti, are also mentioned when applicable.

Validation comment and recommendation ¹⁵⁷	Updates / Progress
Requirement 2.2 – License Allocation	
<p>Regarding the MSG’s assessment of non-trivial deviations in mining, oil and gas for license awards / transfers, etc., a description of the approach to assessing non-trivial deviations in license transfers. Can a disclosure of non-winning bidders for mining licenses awarded through licensing rounds, be achieved for year 2017 & 2018?</p>	<p>The respective institutions each referred to the laws and regulations when asked about licence allocation the process.</p> <p>Non-winning bidders could not be disclosed due to the legal constraints specified in Albanian law. The license allocation procedure for each industry in scope is presented in the respective chapters, specifically chapters 3, 4, and 5.</p>
<p>Clarify the number and identity of mining, oil and gas licenses awarded or transferred (including transfers of participating interests in PSAs) in the years under review. The Final Report should also clarify the proposed methodology for assessing non-trivial deviations in license awards and transfers in the year under review (for instance, risk based spot checks, a type of performance audit or consultations with the regulator).</p>	<p>The mining permits allocated in 2017 and 2018 are listed in section 4.4.7. The method through which the licenses were allocated was also disclosed. All active licenses in oil & gas, including the effective license date, are listed in sections 3.1.2 and 3.1.3.</p> <p>Non-trivial deviations could not be assessed due to the inability to disclose non-winning bidders and their applications.</p>
<p>(cont.) The Final Report should also clarify the proposed methodology for assessing non-trivial deviations in license awards and transfers in the year under review (for instance, risk based spot checks, a type of performance audit or consultations with the regulator).</p>	<p>KLSH, the Supreme State Auditor, is the public institution charged with auditing the performance of governmental entities. Following the limitations presented in the previous section, engaging KLSH could be an option of assessing non-trivial deviations in license awards and transfers.</p>
Requirement 2.4 – Contracts	

¹⁵⁷ The recommendations listed in this column have been paraphrased from the validation of the EITI 2016 report.

<p>Please note that it is a requirement to document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. It would be beneficial if the government's policy and practice on disclosure of contracts in the mining sector could be clarified.</p>	<p>The government's policy on contract disclosure is documented in sections:</p> <ul style="list-style-type: none"> • Oil & gas: 3.2.4 • Mining: 4.4.6 <p>Section 4.4.7 shows how to access the Approval Acts of each mining permit.</p>
<p>According to Requirement 2.4.b, the multi-stakeholder group is expected to agree and publish a plan for disclosing contracts with a clear time frame for implementation addressing any barriers to comprehensive disclosure. This plan should be integrated into work plans covering 2020 onwards.</p>	<p>A plan regarding contract disclosure is currently being discussed with the relevant governmental parties.</p>
<p>Requirement 2.5 – Beneficial Ownership</p>	
<p>Prior year comment: The 2015 EITI Report does not clarify the government's policy on beneficial ownership disclosure in extractives companies but the names of legal owners of all material companies are publicly available on the National Registration Centre website.</p> <p>This year:</p> <ul style="list-style-type: none"> • Please check the framework that outlines how progress in meeting the beneficial ownership requirement (2.5) will be assessed in EITI Validation. • Please note that this requirement applies to all extractive companies, not just material extractive companies. 	<p>The government's policy on beneficial ownership is documented in section 7.6 of this report.</p> <p>The new law on disclosure of beneficial owners will become effective in January 2021.</p> <p>Additionally, the self-assessment regarding beneficial ownership can be found in Appendix 4.</p>
<p>Requirement 2.6 – State participation</p>	
<p>From prior year: The report only confirms the lack of outstanding loans and guarantees from Albpetrol to extractive companies in 2016, without reference to any government loans or guarantees to extractive companies.</p> <p>From prior year: The public accessibility of Albpetrol statutes was unclear during Validation.</p>	<p>Albpetrol reported that it does not have any outstanding loans to extractive companies. The government has reported that it has not extended any loans to other extractive companies, apart from Albpetrol.¹⁵⁸</p> <p>Albpetrol reported on its own loans to the state and other private parties.</p>
<p>Requirement 3.2 – Production data</p>	
<p>From prior year: The 2016 EITI Report provides the production volumes and values of all major minerals produced including oil, chromium, ferrochrome, copper,</p>	<p>Data on the prices and volumes of minerals sold domestically is not available. Thus, as in the 2016 EITI report, the production</p>

¹⁵⁸ Albpetrol reported a loan of ALL 136,368 thousand granted to Albpetrol. The outstanding amount is ALL 62,148 thousand owed to MFE, and 74,220 thousand to BKT, a private bank operating in Albania.

<p>iron-nickel & nickel-silica, and limestone, although an aggregate production value is only provided for chromium and ferrochrome. While the use of export prices to calculate production values is a concern, given the government’s lack of reporting of domestic prices (in contrast to previous years), it is notable that the MSG has made efforts to provide an estimate of production values in the 2015 EITI Report. While the lack of information on natural gas production is also a concern, it appears that total natural gas production in Albania is negligible and not sold.</p>	<p>value is estimated using export prices for all minerals, following the reasoning in section 4.1.2.</p> <p>Information on natural gas production, and the value it generates for Albpetrol is discussed in Chapter 3. The subsector has had minimal activity in 2017 and 2018, however we expect that this will change once TAP is operational.</p>
<p>From prior year: The 2015 EITI Report provides export values for crude oil, but not specific oil export volumes, and the value of the main three mineral exports, but not volumes and values of all exported minerals.</p>	<p>Chapter 3 and 4 provide the export data regarding crude oil and minerals exported respectively. An overview of all exports is presented in Chapter 2.</p> <p>All exports reported from the DPD are represented in the report; certain minerals are categorized based on their characteristics as they did not amount to a material value.</p>
<p>Requirement 4 – Comprehensiveness</p>	
<p>This year and prior year: It would be necessary for the MSG’s materiality decisions for revenue streams and companies, the analysis made for options considered and rationale for the chosen scope to be publicly documented.</p>	<p>The MSG’s materiality decisions regarding companies is based on production data for both mining and hydropower companies. Regarding the oil & gas sector, all companies holding a license were selected as reporting entities, apart from Shell’s second domestic subsidiary; the company’s petroleum agreement was effective as of 2019, and thus they did not have any commercial activity in 2017 and 2018.</p> <p>Some companies holding an exploration license in the mining sector were also included in order to analyse their relative materiality.</p> <p>MSG’s methodology in choosing the relevant payment streams is documented in chapter 8 and supported by findings reported in chapter 7.</p>
<p>Please clarify the following sentence: “...we conclude that we could not determine that all the entities in mining sector that meet the thresholds decided from MSG for year 2017 and 2018 are included in the respective lists of selected entities.” It would be crucial to ensure that all companies making material payments to government are included in</p>	<p>An analysis of this matter was conducted to the extent that was allowed by the data provided by the relevant institutions. The limitations resulting from the nature of the data, and our findings are listed in Chapter 7.</p>

the scope of reconciliation if the EITI Report would include the assessment of comprehensiveness. If an ex ante confirmation to this effect is not possible, it would at least be necessary to include an ex post confirmation after data collection is completed.

Please note that during the previous reporting process, 39 out of 121 companies did not report. Although 38 of these 39 non-reporting companies accounted for less than 0,5% of total extractive revenues each, one company (Gener 2) accounted for 1,47% of extractive revenues in 2016. The IA might consider different ways to address this gap in order to ensure comprehensive reporting. For example, Albania may wish to consider revisiting its materiality threshold for selecting mining companies to strike a balance between the comprehensiveness of disclosures and the quality of reporting.

Only one operating oil and gas company did not report throughout this reporting cycle.

Regarding the mining sector:

- All non-reporting companies in 2017 represented less than 1% of revenues.
- Two of the non-reporting companies (Alb-Mi shpk and NEKU shpk) in 2018 represented more than 1% of revenues. The accurate contact information of one of the companies was not obtained.

We believe that these issues would be resolved if the companies' contact information would be confirmed prior to commencing the reconciliation procedures.

The hydropower sector has the largest amount of non-reporting material entities – 5 in 2017 and 4 in 2018.

This issue was not observed in the oil & gas sector.

Requirement 4.6 – Direct subnational payments

This year and prior year comment: During the second Validation, it appeared that only 17 of the 121 material companies followed the agreed data quality assurances for their EITI reporting. Please note that any gaps or weaknesses in reporting must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.

For reasons listed in Chapter 7, the assurance procedure on EITI numbers applied in the previous reporting cycle was not conducted this year. Our recommendations for procedural and / or regulatory changes that would provide increased assurance are listed in previous chapters, as well as in the abovementioned recommendations.

The MSG should undertake appropriate scoping of direct subnational payments by extractive companies to LGUs, establishing a comprehensive basis for the MSG's materiality discussions regarding direct payments to LGUs. The MSG may wish to consider a sampling approach, which would allow these payments to be investigated without creating an unreasonable reporting burden.

This year's selection methodology applied for LGUs aimed to select those LGUs which represent the largest concentration of production activities in the county. The selection was based on the royalty allocated to each respective LGU.

In order to conduct a comprehensive analysis, we requested that each LGU report all payments they received from extractive and hydropower companies, and that each private entity report all payments made to all LGUs. The requested information was used in the completion of the following

analyses, the findings of which are disclosed in chapter 7:

- Which LGUs are receiving the highest amount of direct payments from the sector
- What payments to LGUs are considered material
- The materiality of payments to LGUs relative to royalty allocated to LGUs, as well as to total payments to the state.

The revenue allocation process was also discussed thoroughly in chapter 6.

12. Glossary and abbreviations

ACA / DPD	Albanian Custom Administration
Administrator	Independent company hired to perform the reconciliation of reported payments and revenues from the licensees and the government
Aggregation	Payments are combined so that the figures show totals per revenue stream
AKBN	National Agency of Natural Resources
AKPT	National Agency for Territorial Planning
AlbEiti	The EITI secretariat in Albanian, established under the Ministry of Infrastructure and Energy
Albpetrol	Oil company 100% owned by the Albanian Government.
ATRAKO	The Agency for Treatment of Concessions is an entity established within the Ministry of Economy of Development, Tourism, Trade and Entrepreneurship.
DCM / VKM	Decision of the Council of Ministers
Concessionaire	Company granted with concession
Counterparty	In the report the Government is the counterparty to the licensee and the licensee is the counterparty to the Government
Customs authorities	Albanian Customs Administration
Disaggregation	Payments are detailed per revenue stream and/ or per licensee
OSHEE	Energy Distribution System Operator owned 100% by the Albanian Government.
EITI	Extractive Industry Transparency Initiative
EITI Albania	The EITI secretariat in Albania, established under the Ministry of Infrastructure and Energy. Also referred as AlbEiti.
ERE	Albanian Energy Regulator
EU	European Union
EUR	Euro
GDT / DPT	General Directorate of Tax
Government	Used in this Report as a collective term comprising the General Directorate of Tax, the Ministry of Infrastructure and Energy, the Albanian Custom Administration, the National Agency of Natural Resources, the Albanian Energy Regulator, the Local Government Units, the Albania Power Corporation (KESH), and Albpetrol, when not separately disclosed.

GWh	Gigawatt per hour used for measuring larger amounts of power, where 1 GWh = 1,000 MWh.
HPP	Hydropower plant
IFRS	International Financial Reporting Standards published by the International Federation of Accountants (IFAC).
INSTAT	National Institute of Statistics
IPP	Independent power plants
KESH	Albanian Power Corporation
KESH Gen	KESH Gen is a structure within KESH licensed to produce electricity
KTOE	Kilo tons of oil equivalent (toe) used to measure units of energy, defined as the amount of energy released by burning one ton of crude oil.
KV	Kilovolts
KW	Kilowatt, used as a unit of electric power.
KWh	Kilowatt per hour, used a measure energy
LGU	Local Government Unit
Licence	License awarded by MIE to perform exploration, development and production activity in the Albanian territory.
Licensee	Company that has been awarded a license interest in an exploration and / or production in the Albanian territory
M ²	Meter square
M ³	Meter cube
ME	Ministry of Environment
MEF	Ministry of Economic Development, Tourism, Trade and Entrepreneurship
MIE	Ministry of Infrastructure and Energy
MALL	Million Albanian Lek
MSG	Multi-stakeholder working Group
MW	Megawatt, used as a unit of electric power, where 1 MW = 1,000 KW
MWh	Megawatt per hour, used for metering larger amounts of power, where 1 MWh = 1,000 KWh.
NBC / QKB	National Business Center
Nickel alloys	Nickel compositions extracted in Albania include iron-nickel and nickel-silicate.
Nm ³	Normal meter cube
Petroleum	Collective term meaning oil and gas

PPP	Public-private partnership
Reconciliation	The process of comparing reported data from licensees and the Government, and explain any discrepancies
RPS	Retail Public Supplier
SHGJSH	Albanian Geological Service
SSA / KLSH	Supreme State Auditor
SoE	State-owned entities
SPP	Small power plant
Tax authorities	General Directorate of Tax
TALL	Thousand Albanian Lek
Thds	Thousands
TPP	Thermal power plant
TSO	Transmission System Operator, owned 100% by the Albanian Government.
TUSD	Thousand US dollar
USD	US dollar
VAT	Value added Tax
Without counterparty	Amount reported by either the Government or licensees but not by both parties
WPS	Wholesale Public Supplier

Appendix 1:

Disaggregated reconciliation from the oil & gas sector

Table 1.1 – List of oil companies

NUIS	Companies	Reporting year	Reported
K43128401L	Bankers Petroleum Albania Ltd.	2018 & 2017	Yes
L42223008U	Anio Oil&Gas sha (ish Trans Atlantik Albania Ltd (ishStream Oil & Gas)	2018	Yes
L61416039U	Delvina Gas Company LTD	2018 & 2017	Yes
L11725004I	TRANSOIL GROUP AG (IEC Visoka Shp)	2018 & 2017	Yes
L01607016G	Sherwood Internacional Petroleum Ltd	2018 & 2017	Yes
L01410008B	Fin Pek Petroleum Sh.a (Phoenix Petroleum)	2018 & 2017	No
J82916500U	Albpetrol Sh.a.	2018 & 2017	Yes
L21807009I	Shell Upstream Albania B.V	2018 & 2017	Yes
K81421014P	San Leone Energy Plc.	2018 & 2017	Yes
L72128015F	Pennine Petroleum Corporation	2018	No
K92927401K	Phoenix Petroleum sh.a	2017	No

I. Reconciliation for 2017

Table 1.2 - Payments per company

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	2,476,121	2,449,612	521	8,043	5,263	(24,171)
L42223008U	0	166,357	0	0	0	(166,321)
K43128401L	5,508,413	4,927,058	(545,505)	3,663	3,431	(35,618)
L61416039U	6,991	6,181	0	0	0	(810)
L11725004I	215,434	239,686	240	(1,700)	130	23,479
K81421014P	0	4,815	0	0	0	4,815
L21807009I	373,928	456,462	18	0	(1,060)	83,575
L01607016G	48,134	49,765	154	0	1,477	0
Total	8,629,022	8,299,936	(544,572)	10,006	9,241	(115,051)

The payments shown in the table above do not include payments made in-kind, which are disclosed in table 1.3.

Table 1.3 - Share of oil payments

NUIS	Sum of Payer		Sum of Recipient		Explained discrepancies		Remaining discrepancy	
	in ton	ALL'000	in ton	ALL'000	Payer	Recipient	in ton	ALL'000
L42223008U	0	0	5,651	166,339			(5,651)	(166,339)
K43128401L	66,872	1,968,333	66,872	1,968,333				
L11725004I	4,682	137,801	4,682	137,801				
L01607016G	1,143	33,645	1,143	33,645				
Total	72,697	2,139,780	78,348	2,306,119	0	0	(5,651)	(166,339)

Throughout the report and in this table, share of oil payments (made in kind) were valued using the average export price applied for the years 2017 (29434.4 ALL / ton) and 2018 (35687.4 ALL / ton).

The only remaining discrepancy was without counterparty.

Table 1.4 - Royalty on internal sales

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	578,086	578,626	531	0	9	0
K43128401L	869,896	491,269	(378,627)	0	0	0
L11725004I	39,303	39,454	83	0	68	0
Total	1,487,285	1,109,350	(378,013)	0	78	0

Table 1.5 - Royalty on exports

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K43128401L	1,457,000	1,453,337	-	3,663	-	-
Total	1,457,000	1,453,337	-	3,663	-	-

Table 1.6 – Bonuses (AKBN and Albpetrol)

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
AKBN						
L21807009I	11,905	11,905	0	0	0	0
Total	11,905	11,905	0	0	0	0
Albpetrol						
L61416039U	810	0	0	0	0	(810)
L11725004I	1,370	3,275	0	0	0	1,905
L01607016G	9,338	10,899	0	0	1,561	0
Total	11,518	14,174	0	0	1,561	1,095

Table 1.7 - Tax penalties

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	40	0	0	0	0	40
L11725004I	649	0	0	0	0	649
Total	689	0	0	0	0	689

Table 1.8 - VAT

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	1,329,596	1,334,779	0	0	5,183	0
L11725004I	0	20,330	156	0	0	20,173
Total	1,329,596	1,355,109	156	0	5,183	20,173

Table 1.9 - Tax on profit

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	20,830	20,880	0	0	50	0
L61416039U	50	50	0	0	0	0
L21807009I	0	10	10	0	0	0
L01607016G	0	40	40	0	0	0
Total	20,880	20,980	50	0	50	0

Table 1.11 – Payments for social and health insurance and personal income tax

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	445,477	445,498	0	0	21	0
L42223008U	0	0	0	0	0	0
K43128401L	628,197	463,173	(168,454)	0	3,430	0
L61416039U	5,615	5,615	0	0	0	0
L11725004I	33,568	33,630	0	0	62	0
K81421014P	0	4,418	0	0	0	4,418
L21807009I	224,987	224,989	0	0	2	0
L01607016G	5,151	5,067	0	0	(84)	0
Total	1,342,995	1,182,389	(168,454)	0	3,430	4,418

Table 1.12 – Other payments: State

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
DPD						
J82916500U	0	590	0	0	0	590
K43128401L	368,318	369,896	1,577	0	1	0
L21807009I	124,905	207,419	0	0	(1,062)	83,575
Total	493,224	577,904	1,577	0	(1,061)	84,165
DPT						
J82916500U	0	1,181	0	0	0	1,181
L42223008U	0	18	0	0	0	18
K43128401L	66,434	66,434	0	0	0	0
L61416039U	516	516	0	0	0	0
L11725004I	0	752	0	0	0	752
K81421014P	0	397	0	0	0	397

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L21807009I	12,131	12,139	8	0	0	0
L01607016G	0	114	114	0	0	0
Total	79,082	81,551	122	-	-	2,347

Table 1.13 – Other payments: Local Government

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
Rroskovec						
J82916500U	62,511	61,538	-	972	-	-
K43128401L	85,330	85,330	-	-	-	-
Total	147,841	146,868	0	972	0	0
Patos						
J82916500U	13,602	6,521	(10)	7,070		
K43128401L	25,785	25,785				
L11725004I	2,744	4,444		(1,700)		
Total	42,131	36,750	5,370	(10)	-	-
Lushnje						
K43128401L	3,500	3,500				
Total	3,500	3,500	-	-	-	-
Fier						
J82916500U	25,981	-	-	-	-	(25,981)
K43128401L	35,618	-	-	-	-	(35,618)
Total	61,598	-	-	-	-	(61,598)

II. Reconciliation for 2018

Table 1.14 - Payments per company

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	2,017,893	2,043,589	43,353	0	(6,154)	(11,503)
K43128401L	5,582,582	4,699,501	(682,994)	170,871	(844)	(28,372)
K81421014P	3,509	5,749	0	0	1,492	747
L01607016G	35,059	34,086	(68)	0	(1,035)	130
L11725004I	244,246	265,137	201	4,424	116	24,998
L21807009I	437,916	513,003	11,473	0	(10,251)	73,866
L42223008U	46,147	40,837	(6,679)	0	1,156	214
L61416039U	4,340	560	0	0	0	(3,780)
Total	8,371,693	7,602,462	(634,716)	175,295	(15,520)	56,301

Table 1.15 - Share of oil payments

Amounts in ALL thousands

NUIS	Sum of Payer		Sum of Recipient		Explained discrepancies		Remaining discrepancy	
	in ton	Lek'000	in ton	Lek'000	Payer	Recipient	in ton	Lek'000
K43128401L	51,375	1,833,438	51,375	1,833,438	-	-	-	-
L01607016G	587	20,958	573	20,460	-	-	-	-
L11725004I	4,656	166,164	4,656	166,164	-	-	-	-
Total	56,618	2,020,560	56,604	2,020,061	-	-	-	-

Share of oil payments in kind were valued using Albpetrol's average sales price applied for the years 2017 and 2018. The amount declared in USD was converted to ALL using the average official exchange rate, published by the Bank of Albania, for each respective year.

Table 1.16 - Royalty on internal sales

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	529,525	535,862	6,337	-	-	-
K43128401L	509,968	85,595	(424,373)	-	-	-
L01607016G	2,893	2,903	10	-	-	-
L11725004I	30,898	31,210	201	-	111	-
L42223008U	20,088	16,243	(3,846)	-	0	-
Total	1,093,372	671,813	(421,671)	-	111	-

Table 1.17 - Royalty on exports

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	34,200	28,607	-	-	(5,593)	-
K43128401L	2,046,158	2,051,217	5,060	-	-	-
Total	2,080,358	2,079,824	5,060	-	(5,593)	-

Table 1.18 - Bonuses (AKBN and Albpetrol)

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
AKBN						
L21807009I	-	10,801	10,801	-	-	-
Total	-	10,801	10,801	-	-	-
Albpetrol						
L01607016G	8,205	7,669	-	-	(536)	-
L11725004I	-	2,971	-	-	-	2,971
L61416039U	3,780	-	-	-	-	(3,780)
Total	10,640	11,985	-	-	(536)	(809)

Table 1.19 - Tax penalties

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K43128401L	40	-	-	-	-	(40)
Total	40	-	-	-	-	(40)

Table 1.20 – VAT

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	759,713	796,689	36,976	-	-	-
K43128401L	-	10	10	-	-	-
L11725004I	-	20,986	-	-	-	20,986
L21807009I	1,295	1,927	632	-	-	-
L42223008U	14,821	13,660	(1,168)	-	8	-
Total	775,830	833,272	36,449	-	8	20,986

Table 1.21 – Tax on profit

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	181,000	181,040	40	-	-	-
L21807009I	-	40	40	-	-	-
L42223008U	1,223	2,835	-	-	1,612	-
Total	182,223	183,915	80	-	1,612	-

Table 1.23 – Payments for social and health insurance and personal income tax

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies	Remaining discrepancy
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			Payer	Recipient	Unidentified	Without Counterparty
J82916500U	468,535	468,540	-	-	5	-
K43128401L	649,266	289,471	(359,795)	-	-	-
K81421014P	3,509	5,001	-	-	1,492	-
L01607016G	3,003	2,924	(78)	-	-	-
L11725004I	38,403	38,408	-	-	5	-
L21807009I	287,486	287,486	-	-	(0)	-
L42223008U	10,015	7,886	(1,665)	-	(464)	-
L61416039U	560	560	-	-	-	-
Total	1,460,777	1,100,276	(361,539)	-	1,038	-

Table 1.24 – Other payments: State

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy		
			Payer	Recipient	Unidentified	Without Counterparty	
DPD							
K43128401L	208,133	299,732	262,470	170,871	-	-	
L01607016G	-	32	-	-	-	32	
L11725004I	-	1	-	-	-	1	
L21807009I	119,687	183,302	-	-	(10,251)	73,866	
Total	327,821	483,066	262,470	170,871	(10,251)	73,898	
DPT							
J82916500U	-	21,084	-	-	-	21,084	
K43128401L	193,047	26,986	(166,366)	-	305	-	
K81421014P	-	747	-	-	-	747	
L01607016G	-	98	-	-	-	98	
L11725004I	-	1,041	-	-	-	1,041	
L21807009I	29,447	29,447	-	-	-	-	
L42223008U	-	214	-	-	-	214	
Total	222,494	79,617	(166,366)	-	305	23,184	

Table 1.25 – Other payments: Local Government

Amounts in ALL thousands

NUIS		Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
				Payer	Recipient	Unidentified	Without Counterparty
Rroskovec							
J82916500U		2,104	1,538	-	-	(566)	-
K43128401L		86,479	85,330	-	-	(1,149)	-
Total		88,583	86,868	-	-	(1,714)	-
Patos							
J82916500U		10,229	10,229		-	-	-
K43128401L		24,142	24,142		-	-	-
L11725004I		8,781	4,357		4,424	(0)	-
Total		43,153	38,728		4,424	(0)	-
Lushnje							
K43128401L		3,580	3,580	-	-	-	-
Total		3,580	3,580	-	-	-	-
Fier							
J82916500U		32,587	-	-	-	-	(32,587)
K43128401L		28,332	-	-	-	-	(28,332)
Total		60,919	-	-	-	-	(60,919)

Appendix 2:

Disaggregated reconciliation from the mining sector

The following companies have not agreed to the disclosure of their payments separately in this report. As such, their payments will be noted as "Aggregated" in the reconciliation tables displayed in this section:

- Xhiredone sh.p.k – NIPT J71909005P
- SorigeAlb sh.p.k – NIPT K87608602E

Table 2.1 - List of mining companies

NUIS	Company	Reporting Year	Reported
K86603401D	Arkevshpk(IshMERGAshpk)	2017	Yes
L42423012I	"BEATGENERATION"SHPK	2018	Yes
K11829502V	"D&A"Sh.P.K	2018	Yes
K19006207M	"Flu-To-Ne"Sh.P.K	2018 & 2017	No
J64102265P	"Kastrioti"Sh.P.k	2018	No
K92110004Q	"XYZ08"SHPK	2018	Yes
K28310906F	11HeronjteBater	2018 & 2017	Yes
L61523043R	3A-160sh.p.k	2018 & 2017	Yes
K07713216Q	AfrimiKshpk	2018 & 2017	No
J72015001L	Ag-Invest	2018	Yes
K32807432W	AgbesKonstruksion	2018	Yes
K81914005T	AKI-LEO08	2018	No
L11401018K	Al-Gemsh.a	2018 & 2017	Yes
K07729901W	Alb-Canaj	2018 & 2017	Yes
J61929001N	AlbAlabaster	2017	No
J86906408N	AlbIeaaInternacional	2018 & 2017	Yes
K86806401B	Alb-Mish.p.k	2018	No
J78311933L	ALBA-COshpk	2017	Yes
L52228034M	ALBMINE&CHROME	2018 & 2017	Yes
J96829413B	AlbanisaKrypi	2018 & 2017	Yes
K11613001M	Albchrome	2018 & 2017	Yes
K86728402B	Albtani-08KonstruksinSh.P.K	2018 & 2017	No
L41713003M	Alesio2014	2018	No
L37009201B	Ana2013	2018 & 2017	Yes

NUIS	Company	Reporting Year	Reported
K61914005R	AnteaCementSh.a	2018 & 2017	Yes
K86407401R	Ardas	2018 & 2017	Yes
J66702417H	Arildash.p.k(BENI-06shpk)	2018	No
K97114401A	Aris	2018 & 2017	Yes
J68103911D	ATEANIshpk	2017	Yes
K73627001A	B&BStone	2018 & 2017	Yes
L36506201A	B&ADConstructions.p.k	2018	Yes
K04226216O	Babasi-2	2018 & 2017	Yes
J74517209B	BabasiCOOshpk	2018 & 2017	Yes
L67421401T	Baridenshpk	2018 & 2017	Yes
K06626408F	BEBJAshpk	2017	Yes
K12107002A	Beralbsha	2018 & 2017	Yes
K36811904G	Bledi	2018 & 2017	Yes
L07525201B	BlerimiKosturr2010	2018 & 2017	Yes
K49326630V	Bytyçi	2018	No
J66702921T	CAHANI,Sh.p.k	2017	No
L46802702E	Canameti	2018 & 2017	No
K48429906N	Ceruja	2018 & 2017	Yes
K72306010V	ColacemAlbaniaashpk	2017	Yes
K36805204D	Comercirsh.p.k	2018	Yes
L06417401O	ÇupiGroupshpk	2017	Yes
K87530903A	DemaPatin	2018 & 2017	Yes
J96829414J	Dialba	2018 & 2017	Yes
K47220402N	DriniBulqize	2018 & 2017	No
K77424401L	EGI-KSHPK	2018 & 2017	Yes
L07324401C	Erli-DSHPK	2018 & 2017	Yes
K04226208A	F.KrujaCEMENTFACTORY	2018 & 2017	Yes
K06626418M	FabrikaePasurimiteKromirBulqize	2018 & 2017	Yes
K33708651V	Fada-1	2018	No
J64104078V	Favina	2018 & 2017	Yes
K27713604T	Gega-G	2018 & 2017	Yes
J81503013L	Gentari	2018 & 2017	No
K77315401J	Gerda-07sh.p.k	2018 & 2017	Yes
K47220407H	Geri's2002	2018 & 2017	Yes

NUIS	Company	Reporting Year	Reported
K06626412K	GjoniShpk	2018 & 2017	Yes
K87515901A	GlobalInterpriseGroupshpk	2018 & 2017	Yes
J98021906L	Herbi	2018 & 2017	Yes
K88812401M	Igli-07	2018 & 2017	Yes
L01629005J	IllyriaMineralsIndustrish.p.k	2018 & 2017	Yes
K81811029B	Isfat	2018	No
K47220405O	Ivno1100	2018 & 2017	Yes
K07729917I	Jaho-Mat	2018 & 2017	Yes
K64006602O	Joal-06	2018 & 2017	No
K62418008C	K-12(Redmines)	2018 & 2017	Yes
K52128506K	K.I.D-ALBshpk	2018 & 2017	Yes
L26718401H	KACI-IF-2012sh.p.k	2018 & 2017	No
L06817401D	Kaprolla&Kompani	2018 & 2017	Yes
K86314401D	Kaprollashpk	2017	Yes
K94016202U	Kegli-Durish.p.k	2018	Yes
L06410401C	Kevgersh.p.k	2018 & 2017	Yes
K19003407J	KLERAJDishpk	2017	Yes
L01818011E	Klervi10Sh.p.k	2018 & 2017	Yes
K86328401E	KLERVIBRIS	2018 & 2017	Yes
L23409002A	KLISALsh.p.k	2018	Yes
J98021907T	Klosi	2018 & 2017	Yes
K06626403L	Koka	2018 & 2017	Yes
L08412202M	KoldashiChromeMineralssh.p.k	2018 & 2017	Yes
K06626404T	KOXHERIshpk	2017	No
K26513465D	Krasta	2018 & 2017	Yes
K24207608A	KuarciBlace	2018 & 2017	Yes
L07207702J	Kujtimi&Lenashpk	2017	Yes
K92810002V	LED-BJONshpk	2017	Yes
K22218005O	Lim-Em	2018	Yes
K91320037A	LitaBrotherConstruction	2018 & 2017	No
L52028112F	Llagnat	2018	No
K96419401J	LubimaShpk	2017	No
K24725213C	Makareshsh.p.k	2018 & 2017	Yes
L18516901B	Mara2011	2018 & 2017	Yes

NUIS	Company	Reporting Year	Reported
L02427001J	MateriaCons.ALshpk	2018 & 2017	No
K04005052C	Milenium	2018 & 2017	Yes
K44801201C	MilisBrick	2018 & 2017	No
K87021202E	MineralBitumen	2018 & 2017	Yes
L32009020I	MineralInvestsh.p.k(ishLahaze)	2017	No
L28102601R	MineralUnitsshpk	2017	No
K67812601U	MinieraeKromitKatjel	2018 & 2017	Yes
L31929015F	MiningFerroNikel	2018 & 2017	Yes
K13001013H	Mustafajshpk	2017	Yes
K42526067I	N.P.Ruçi	2018 & 2017	No
L01405006G	NEKU	2018	No
J68103906N	NeliSh.P.K	2018 & 2017	Yes
K92028004L	NikaBLshpk	2017	Yes
L26912401G	Pakti	2018 & 2017	Yes
K53129001Q	PietraNeslishpk	2018 & 2017	Yes
K32522607E	PIRALishpk	2017	Yes
K91624006A	Platinum Alb	2018 & 2017	Yes
J64416207W	Priskash.p.k	2018 & 2017	Yes
K69209401C	Qato-01	2018 & 2017	Yes
K73328401U	QeramikaApollon	2018 & 2017	No
K88016902A	Ra-KromTirana	2018 & 2017	Yes
J96829416C	Ral	2018 & 2017	Yes
L06510401F	Ro-Gent-1shpk	2017	Yes
J62903125G	Salillari	2018 & 2017	Yes
J64102248C	Santarashpk	2018 & 2017	Yes
L02410001Q	SaraAlbania	2018 & 2017	No
K16815202M	SeleniceBitumi	2018 & 2017	Yes
J98021904S	SHKALLAshpk	2017	Yes
K26513471B	Shkemi	2018 & 2017	Yes
J72603135F	Shpiragu	2018	Yes
K31321021N	Shpresa-AL	2018 & 2017	Yes
K78431302E	Silbora	2018 & 2017	No
K64312403D	Sokolajsh.p.k	2018 & 2017	Yes
K87608602E	SorigeAlb	2018 & 2017	Yes

NUIS	Company	Reporting Year	Reported
K64727001E	StoneGroupAlbaniashpk	2017	Yes
K41313033U	STONEPRODUCTION.SHPK	2018 & 2017	Yes
J68403919H	Tadrish.p.k	2018 & 2017	Yes
J64104103H	Tanusha	2018 & 2017	Yes
L48312301L	Tekish.p.k	2018	Yes
K71627041B	TeteAlbania	2018	Yes
K51523031P	TMCTransport&Mining&ConstructionShpkYZOshpk	2018 & 2017	No
J82916504G	Trade Minerals Shpk	2018 & 2017	Yes
K81819509L	TUR-ALB-KROMsh.p.k	2018 & 2017	Yes
K72327010L	ValteriGrandSh.P.K	2018 & 2017	Yes
K01524006L	VEGASh.p.k	2018 & 2017	Yes
J76418901I	VellazeriaMineralsAlbaniashpk	2018 & 2017	No
K12911201C	VellezeritHysa	2018	Yes
K02701009U	VellezeritLlupo	2018 & 2017	Yes
L02712202J	VictoriaInvestInternacional	2018 & 2017	No
J78716319A	VllaznimiDedaImp-Exp	2018 & 2017	Yes
L38927401R	VllezeritHazisllari	2018	No
J71909005P	Xhiretone	2018 & 2017	Yes
J74517202O	Xhulio	2018 & 2017	Yes
K82913007J	Xhuljano08	2017	No
K07729908J	Ylberi	2018 & 2017	Yes
K82217010F	Zasha	2018 & 2017	Yes
J96829420H	Dervishi Sh.P.K	2018 & 2017	Yes
K06626406M	Zguri Shpk	2018 & 2017	Yes
K26513467T	Ervini Shpk	2018 & 2017	Yes
L39010601L	Editi Shpk	2018	No
J96829402J	Isaku	2018 & 2017	Yes
L01614001R	Allkurti	2018	Yes
J66702417H	"Arilda" sh.p.k	2018 & 2017	No

I. Reconciliation for 2017

Table 2.2 - Payments per company - mining

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	21,511	22,292	3	0	778	0
K92028004L	5,778	5,272	0	0	(506)	0
L26912401G	44,410	44,545	3,629	0	(10,832)	7,338
K53129001Q	3,136	3,282	155	0	(7)	(3)
K32522607E	820	848	60	0	(93)	61
K91624006A	10,634	8,477	(2,049)	0	0	(108)
J64416207W	11,822	12,246	479	0	(60)	5
K69209401C	4,395	5,476	135	0	946	0
K88016902A	11,977	12,519	0	0	541	0
J96829416C	3,787	3,960	195	0	(12)	(10)
L06510401F	7,254	7,250	0	0	(4)	0
J62903125G	216,033	221,416	5,674	0	(192)	(98)
J64102248C	17,770	18,585	61	0	56	698
K16815202M	26,324	26,234	0	0	(90)	0
J98021904S	33,145	37,445	1,880	0	4,041	(1,621)
K26513471B	12,989	6,057	(6,870)	0	(63)	0
K31321021N	68,367	68,818	392	0	0	60
K64312403D	2,555	2,322	233	0	109	(575)
K64727001E	421	506	0	0	0	85
K41313033U	28,069	28,493	0	0	0	424
J68403919H	8,800	8,857	0	0	(83)	140
J64104103H	11,369	13,367	0	0	1,987	10
J82916504G	5,673	5,602	33	0	(14)	(90)
K81819509L	18,295	18,278	544	0	26	(587)
K72327010L	2,594	3,047	0	15	299	169
K01524006L	80,226	214,783	0	0	22,853	111,704
K02701009U	12,746	11,768	0	0	(988)	10
J78716319A	30,287	22,399	459	0	(7,874)	(472)
J74517202O	25,126	25,142	0	0	(76)	92
K07729908J	26,216	26,511	281	0	(9)	23
K82217010F	55,394	53,340	2,372	27	(4,259)	(140)
K06626406M	5,374	5,234	0	0	0	(140)
L61523043R	4,815	3,635	0	0	1,818	(2,997)
K28310906F	15,225	15,216	0	0	(9)	0
L11401018K	3,915	3,922	0	0	0	6
J86906408N	67,664	67,703	0	0	39	0
J78311933L	11,360	11,370	10	0	0	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J96829413B	16,114	15,982	32	0	(165)	0
K07729901W	61,993	64,763	0	0	2,770	0
K11613001M	648,963	650,384	(10)	0	823	609
L52228034M	44,916	49,954	8	0	5,029	0
L37009201B	7,687	7,714	55	0	(28)	0
K61914005R	603,110	654,759	51,649	0	0	0
K86407401R	20,062	22,527	0	0	2,466	0
K97114401A	37,602	37,355	0	0	(246)	0
K86603401D	9,185	9,199	16	0	(2)	0
J68103911D	4,080	7,159	(131)	0	0	3,209
K04226216O	19,213	18,913	0	0	(300)	0
J74517209B	19,482	19,316	10	0	(247)	71
K73627001A	4,074	4,399	0	0	325	0
K06626408F	1,287	140	0	0	0	(1,147)
K12107002A	51,551	51,990	0	0	414	24
K36811904G	12,034	4,041	0	0	917	(8,910)
L07525201B	1,835	1,831	0	0	(4)	0
L67421401T	11,134	12,033	0	0	898	0
K48429906N	13,608	13,779	171	0	0	0
K72306010V	17,134	16,793	0	0	0	(340)
L06417401O	8,662	8,659	0	0	(2)	0
K87530903A	2,036	1,394	(144)	0	5	(503)
J96829420H	12,033	14,903	0	0	2,870	0
J96829414J	23,625	26,732	0	0	3,072	36
K77424401L	157,008	157,009	1	0	0	0
L07324401C	10,973	10,956	0	0	(17)	0
K06626413S	1,896	0	0	0	0	(1,896)
K06626418M	35,023	30,253	0	0	(2,979)	(1,791)
J64104078V	53,156	53,499	343	0	0	0
K71827801E	209,514	183,563	0	0	20,545	(46,497)
K27713604T	17,107	17,270	163	0	(0)	0
K47220407H	3,607	8,290	4,662	0	(119)	140
K06626412K	7,621	7,767	11	0	(5)	140
K87515901A	99,000	98,881	21	0	0	(140)
K77315401J	4,118	3,383	(337)	0	(248)	(150)
J98021906L	48,418	50,601	2,324	0	0	(140)
K88812401M	6,375	6,137	0	0	(251)	12
L01629005J	23,873	23,441	0	0	(616)	183
J96829402J	25,652	18,028	10	0	(3,130)	(4,505)
K47220405O	8,023	5,881	(2,003)	0	0	(140)
K07729917I	6,599	10,320	0	0	(3)	3,724

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K52128506K	33,742	33,919	35	0	(4)	145
K62418008C	398	610	0	0	0	211
K86314401D	19,948	20,245	0	0	297	0
L06817401D	14,182	13,903	0	0	(1,868)	1,589
L06410401C	28,623	28,760	0	0	(2)	139
K19003407J	15,312	14,269	29	0	91	(1,163)
K86328401E	27,362	28,253	891	0	(0)	0
L01818011E	3,910	4,050	0	0	(0)	140
J98021907T	48,429	50,492	2,213	0	0	(150)
K06626403L	39,242	38,896	0	0	(346)	0
L08412202M	9,345	9,518	173	0	0	0
K26513465D	5,379	5,086	(15)	0	(278)	0
K24207608A	12,775	12,771	(5)	0	0	0
L07207702J	4,020	4,017	0	0	(3)	0
K92810002V	2,545	1,884	0	0	(661)	0
K24725213C	25,098	41,586	13,422	0	2,870	195
L18516901B	18,206	17,593	2,074	0	(777)	(1,911)
K04005052C	11,683	12,439	16	0	697	43
K87021202E	7,259	7,259	0	0	(0)	0
K67812601U	27,406	27,406	0	0	0	0
L31929015F	17,712	21,025	179	0	(389)	3,523
K13001013H	17,493	17,490	284	0	18	(304)
Aggregated	35,498	36,572	1,049	0	127	(101)
Total	3,711,223	3,894,256	84,876	41	39,868	58,330

Table 2.3 - Royalty – internal sales

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	116	175	3	-	57	-
K92028004L	-	-	-	-	-	-
L26912401G	7,308	10	-	-	(7,298)	-
K53129001Q	14	14	-	-	-	-
K32522607E	53	53	-	-	-	-
K91624006A	-	-	-	-	-	-
J64416207W	5,272	5,751	479	-	-	-
K69209401C	140	140	-	-	-	-
K88016902A	4,358	3,380	-	-	(978)	-
J96829416C	-	-	-	-	-	-
L06510401F	1,568	1,568	-	-	-	-
J62903125G	12,835	12,835	-	-	-	-
J64102248C	1,491	1,581	61	-	29	-
K16815202M	3,391	3,391	-	-	-	-
J98021904S	779	779	-	-	-	-
K26513471B	-	10	10	-	-	-
K31321021N	8,204	8,204	-	-	-	-
K64312403D	1,376	1,376	-	-	-	-
K64727001E	92	92	-	-	-	-
K41313033U	887	887	-	-	-	-
J68403919H	1,198	1,208	-	-	10	-
J64104103H	5,110	5,294	-	-	184	-
J82916504G	744	746	2	-	-	-
K81819509L	-	-	-	-	-	-
K72327010L	367	443	-	-	75	-
K01524006L	-	3,112	-	-	-	3,112
K02701009U	8,068	7,245	-	-	(823)	-
J78716319A	1,994	2,024	30	-	-	-
J74517202O	1,376	1,376	-	-	-	-
K07729908J	21	21	-	-	-	-
K82217010F	2,618	1,704	-	-	(914)	-
K06626406M	580	580	-	-	-	-
L61523043R	2,997	-	-	-	-	(2,997)
K28310906F	121	121	-	-	-	-
L11401018K	591	593	2	-	-	-
J86906408N	4,067	4,066	-	-	(0)	-
J78311933L	543	553	10	-	-	-
J96829413B	-	-	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K07729901W	2,396	2,396	-	-	-	-
K11613001M	-	-	-	-	-	-
L52228034M	-	-	-	-	-	-
L37009201B	442	307	(134)	-	-	-
K61914005R	32,457	32,666	209	-	(0)	-
K86407401R	-	-	-	-	-	-
K97114401A	2,109	2,109	-	-	-	-
K86603401D	1,520	1,520	-	-	-	-
J68103911D	388	388	-	-	-	-
K04226216O	8,971	8,971	-	-	-	-
J74517209B	7,809	7,809	-	-	(0)	-
K73627001A	702	751	-	-	49	-
K06626408F	180	-	-	-	-	(180)
K12107002A	-	-	-	-	-	-
K36811904G	8,834	-	-	-	-	(8,834)
L07525201B	555	555	-	-	(1)	-
L67421401T	369	1,157	-	-	788	-
K48429906N	-	-	-	-	-	-
K72306010V	991	991	-	-	-	-
L06417401O	1,452	1,452	-	-	-	-
K87530903A	-	-	-	-	-	-
J96829420H	2,346	2,346	-	-	(0)	-
J96829414J	-	-	-	-	-	-
K77424401L	-	-	-	-	-	-
L07324401C	-	-	-	-	-	-
K06626413S	-	-	-	-	-	-
K06626418M	-	-	-	-	-	-
J64104078V	15,648	15,917	269	-	-	-
K71827801E	8,255	8,294	-	-	39	-
K27713604T	4,574	4,574	-	-	-	-
K47220407H	-	-	-	-	-	-
K06626412K	1,121	1,121	-	-	-	-
K87515901A	12,149	12,170	21	-	-	-
K77315401J	337	-	(337)	-	-	-
J98021906L	1,823	1,823	-	-	-	-
K88812401M	250	250	-	-	-	-
L01629005J	-	-	-	-	-	-
J96829402J	1,072	1,072	-	-	-	-
K47220405O	1,392	1,358	(34)	-	-	-
K07729917I	-	-	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K52128506K	946	946	-	-	-	-
K62418008C	-	-	-	-	-	-
K86314401D	-	-	-	-	-	-
L06817401D	-	1,869	-	-	-	1,869
L06410401C	3,953	3,953	-	-	-	-
K19003407J	1,243	1,243	-	-	-	-
K86328401E	1,255	1,255	-	-	-	-
L01818011E	-	-	-	-	-	-
J98021907T	-	-	-	-	-	-
K06626403L	2,176	2,176	-	-	-	-
L08412202M	2,094	2,094	-	-	-	-
K26513465D	872	874	2	-	-	-
K24207608A	905	905	-	-	-	-
L07207702J	-	-	-	-	-	-
K92810002V	285	191	-	-	(95)	-
K24725213C	9,476	9,561	-	-	86	-
L18516901B	2,784	2,784	-	-	-	-
K04005052C	4,750	5,447	-	-	697	-
K87021202E	2,940	2,940	-	-	-	-
K67812601U	-	-	-	-	-	-
L31929015F	-	179	179	-	-	-
K13001013H	4,743	4,745	-	-	2	-
Aggregated	2,097	2,097	-	-	-	-
Total	236,941	222,589	772	0	(8,093)	(7,031)

Table 2.4 - Royalty – external sales

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	12,046	12,767	-	-	721	-
K92028004L	4,300	3,794	-	-	(506)	-
L26912401G	-	7,288	-	-	-	7,288
K53129001Q	381	374	-	-	(7)	-
K32522607E	-	61	-	-	-	61
K91624006A	4,597	2,451	(2,146)	-	-	-
J64416207W	-	5	-	-	-	5
K69209401C	675	618	-	-	(57)	-
K88016902A	450	1,123	-	-	673	-
J96829416C	1,155	1,152	-	-	(3)	-
L06510401F	4,864	4,860	-	-	(4)	-
J62903125G	-	-	-	-	-	-
J64102248C	-	-	-	-	-	-
K16815202M	2,221	2,253	-	-	32	-
J98021904S	10,410	16,661	2,210	-	4,041	-
K26513471B	4,298	4,477	179	-	-	-
K31321021N	-	-	-	-	-	-
K64312403D	-	-	-	-	-	-
K64727001E	-	2	-	-	-	2
K41313033U	1,772	1,772	-	-	-	-
J68403919H	5,030	4,937	-	-	(93)	-
J64104103H	-	-	-	-	-	-
J82916504G	423	410	-	-	(14)	-
K81819509L	4,974	4,957	-	-	(17)	-
K72327010L	613	599	-	15	-	-
K01524006L	-	-	-	-	-	-
K02701009U	-	-	-	-	-	-
J78716319A	16,747	8,849	-	-	(7,898)	-
J74517202O	-	-	-	-	-	-
K07729908J	12,282	12,273	-	-	(9)	-
K82217010F	21,040	21,013	-	27	-	-
K06626406M	-	-	-	-	-	-
L61523043R	-	-	-	-	-	-
K28310906F	3,550	3,541	-	-	(9)	-
L11401018K	-	-	-	-	-	-
J86906408N	13,868	13,868	-	-	-	-
J78311933L	-	-	-	-	-	-
J96829413B	2,811	2,786	-	-	(25)	-
K07729901W	15,321	18,091	-	-	2,770	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K11613001M	81,288	82,101	-	-	813	-
L52228034M	13,338	13,241	-	-	(97)	-
L37009201B	100	72	-	-	(28)	-
K61914005R	22,421	22,624	202	-	-	-
K86407401R	-	-	-	-	-	-
K97114401A	15,020	14,774	-	-	(246)	-
K86603401D	1,400	1,416	16	-	-	-
J68103911D	890	726	(164)	-	-	-
K04226216O	-	-	-	-	-	-
J74517209B	6	17	10	-	-	-
K73627001A	608	609	-	-	1	-
K06626408F	-	-	-	-	-	-
K12107002A	-	-	-	-	-	-
K36811904G	-	-	-	-	-	-
L07525201B	-	-	-	-	-	-
L67421401T	9,976	9,976	-	-	-	-
K48429906N	1,979	2,129	151	-	-	-
K72306010V	340	-	-	-	-	(340)
L06417401O	-	-	-	-	-	-
K87530903A	503	-	-	-	-	(503)
J96829420H	-	-	-	-	-	-
J96829414J	3,640	3,876	-	-	236	-
K77424401L	45,718	45,718	-	-	-	-
L07324401C	5,145	5,128	-	-	(17)	-
K06626413S	-	-	-	-	-	-
K06626418M	17,944	17,844	-	-	(100)	-
J64104078V	-	-	-	-	-	-
K71827801E	-	-	-	-	-	-
K27713604T	-	-	-	-	-	-
K47220407H	-	4,543	4,662	-	(119)	-
K06626412K	1,106	1,101	-	-	(5)	-
K87515901A	-	-	-	-	-	-
K77315401J	-	-	-	-	-	-
J98021906L	13,227	15,356	2,129	-	-	-
K88812401M	940	664	-	-	(276)	-
L01629005J	13,094	12,451	-	-	(643)	-
J96829402J	4,349	-	-	-	-	(4,349)
K47220405O	800	831	31	-	-	-
K07729917I	1,398	1,394	-	-	(3)	-
K52128506K	1,941	1,938	-	-	(4)	-
K62418008C	-	184	-	-	-	184

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K86314401D	3,209	3,206	-	-	(3)	-
L06817401D	4,989	3,109	-	-	(1,879)	-
L06410401C	5,308	5,305	-	-	(3)	-
K19003407J	1,652	1,158	-	-	(494)	-
K86328401E	10,429	10,420	(9)	-	-	-
L01818011E	-	-	-	-	-	-
J98021907T	9,323	11,285	1,962	-	-	-
K06626403L	8,626	8,266	-	-	(360)	-
L08412202M	1,572	1,726	154	-	-	-
K26513465D	900	884	(16)	-	-	-
K24207608A	-	-	-	-	-	-
L07207702J	1,664	1,661	-	-	(3)	-
K92810002V	498	329	-	-	(169)	-
K24725213C	-	-	-	-	-	-
L18516901B	1,820	1,820	-	-	-	-
K04005052C	-	-	-	-	-	-
K87021202E	-	-	-	-	-	-
K67812601U	6,482	6,482	-	-	-	-
L31929015F	-	3,523	-	-	-	3,523
K13001013H	-	-	-	-	-	-
Aggregated	10,434	10,434	-	-	-	-
Total	467,905	479,301	9,372	41	(3,804)	5,869

Table 2.5 – Tax on profit

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	5119	5119	-	-	-	-
K92028004L	115	115	-	-	-	-
L26912401G	24374	24841	4000	-	(3534)	-
K53129001Q	534	534	-	-	-	-
K32522607E	-	-	-	-	-	-
K91624006A	4259	4259	-	-	-	-
J64416207W	128	128	-	-	-	-
K69209401C	229	239	10	-	-	-
K88016902A	445	269	-	-	(176)	-
J96829416C	630	630	-	-	-	-
L06510401F	-	-	-	-	-	-
J62903125G	84565	84565	-	-	-	-
J64102248C	99	98	-	-	(-)	-
K16815202M	10	10	-	-	-	-
J98021904S	1621	-	-	-	-	(1621)
K26513471B	7009	-	(7009)	-	-	-
K31321021N	3823	3823	-	-	-	-
K64312403D	209	442	233	-	-	-
K64727001E	-	83	-	-	-	83
K41313033U	-	-	-	-	-	-
J68403919H	1158	1158	-	-	-	-
J64104103H	1053	2281	-	-	1229	-
J82916504G	1236	1267	31	-	-	-
K81819509L	8793	9337	544	-	-	-
K72327010L	-	-	-	-	-	-
K01524006L	-	27329	-	-	-	27329
K02701009U	795	520	-	-	(275)	-
J78716319A	5612	5900	287	-	-	-
J74517202O	7055	7055	-	-	-	-
K07729908J	9609	9850	241	-	-	-
K82217010F	13014	13950	932	-	4	-
K06626406M	3266	3266	-	-	-	-
L61523043R	7	13	-	-	7	-
K28310906F	3401	3401	-	-	-	-
L11401018K	1074	1074	-	-	-	-
J86906408N	16988	16988	-	-	-	-
J78311933L	2827	2827	-	-	-	-
J96829413B	4169	4169	-	-	-	-
K07729901W	22292	22292	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K11613001M	169301	169301	-	-	-	-
L52228034M	2027	1942	8	-	(93)	-
L37009201B	5027	5027	-	-	-	-
K61914005R	-	-	-	-	-	-
K86407401R	15418	14985	-	-	(433)	-
K97114401A	5766	5766	-	-	-	-
K86603401D	4939	4939	-	-	-	-
J68103911D	960	960	-	-	-	-
K04226216O	-	-	-	-	-	-
J74517209B	1867	1867	-	-	-	-
K73627001A	524	524	-	-	-	-
K06626408F	13	-	-	-	-	(13)
K12107002A	-	24	-	-	-	24
K36811904G	-	10	-	-	-	10
L07525201B	70	70	-	-	(-)	-
L67421401T	3	4	-	-	-	-
K48429906N	6176	6176	-	-	-	-
K72306010V	40	40	-	-	-	-
L06417401O	4000	4000	-	-	-	-
K87530903A	162	-	(162)	-	-	-
J96829420H	4830	7840	-	-	3010	-
J96829414J	6770	6780	-	-	10	-
K77424401L	75592	75592	-	-	-	-
L07324401C	1050	1050	-	-	(-)	-
K06626413S	-	-	-	-	-	-
K06626418M	5714	2960	-	-	(2754)	-
J64104078V	3651	3651	-	-	-	-
K71827801E	28097	28097	-	-	-	-
K27713604T	9272	9435	163	-	(-)	-
K47220407H	500	500	-	-	-	-
K06626412K	998	998	-	-	-	-
K87515901A	15992	15992	-	-	-	-
K77315401J	-	-	-	-	-	-
J98021906L	17281	17281	-	-	-	-
K88812401M	814	814	-	-	-	-
L01629005J	3000	3000	-	-	-	-
J96829402J	-	10	10	-	-	-
K47220405O	2602	602	(2000)	-	-	-
K07729917I	5201	5201	-	-	-	-
K52128506K	11930	11940	9	-	-	-
K62418008C	-	-	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K86314401D	10882	11182	-	-	300	-
L06817401D	4667	4667	-	-	-	-
L06410401C	652	652	-	-	-	-
K19003407J	4408	4497	89	-	-	-
K86328401E	4189	4189	-	-	-	-
L01818011E	-	-	-	-	-	-
J98021907T	15000	15000	-	-	-	-
K06626403L	19720	19720	-	-	(1)	-
L08412202M	3159	3179	19	-	-	-
K26513465D	281	281	-	-	-	-
K24207608A	3989	3989	-	-	-	-
L07207702J	1096	1096	-	-	-	-
K92810002V	544	147	-	-	(397)	-
K24725213C	447	-	-	-	-	(447)
L18516901B	6211	5431	-	-	(780)	-
K04005052C	1449	1449	-	-	-	-
K87021202E	10	10	-	-	-	-
K67812601U	5203	5203	-	-	-	-
L31929015F	15478	15478	-	-	(-)	-
K13001013H	2386	2472	76	-	10	-
Aggregated	6376	7424	1049	-	-	-
Total	751,255	771,276	(1,468)	-	(3,876)	25,365

Table 2.6 – Payments for social and health insurance and personal income tax

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	2,966	2,966	-	-	-	-
K92028004L	1,363	1,363	-	-	-	-
L26912401G	12,727	12,356	(371)	-	-	-
K53129001Q	2,189	2,192	3	-	-	-
K32522607E	410	457	-	-	47	-
K91624006A	1,591	1,591	-	-	-	-
J64416207W	1,857	1,853	-	-	(4)	-
K69209401C	3,031	4,035	-	-	1,004	-
K88016902A	6,585	7,608	-	-	1,023	-
J96829416C	1,842	2,038	195	-	1	-
L06510401F	822	822	-	-	-	-
J62903125G	62,659	67,341	4,682	-	-	-
J64102248C	8,138	8,146	-	-	8	-
K16815202M	20,296	20,297	-	-	1	-
J98021904S	16,792	16,792	-	-	-	-
K26513471B	1,479	1,415	(63)	-	-	-
K31321021N	42,015	42,225	210	-	-	-
K64312403D	395	504	-	-	109	-
K64727001E	329	329	-	-	-	-
K41313033U	13,984	13,984	-	-	-	-
J68403919H	1,413	1,414	-	-	1	-
J64104103H	553	932	-	-	379	-
J82916504G	2,838	2,838	-	-	-	-
K81819509L	3,941	3,984	-	-	43	-
K72327010L	1,350	1,332	-	-	(18)	-
K01524006L	79,215	101,402	-	-	22,188	-
K02701009U	1,192	1,301	-	-	108	-
J78716319A	5,460	5,484	-	-	24	-
J74517202O	6,612	6,612	-	-	-	-
K07729908J	4,164	4,164	-	-	-	-
K82217010F	15,095	15,224	95	-	34	-
K06626406M	679	679	-	-	-	-
L61523043R	1,811	3,622	-	-	1,811	-
K28310906F	8,153	8,153	-	-	-	-
L11401018K	1,178	1,177	(1)	-	-	-
J86906408N	26,047	26,086	-	-	40	-
J78311933L	1,793	1,793	-	-	-	-
J96829413B	5,497	5,497	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K07729901W	21,843	21,843	-	-	-	-
K11613001M	396,228	396,228	(10)	-	9	-
L52228034M	29,500	34,720	-	-	5,220	-
L37009201B	2,118	2,308	190	-	-	-
K61914005R	86,818	86,818	-	-	-	-
K86407401R	4,504	7,403	-	-	2,899	-
K97114401A	14,567	14,567	-	-	-	-
K86603401D	1,327	1,324	-	-	(2)	-
J68103911D	-	3,209	-	-	-	3,209
K04226216O	2,976	2,976	-	-	-	-
J74517209B	3,896	3,896	-	-	-	-
K73627001A	1,733	1,964	-	-	231	-
K06626408F	714	-	-	-	-	(714)
K12107002A	50,342	50,566	-	-	225	-
K36811904G	2,895	3,812	-	-	917	-
L07525201B	738	736	-	-	(2)	-
L67421401T	785	896	-	-	111	-
K48429906N	5,453	5,473	20	-	-	-
K72306010V	15,742	15,742	-	-	-	-
L06417401O	3,210	3,207	-	-	(2)	-
K87530903A	1,371	1,394	18	-	5	-
J96829420H	2,079	2,079	-	-	-	-
J96829414J	9,275	9,303	-	-	27	-
K77424401L	28,534	28,534	-	-	-	-
L07324401C	4,638	4,638	-	-	-	-
K06626413S	1,896	-	-	-	-	(1,896)
K06626418M	9,453	9,328	-	-	(125)	-
J64104078V	6,559	6,559	-	-	-	-
K71827801E	125,544	144,435	-	-	18,891	-
K27713604T	3,261	3,261	-	-	(-)	-
K47220407H	3,107	3,107	-	-	-	-
K06626412K	2,224	2,235	11	-	-	-
K87515901A	4,601	4,601	-	-	-	-
K77315401J	3,632	3,383	-	-	(248)	-
J98021906L	15,948	16,142	194	-	-	-
K88812401M	3,921	3,946	-	-	25	-
L01629005J	7,779	7,807	-	-	27	-
J96829402J	20,065	16,936	-	-	(3,130)	-
K47220405O	2,789	2,789	-	-	-	-
K07729917I	-	3,724	-	-	-	3,724

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K52128506K	11,591	11,591	-	-	(-)	-
K62418008C	398	398	-	-	-	-
K86314401D	2,309	2,309	-	-	-	-
L06817401D	4,246	4,258	-	-	12	-
L06410401C	10,109	10,110	-	-	1	-
K19003407J	5,886	6,382	(89)	-	585	-
K86328401E	11,489	11,489	-	-	(-)	-
L01818011E	2,207	2,207	-	-	(-)	-
J98021907T	23,456	23,633	177	-	-	-
K06626403L	8,707	7,841	-	-	(866)	-
L08412202M	2,519	2,519	-	-	-	-
K26513465D	2,037	2,039	-	-	2	-
K24207608A	7,371	7,366	(5)	-	-	-
L07207702J	756	756	-	-	-	-
K92810002V	1,218	1,218	-	-	-	-
K24725213C	5,257	3,045	-	-	(2,212)	-
L18516901B	3,430	3,433	-	-	3	-
K04005052C	1,601	1,601	-	-	-	-
K87021202E	4,309	4,309	-	-	(-)	-
K67812601U	7,081	7,081	-	-	-	-
L31929015F	1,985	1,775	-	-	(209)	-
K13001013H	2,397	2,401	-	-	4	-
Aggregated	14,924	14,953	-	-	29	-
Total	1,405,808	1,464,609	5,256	-	49,223	4,323

Table 2.7 – VAT

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	-	-	-	-	-	-
K92028004L	-	-	-	-	-	-
L26912401G	-	-	-	-	-	-
K53129001Q	-	-	-	-	-	-
K32522607E	167	227	60	-	-	-
K91624006A	-	97	97	-	-	-
J64416207W	4,133	3,931	-	-	(202)	-
K69209401C	254	379	125	-	-	-
K88016902A	-	-	-	-	-	-
J96829416C	-	-	-	-	-	-
L06510401F	-	-	-	-	-	-
J62903125G	55,684	55,974	290	-	-	-
J64102248C	7,982	8,002	-	-	20	-
K16815202M	-	-	-	-	-	-
J98021904S	-	-	-	-	-	-
K26513471B	-	14	14	-	-	-
K31321021N	13,120	13,301	182	-	-	-
K64312403D	-	-	-	-	-	-
K64727001E	-	-	-	-	-	-
K41313033U	11,427	11,427	-	-	-	-
J68403919H	-	-	-	-	-	-
J64104103H	4,653	4,849	-	-	195	-
J82916504G	-	-	-	-	-	-
K81819509L	-	-	-	-	-	-
K72327010L	264	505	-	-	242	-
K01524006L	-	80,545	-	-	-	80,545
K02701009U	2,691	2,693	-	-	2	-
J78716319A	-	142	142	-	-	-
J74517202O	8,583	8,507	-	-	(76)	-
K07729908J	-	40	40	-	-	-
K82217010F	3,257	1,349	1,345	-	(3,253)	-
K06626406M	710	710	-	-	-	-
L61523043R	-	-	-	-	-	-
K28310906F	-	-	-	-	-	-
L11401018K	1,072	1,072	-	-	-	-
J86906408N	6,420	6,420	-	-	-	-
J78311933L	6,196	6,196	-	-	-	-
J96829413B	-	-	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K07729901W	-	-	-	-	-	-
K11613001M	-	-	-	-	-	-
L52228034M	-	-	-	-	-	-
L37009201B	-	-	-	-	-	-
K61914005R	69,318	69,318	-	-	(0)	-
K86407401R	-	-	-	-	-	-
K97114401A	-	-	-	-	-	-
K86603401D	-	-	-	-	-	-
J68103911D	1,843	1,876	33	-	-	-
K04226216O	6,236	6,236	-	-	-	-
J74517209B	4,976	4,976	-	-	1	-
K73627001A	-	-	-	-	-	-
K06626408F	380	-	-	-	-	(380)
K12107002A	-	-	-	-	-	-
K36811904G	305	-	-	-	-	(305)
L07525201B	472	471	-	-	(1)	-
L67421401T	-	-	-	-	-	-
K48429906N	-	-	-	-	-	-
K72306010V	-	-	-	-	-	-
L06417401O	-	-	-	-	-	-
K87530903A	-	-	-	-	-	-
J96829420H	2,498	2,498	-	-	-	-
J96829414J	799	799	-	-	-	-
K77424401L	-	-	-	-	-	-
L07324401C	-	-	-	-	-	-
K06626413S	-	-	-	-	-	-
K06626418M	-	43	-	-	-	43
J64104078V	27,288	27,288	-	-	-	-
K71827801E	-	-	-	-	-	-
K27713604T	-	-	-	-	-	-
K47220407H	-	-	-	-	-	-
K06626412K	-	-	-	-	-	-
K87515901A	64,843	64,843	-	-	-	-
K77315401J	-	-	-	-	-	-
J98021906L	-	-	-	-	-	-
K88812401M	-	-	-	-	-	-
L01629005J	-	-	-	-	-	-
J96829402J	-	-	-	-	-	-
K47220405O	-	-	-	-	-	-
K07729917I	-	-	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K52128506K	-	26	26	-	-	-
K62418008C	-	-	-	-	-	-
K86314401D	-	-	-	-	-	-
L06817401D	-	-	-	-	-	-
L06410401C	8,600	8,600	-	-	-	-
K19003407J	924	953	29	-	-	-
K86328401E	-	-	-	-	-	-
L01818011E	1,702	1,702	-	-	(0)	-
J98021907T	-	-	-	-	-	-
K06626403L	-	-	-	-	-	-
L08412202M	-	-	-	-	-	-
K26513465D	870	870	-	-	-	-
K24207608A	-	-	-	-	-	-
L07207702J	-	-	-	-	-	-
K92810002V	-	-	-	-	-	-
K24725213C	9,918	28,337	13,422	-	4,996	-
L18516901B	1,886	3,960	2,074	-	-	-
K04005052C	3,882	3,899	16	-	-	-
K87021202E	-	-	-	-	-	-
K67812601U	-	-	-	-	-	-
L31929015F	-	-	-	-	-	-
K13001013H	7,353	7,561	208	-	(0)	-
Aggregated	-	-	-	-	-	-
Total	340,705	440,636	18,102	-	1,924	79,904

Table 2.8 – Tax on dividend

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J68103906N	1,125	1,125	-	-	-	-
K53129001Q	15	15	-	-	-	-
J98021904S	3,168	3,168	-	-	-	-
J74517202O	1,500	1,500	-	-	-	-
L11401018K	-	6	-	-	-	6
J96829413B	3,244	3,276	32	-	-	-
J96829414J	3,000	5,799	-	-	2,799	-
K77424401L	6,964	6,964	1	-	-	-
K06626412K	2,173	2,173	-	-	-	-
K87515901A	1,275	1,275	-	-	-	-
K88812401M	450	450	-	-	-	-
K47220405O	300	300	-	-	-	-
K52128506K	7,333	7,333	-	-	-	-
K86314401D	3,408	3,408	-	-	-	-
K86328401E	-	900	900	-	-	-
J98021907T	500	564	64	-	-	-
K24207608A	510	510	-	-	-	-
L07207702J	364	364	-	-	-	-
L18516901B	-	13	-	-	-	13
K04005052C	-	43	-	-	-	43
K67812601U	8,640	8,640	-	-	-	-
K13001013H	300	302	-	-	2	-
Aggregated	1,500	1,598	-	-	98	-
Total	45,768	49,727	997	-	2,899	63

Table 2.9 – Tax penalties

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L26912401G	0	50	0	0	0	50
K53129001Q	3	0	0	0	0	(3)
K32522607E	190	50	0	0	(140)	0
K91624006A	188	0	0	0	0	(188)
J96829416C	10	0	0	0	0	(10)
J62903125G	290	0	0	0	(192)	(98)
J64102248C	61	0	0	0	0	(61)
K31321021N	0	60	0	0	0	60
K64312403D	494	0	0	0	0	(494)
J64104103H	0	10	0	0	0	10
J82916504G	38	0	0	0	0	(38)
K81819509L	587	0	0	0	0	(587)
K01524006L	0	15	0	0	0	15
J78716319A	472	0	0	0	0	(472)
K82217010F	230	100	0	0	(130)	0
J86906408N	75	75	0	0	0	0
K11613001M	745	0	0	0	0	(745)
K06626418M	338	0	0	0	0	(338)
J64104078V	10	10	0	0	0	0
J96829402J	26	0	0	0	0	(26)
L06410401C	1	0	0	0	0	(1)
K19003407J	1,199	0	0	0	0	(1,199)
J98021907T	10	0	0	0	0	(10)
L18516901B	2,074	0	0	0	0	(2,074)
L31929015F	249	70	0	0	(179)	0
K13001013H	314	0	0	0	0	(314)
Aggregated	0	39	0	0	0	39
Total	7,602	479	0	0	(641)	(6,482)

Table 2.10 – Other payments made to the State

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
DPD						
K16815202M	206	82	-	-	(124)	-
K11613001M	-	228	-	-	-	228
K61914005R	374,784	374,817	33	-	-	-
K06626418M	-	78	-	-	-	78
J64104078V	-	65	65	-	-	-
Total	374,990	375,270	98	-	(124)	306
DPT						
K53129001Q	-	152	152	-	-	-
K91624006A	-	80	-	-	-	80
K69209401C	66	66	-	-	-	-
J62903125G	-	27	27	-	-	-
J64102248C	-	341	-	-	-	341
K16815202M	200	200	-	-	-	-
J98021904S	375	45	(330)	-	-	-
K31321021N	706	706	-	-	-	-
K41313033U	-	424	-	-	-	424
J82916504G	-	341	-	-	-	341
K72327010L	-	29	-	-	-	29
K01524006L	1,011	1,676	-	-	665	-
K02701009U	-	10	-	-	-	10
J74517202O	-	10	-	-	-	10
K07729908J	-	23	-	-	-	23
J86906408N	59	59	-	-	-	-
J96829413B	113	113	-	-	-	-
K11613001M	-	1,126	-	-	-	1,126
L52228034M	50	51	-	-	-	-
K61914005R	-	16,305	16,305	-	-	-
J74517209B	-	71	-	-	-	71
K73627001A	506	551	-	-	45	-
K12107002A	1,210	1,399	-	-	190	-
K36811904G	-	79	-	-	-	79
J96829414J	-	36	-	-	-	36
K77424401L	61	61	-	-	-	-
J64104078V	-	9	9	-	-	-
K71827801E	1,122	2,737	-	-	1,615	-
K88812401M	-	12	-	-	-	12
L01629005J	-	183	-	-	-	183
J96829402J	-	10	-	-	-	10

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K52128506K	-	145	-	-	-	145
K62418008C	-	28	-	-	-	28
K19003407J	-	36	-	-	-	36
J98021907T	-	10	10	-	-	-
K06626403L	11	892	-	-	881	-
L18516901B	-	11	-	-	-	11
K13001013H	-	10	-	-	-	10
K72306010V	20	20				
Aggregated	27	27	-	-	-	-
Total	5,537	28,110	16,173	-	3,396	3,005

Table 2.11- Other payments made to the LGU

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
Bulqize						
J68103906N	140	140	-	-	-	-
K88016902A	140	140	-	-	-	-
J96829416C	150	140	-	-	(10)	-
K26513471B	203	140	-	-	(63)	-
J68403919H	-	140	-	-	-	140
K72327010L	-	140	-	-	-	140
K07729908J	140	140	-	-	-	-
K82217010F	140	-	-	-	-	(140)
K06626406M	140	-	-	-	-	(140)
J86906408N	140	140	-	-	-	-
J96829413B	280	140	-	-	(140)	-
K07729901W	140	140	-	-	-	-
K11613001M	1,400	1,400	-	-	-	-
K86407401R	140	140	-	-	-	-
K97114401A	140	140	-	-	-	-
K06626408F	-	140	-	-	-	140
K36811904G	-	140	-	-	-	140
J96829420H	280	140	-	-	(140)	-
J96829414J	140	140	-	-	-	-
K77424401L	140	140	-	-	-	-
L07324401C	140	140	-	-	-	-
K06626418M	1,575	-	-	-	-	(1,575)

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K47220407H	-	140	-	-	-	140
K06626412K	-	140	-	-	-	140
K87515901A	140	-	-	-	-	(140)
K77315401J	150	-	-	-	-	(150)
J98021906L	140	-	-	-	-	(140)
J96829402J	140	-	-	-	-	(140)
K47220405O	140	-	-	-	-	(140)
K86314401D	140	140	-	-	-	-
L06817401D	280	-	-	-	-	(280)
L06410401C	-	140	-	-	-	140
L01818011E	-	140	-	-	-	140
J98021907T	140	-	-	-	-	(140)
K26513465D	420	140	-	-	(280)	-
L07207702J	140	140	-	-	-	-
L18516901B	-	140	-	-	-	140
Aggregated	140	-	-	-	-	(140)
Total	7,538	5,040	-	-	(633)	(1,865)
Kruje						
J64416207W	432	578	-	-	146	-
J62903125G	-	675	675	-	-	-
J64102248C	-	417	-	-	-	417
K31321021N	499	499	-	-	-	-
K01524006L	-	703	-	-	-	703
J74517202O	-	83	-	-	-	83
K61914005R	17,312	52,211	34,899	-	-	-
K04226216O	1,030	730	-	-	(300)	-
J74517209B	928	680	-	-	(248)	-
K71827801E	46,497	-	-	-	-	(46,497)
K24725213C	-	643	-	-	-	643
Total	66,698	57,218	35,574	-	(402)	(44,652)
Fier						
J82916504G	394	-	-	-	-	(394)
Total	394	-	-	-	-	(394)
Lushnje						
K64312403D	82	-	-	-	-	(82)
Total	82	-	-	-	-	(82)

II. Reconciliation for 2018

Table 2.11 - Payments per company - mining

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	5,652	11,303	0	0	5,651	0
J62903125G	213,453	219,246	5,789	0	0	4
J64102248C	68,807	69,993	2,567	0	(395)	(986)
J64104078V	21,093	20,823	12	0	0	(282)
J64104103H	8,813	9,610	0	0	797	0
J64416207W	14,354	14,720	(467)	0	(5)	837
J68103906N	15,003	12,069	1,078	0	(3,236)	(777)
J68403919H	13,043	11,680	76	0	0	(1,440)
J72015001L	315	409	0	0	74	20
J72603135F	10,421	10,427	2	0	4	0
J74517202O	26,367	28,017	0	0	1,270	380
J74517209B	20,931	20,935	0	0	3	0
J78716319A	15,907	14,640	71	0	11	(1,350)
J82916504G	5,567	5,795	38	0	649	(459)
J86906408N	69,379	69,398	0	0	19	0
J96829413B	11,507	11,855	0	0	348	0
J96829414J	13,900	15,372	0	0	11	1,461
J96829416C	4,219	6,401	2,322	0	(140)	0
J96829420H	17,075	12,789	0	0	(4,287)	0
J98021906L	48,302	49,117	450	0	375	(10)
J98021907T	51,152	52,626	1,475	0	0	0
K01524006L	95,319	97,049	0	0	4,747	(3,018)
K02701009U	12,478	12,613	0	0	135	0
K04005052C	12,601	13,914	67	0	1,207	40
K04226208A	286,580	46,575	0	0	(173,856)	(66,149)
K04226216O	32,932	32,932	0	0	0	0
K06626403L	33,616	33,936	0	0	76	244
K06626406M	6,094	6,095	0	0	1	0
K06626412K	7,536	7,676	0	0	0	140
K06626413S	0	0	0	0	0	0
K06626418M	23,669	27,452	0	0	4,652	(868)
K07729901W	73,305	73,310	0	0	5	0
K07729908J	14,048	14,050	10	0	(31)	23
K07729917I	14,899	13,157	0	0	(1,741)	0
K11613001M	756,029	789,412	5	0	33,340	38
K11829502V	9,577	9,581	5	0	(0)	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K12107002A	28,359	28,490	108	0	9	15
K12911201C	71,983	72,058	2,100	0	65	(2,090)
K16815202M	30,290	30,613	135	0	188	0
K22218005O	33,867	33,965	61	0	37	0
K24207608A	16,975	16,975	3	0	(3)	0
K24725213C	23,848	22,913	5	0	(739)	(200)
K26513465D	5,036	4,756	0	0	(280)	0
K26513471B	3,053	13,386	10,367	0	(34)	0
K27713604T	9,764	9,764	0	0	1	0
K28310906F	11,579	13,752	2,033	0	140	0
K31321021N	72,098	70,189	(1,566)	0	(343)	0
K32807432W	123,338	125,597	2,427	0	(63)	(105)
K36805204D	3,651	3,714	0	(63)	0	0
K36811904G	7,398	4,672	0	0	(2,866)	140
K41313033U	23,822	24,536	0	0	0	715
K47220405O	3,617	3,676	0	0	60	0
K47220407H	8,992	9,002	10	0	0	0
K48429906N	7,869	7,869	0	0	0	0
K52128506K	58,195	50,589	(7,895)	0	56	232
K53129001Q	2,730	3,340	600	0	10	0
K61914005R	359,516	389,835	290	0	30,029	0
K62418008C	386	924	0	0	0	539
K64312403D	2,626	2,703	73	0	5	0
K67812601U	21,748	21,762	13	0	(2)	4
K69209401C	2,248	2,473	0	0	226	0
K71627041B	69,831	65,875	0	0	(6,014)	2,059
K72327010L	3,506	3,671	18	(2)	116	29
K73627001A	4,469	5,156	0	0	687	0
K77315401J	5,395	4,212	0	0	(1,033)	(150)
K77424401L	92,859	92,510	6	0	(307)	(48)
K81819509L	6,423	6,940	0	0	226	291
K82217010F	58,611	60,255	139	0	1,505	0
K86328401E	25,908	25,905	(3)	0	0	0
K86407401R	67,478	71,320	0	0	3,842	0
K87021202E	18,824	19,023	7	0	137	55
K87515901A	38,132	38,075	84	0	0	(140)
K87530903A	14,502	15,174	162	0	510	0
K88016902A	10,744	11,619	0	0	1,016	(140)
K88812401M	3,727	3,992	0	0	174	91
K91624006A	6,035	2,347	(3,688)	0	0	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K92110004Q	9,932	10,266	72	0	212	50
K94016202U	6,629	7,819	3	0	1,186	0
K97114401A	25,074	26,127	1,069	0	(16)	0
L01614001R	7,116	7,758	642	0	(0)	0
L01629005J	60,625	59,888	0	0	(737)	0
L01818011E	29,140	29,241	91	0	0	10
L06410401C	36,692	36,681	20	0	0	(31)
L06817401D	56,248	56,243	135	0	(140)	0
L07324401C	14,773	14,752	35	0	(21)	(35)
L07525201B	5,867	6,045	0	0	179	0
L08412202M	7,446	7,446	0	0	(0)	0
L11401018K	4,478	4,478	0	0	0	0
L18516901B	20,130	20,164	3	0	21	9
L21317019E	95,849	98,357	2,191	0	317	0
L23409002A	4,468	4,571	0	0	111	(8)
L26912401G	20,531	19,945	(3,113)	0	2,586	(60)
L31929015F	5,840	5,419	4	0	(426)	0
L36506201A	4,861	1,186	0	0	(2,020)	(1,654)
L37009201B	11,863	11,969	1	0	1	104
L42423012I	4,906	582	0	0	(235)	(4,088)
L48312301L	3,864	3,864	0	0	140	(140)
L52228034M	51,152	51,263	111	0	0	0
L67421401T	19,175	26,305	6,746	0	383	0
J96829402J	6,001	277	0	0	0	(5,724)
Aggregated	37,966	39,422	0	140	(2)	1,598
Total	3,943,998	3,788,674	27,001	75	(101,425)	(80,826)

Table 2.13 - Royalty – internal sales

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	-	-	-	-	-	-
J62903125G	9,902,512	9,902,512	-	-	-	-
J64102248C	5,973,873	5,990,248	-	-	16,375	-
J64104078V	6,926,014	6,926,014	-	-	-	-
J64104103H	3,339,280	3,540,299	-	-	201,019	-
J64416207W	6,147,078	6,147,078	-	-	-	-
J68103906N	30,467	74,882	44,415	-	-	-
J68403919H	2,836,268	2,912,536	76,268	-	-	-
J72015001L	55,531	89,537	-	-	34,006	-
J72603135F	4,319,658	4,321,815	2,157	-	-	-
J74517202O	1,692,333	1,692,333	-	-	-	-
J74517209B	9,972,319	9,979,858	-	-	7,539	-
J78716319A	1,278,958	-	-	-	-	(1,278,958)
J82916504G	692,295	732,788	600	-	39,893	-
J86906408N	5,209,403	5,209,403	-	-	-	-
J96829413B	-	-	-	-	-	-
J96829414J	-	-	-	-	-	-
J96829416C	902,016	902,016	-	-	-	-
J96829420H	871,319	871,319	-	-	-	-
J98021906L	5,240,563	5,240,563	-	-	-	-
J98021907T	3,131,805	3,131,805	-	-	-	-
K01524006L	-	3,031,526	-	-	-	3,031,526
K02701009U	6,514,196	6,514,601	-	-	405	-
K04005052C	2,660,910	2,933,119	-	-	272,209	-
K04226208A	17,616,978	57,637	-	-	(17,559,341)	-
K04226216O	15,253,474	15,253,474	-	-	-	-
K06626403L	3,092,625	3,134,442	-	-	41,817	-
K06626406M	1,305,503	1,305,503	-	-	-	-
K06626412K	2,422,282	2,422,282	-	-	-	-
K06626413S	-	-	-	-	-	-
K06626418M	287,760	20,573	-	-	(267,187)	-
K07729901W	5,742,747	5,742,747	-	-	-	-
K07729908J	2,346,954	2,346,954	-	-	-	-
K07729917I	2,673,222	2,673,222	-	-	-	-
K11613001M	-	-	-	-	-	-
K11829502V	911,949	912,122	173	-	-	-
K12107002A	365,272	372,270	6,998	-	-	-
K12911201C	2,045,728	3,397,388	1,351,275	-	385	-
K16815202M	5,558,608	5,498,608	-	-	(60,000)	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K22218005O	4,019,229	4,038,567	-	-	19,338	-
K24207608A	2,162,253	2,162,253	-	-	-	-
K24725213C	9,153,054	8,495,517	-	-	(657,537)	-
K26513465D	1,201,545	1,201,545	-	-	-	-
K26513471B	-	10,000	10,000	-	-	-
K27713604T	2,770,193	2,770,697	-	-	504	-
K28310906F	2,094,327	2,205,042	110,715	-	-	-
K31321021N	10,375,371	11,647,791	1,272,420	-	-	-
K32807432W	2,442,829	3,029,091	586,026	-	236	-
K36805204D	1,467,696	1,467,696	-	-	-	-
K36811904G	3,808,061	916,111	-	-	(2,891,950)	-
K41313033U	180,302	180,302	-	-	-	-
K47220405O	984,044	984,044	-	-	-	-
K47220407H	127,069	127,069	-	-	-	-
K48429906N	31,432	31,432	-	-	-	-
K52128506K	1,030,230	1,030,358	-	-	128	-
K53129001Q	85,142	85,147	5	-	-	-
K61914005R	27,014,840	27,014,839	-	-	(1)	-
K62418008C	-	-	-	-	-	-
K64312403D	1,867,366	1,915,456	42,722	-	5,368	-
K67812601U	-	-	-	-	-	-
K69209401C	311,579	311,579	-	-	-	-
K71627041B	-	-	-	-	-	-
K72327010L	76,107	78,109	-	(2,002)	-	-
K73627001A	887,382	933,917	-	-	46,535	-
K77315401J	1,388,889	1,391,118	-	-	2,229	-
K77424401L	6,684,830	6,690,814	5,984	-	-	-
K81819509L	-	-	-	-	-	-
K82217010F	7,218,399	7,357,460	139,062	-	(1)	-
K86328401E	6,415,018	6,459,730	44,712	-	-	-
K86407401R	11,377,193	11,387,193	-	-	10,000	-
K87021202E	7,103,244	7,103,245	-	-	1	-
K87515901A	1,210,645	1,210,645	-	-	-	-
K87530903A	4,207,069	1,804,261	-	-	(2,402,808)	-
K88016902A	3,279,009	4,168,852	-	-	889,843	-
K88812401M	99,373	99,373	-	-	-	-
K91624006A	-	-	-	-	-	-
K92110004Q	4,642,643	4,804,182	-	-	161,539	-
K94016202U	1,806,163	1,810,354	-	-	4,191	-
K97114401A	5,637,697	6,473,277	835,580	-	-	-
L01614001R	1,807,206	2,449,487	642,281	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L01629005J	-	-	-	-	-	-
L01818011E	3,880,254	3,880,354	-	-	100	-
L06410401C	1,797,826	1,807,826	10,000	-	-	-
L06817401D	-	5,236,264	5,236,264	-	-	-
L07324401C	4,244,837	4,280,290	35,447	-	6	-
L07525201B	726,080	726,080	-	-	-	-
L08412202M	1,394,533	1,394,533	-	-	(-)	-
L11401018K	1,083,570	1,083,570	-	-	-	-
L18516901B	2,773,940	2,773,940	-	-	-	-
L21317019E	677,217	678,104	887	-	-	-
L23409002A	2,037,029	2,036,879	-	-	(150)	-
L26912401G	6,890,261	6,889,961	-	-	(300)	-
L31929015F	-	-	-	-	-	-
L36506201A	2,384,171	363,930	-	-	(2,020,241)	-
L37009201B	397,709	398,774	1,065	-	-	-
L42423012I	4,088,124	-	-	-	-	(4,088,124)
L48312301L	615,616	615,660	-	-	44	-
L52228034M	3,808,933	3,808,933	-	-	-	-
L67421401T	3,036,587	3,092,603	-	-	56,016	-
J96829402J	3,498,617	-	-	-	-	(3,498,617)
Aggregated	4,363,864	4,363,864	-	-	-	-
Total	319,986,497	300,559,592	10,455,056	(2,002)	(24,049,790)	(5,834,173)

Table 2.14 - Royalty – external sales

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	-	-	-	-	-	-
J62903125G	-	-	-	-	-	-
J64102248C	-	-	-	-	-	-
J64104078V	-	-	-	-	-	-
J64104103H	-	-	-	-	-	-
J64416207W	-	2	-	-	-	2
J68103906N	3,384	4,418	1,034	-	-	-
J68403919H	-	-	-	-	-	-
J72015001L	-	-	-	-	-	-
J72603135F	-	-	-	-	-	-
J74517202O	-	-	-	-	-	-
J74517209B	749	765	-	-	16	-
J78716319A	10,646	10,657	-	-	11	-
J82916504G	413	413	-	-	-	-
J86906408N	6,375	6,375	-	-	-	-
J96829413B	2,503	2,494	-	-	(9)	-
J96829414J	4,172	4,148	-	-	(25)	-
J96829416C	-	-	-	-	-	-
J96829420H	-	-	-	-	-	-
J98021906L	3,600	3,974	-	-	375	-
J98021907T	6,293	7,356	1,063	-	-	-
K01524006L	-	-	-	-	-	-
K02701009U	-	-	-	-	-	-
K04005052C	-	-	-	-	-	-
K04226208A	-	-	-	-	-	-
K04226216O	-	-	-	-	-	-
K06626403L	-	-	-	-	-	-
K06626406M	-	-	-	-	-	-
K06626412K	-	-	-	-	-	-
K06626413S	-	-	-	-	-	-
K06626418M	9,453	9,565	-	-	111	-
K07729901W	2,043	2,043	-	-	-	-
K07729908J	1,938	1,907	-	-	(31)	-
K07729917I	-	-	-	-	-	-
K11613001M	73,050	68,839	-	-	(4,212)	-
K11829502V	-	-	-	-	-	-
K12107002A	2,953	2,952	-	-	(1)	-
K12911201C	-	-	-	-	-	-
K16815202M	3,009	2,993	-	-	(15)	-

K22218005O	-	-	-	-	-	-
K24207608A	-	-	-	-	-	-
K24725213C	-	-	-	-	-	-
K26513465D	-	-	-	-	-	-
K26513471B	-	-	-	-	-	-
K27713604T	-	-	-	-	-	-
K28310906F	-	-	-	-	-	-
K31321021N	-	-	-	-	-	-
K32807432W	-	-	-	-	-	-
K36805204D	2	2	-	-	-	-
K36811904G	-	-	-	-	-	-
K41313033U	-	283	-	-	-	283
K47220405O	2,493	2,552	-	-	60	-
K47220407H	-	-	-	-	-	-
K48429906N	-	-	-	-	-	-
K52128506K	1,404	1,493	89	-	(1)	-
K53129001Q	319	319	-	-	-	-
K61914005R	19,106	19,316	210	-	-	-
K62418008C	-	539	-	-	-	539
K64312403D	-	-	-	-	-	-
K67812601U	2,003	2,003	-	-	-	-
K69209401C	75	295	-	-	220	-
K71627041B	4,350	4,309	-	-	(41)	-
K72327010L	1,188	1,175	-	-	(13)	-
K73627001A	704	714	-	-	10	-
K77315401J	-	-	-	-	-	-
K77424401L	17,179	17,179	-	-	-	-
K81819509L	-	-	-	-	-	-
K82217010F	4,402	5,907	-	-	1,505	-
K86328401E	6,521	6,473	(48)	-	-	-
K86407401R	2,301	2,300	-	-	(1)	-
K87021202E	104	104	-	-	-	-
K87515901A	-	-	-	-	-	-
K87530903A	4,490	7,374	-	-	2,884	-
K88016902A	1,348	951	-	-	(397)	-
K88812401M	270	465	-	-	195	-
K91624006A	5,330	1,541	(3,789)	-	-	-
K92110004Q	-	-	-	-	-	-
K94016202U	-	-	-	-	-	-
K97114401A	2,844	2,828	-	-	(16)	-
L01614001R	-	-	-	-	-	-
L01629005J	39,750	38,413	-	-	(1,337)	-
L01818011E	-	-	-	-	-	-
L06410401C	-	-	-	-	-	-

L06817401D	5,111	-	(5,111)	-	-	-
L07324401C	253	232	-	-	(21)	-
L07525201B	622	622	-	-	(-)	-
L08412202M	1,905	1,905	-	-	-	-
L11401018K	-	-	-	-	-	-
L18516901B	6,614	6,635	-	-	21	-
L21317019E	-	-	-	-	-	-
L23409002A	-	3	-	-	-	3
L26912401G	-	-	-	-	-	-
L31929015F	1,400	1,223	-	-	(177)	-
L36506201A	-	-	-	-	-	-
L37009201B	-	120	-	-	-	120
L42423012I	-	-	-	-	-	-
L48312301L	-	-	-	-	-	-
L52228034M	5,690	5,814	124	-	-	-
L67421401T	14,962	14,962	-	-	-	-
J96829402J	-	-	-	-	-	-
Aggregated	3,441	3,441	-	-	-	-
Total	286,761	280,390	(6,428)	-	(890)	947

Table 2.15 – Tax on profit

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	1,488	2,975	-	-	1,487	-
J62903125G	25,545	25,545	-	-	-	-
J64102248C	28,839	31,471	2,567	-	65	-
J64104078V	5,465	5,465	-	-	-	-
J64104103H	772	956	-	-	184	-
J64416207W	690	690	-	-	-	-
J68103906N	5,069	5,069	-	-	-	-
J68403919H	6,369	6,369	-	-	-	-
J72015001L	-	-	-	-	-	-
J72603135F	1,545	1,545	-	-	-	-
J74517202O	6,754	6,754	-	-	-	-
J74517209B	-	-	-	-	-	-
J78716319A	-	-	-	-	-	-
J82916504G	448	456	28	-	(21)	-
J86906408N	14,108	14,108	-	-	-	-
J96829413B	1,319	1,319	-	-	-	-
J96829414J	362	362	-	-	-	-
J96829416C	975	975	-	-	-	-
J96829420H	11,552	7,265	-	-	(4,287)	-
J98021906L	12,405	12,405	-	-	-	-
J98021907T	7,000	7,000	-	-	-	-
K01524006L	5,327	5,945	-	-	617	-
K02701009U	784	919	-	-	134	-
K04005052C	2,186	2,497	-	-	311	-
K04226208A	59,683	-	-	-	-	(59,683)
K04226216O	-	-	-	-	-	-
K06626403L	17,096	17,096	-	-	-	-
K06626406M	1,166	1,166	-	-	-	-
K06626412K	1,856	1,856	-	-	-	-
K06626413S	-	-	-	-	-	-
K06626418M	1,457	7,150	-	-	5,693	-
K07729901W	22,472	22,472	-	-	-	-
K07729908J	5,664	5,674	10	-	-	-
K07729917I	2,482	741	-	-	(1,741)	-
K11613001M	280,847	280,847	-	-	-	-
K11829502V	-	-	-	-	-	-
K12107002A	-	101	101	-	-	-
K12911201C	22,581	22,984	403	-	-	-
K16815202M	1,248	1,248	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K22218005O	12,506	12,520	15	-	-	-
K24207608A	2,892	2,892	-	-	-	-
K24725213C	1,346	726	-	-	(620)	-
K26513465D	157	157	-	-	-	-
K26513471B	-	10,419	10,419	-	-	-
K27713604T	2,780	2,780	-	-	-	-
K28310906F	200	200	-	-	-	-
K31321021N	2,285	2,738	453	-	-	-
K32807432W	22,514	24,363	1,849	-	-	-
K36805204D	89	89	-	-	-	-
K36811904G	361	360	-	-	(1)	-
K41313033U	6,809	6,809	-	-	-	-
K47220405O	-	-	-	-	-	-
K47220407H	3,629	3,629	-	-	-	-
K48429906N	1,593	1,593	-	-	-	-
K52128506K	35,619	27,599	(8,020)	-	-	-
K53129001Q	222	246	24	-	-	-
K61914005R	47,272	47,272	-	-	-	-
K62418008C	-	-	-	-	-	-
K64312403D	104	104	-	-	-	-
K67812601U	5,826	5,837	13	-	(2)	-
K69209401C	258	258	-	-	-	-
K71627041B	-	20	-	-	-	20
K72327010L	-	-	-	-	-	-
K73627001A	471	906	-	-	435	-
K77315401J	-	-	-	-	-	-
K77424401L	25,896	25,896	-	-	-	-
K81819509L	308	359	-	-	51	-
K82217010F	23,922	23,922	-	-	-	-
K86328401E	1,308	1,308	-	-	-	-
K86407401R	3,917	7,350	-	-	3,433	-
K87021202E	-	-	-	-	-	-
K87515901A	27,204	27,204	-	-	-	-
K87530903A	108	270	162	-	-	-
K88016902A	538	538	-	-	-	-
K88812401M	638	638	-	-	-	-
K91624006A	58	58	-	-	-	-
K92110004Q	-	50	-	-	-	50
K94016202U	1,053	880	-	-	(173)	-
K97114401A	8,628	8,628	-	-	-	-
L01614001R	275	275	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L01629005J	3,339	3,339	-	-	-	-
L01818011E	-	-	-	-	-	-
L06410401C	17,107	17,107	-	-	-	-
L06817401D	16,140	16,140	-	-	-	-
L07324401C	4,798	4,798	-	-	-	-
L07525201B	1,037	1,116	-	-	79	-
L08412202M	-	-	-	-	-	-
L11401018K	-	-	-	-	-	-
L18516901B	1,616	1,616	-	-	-	-
L21317019E	34,149	34,240	90	-	-	-
L23409002A	1,170	1,370	-	-	200	-
L26912401G	2,000	2,000	-	-	-	-
L31929015F	2,476	2,476	-	-	(-)	-
L36506201A	43	43	-	-	-	-
L37009201B	7,494	7,494	-	-	-	-
L42423012I	-	-	-	-	-	-
L48312301L	150	290	-	-	140	-
L52228034M	1,689	1,675	(13)	-	-	-
L67421401T	1	6,758	6,746	-	10	-
J96829402J	-	5	-	-	-	5
Aggregated	5,599	5,599	-	-	-	-
Total	895,149	856,384	14,846	-	5,997	(59,608)

Table 2.16 – Payments for social and health insurance and personal income tax

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	4,164	8,327	-	-	4,164	-
J62903125G	83,769	90,472	6,704	-	-	-
J64102248C	6,718	6,758	-	-	40	-
J64104078V	8,419	8,419	-	-	-	-
J64104103H	545	905	-	-	359	-
J64416207W	2,245	2,232	-	-	(13)	-
J68103906N	1,242	1,242	-	-	-	-
J68403919H	2,259	2,259	-	-	-	-
J72015001L	259	299	-	-	40	-
J72603135F	773	773	-	-	-	-
J74517202O	10,758	10,758	-	-	-	-
J74517209B	4,005	4,329	-	-	323	-
J78716319A	3,912	3,983	71	-	-	-
J82916504G	3,495	3,803	10	-	298	-
J86906408N	30,987	31,006	-	-	19	-
J96829413B	5,497	5,714	-	-	217	-
J96829414J	9,225	9,225	-	-	-	-
J96829416C	2,062	2,062	-	-	-	-
J96829420H	2,110	2,110	-	-	-	-
J98021906L	16,853	17,020	166	-	-	-
J98021907T	24,532	24,944	412	-	-	-
K01524006L	11,708	12,522	-	-	814	-
K02701009U	1,272	1,272	-	-	-	-
K04005052C	2,253	2,248	-	-	(4)	-
K04226208A	151,015	-	-	-	(151,015)	-
K04226216O	3,122	3,122	-	-	-	-
K06626403L	13,187	13,221	-	-	34	-
K06626406M	721	722	-	-	1	-
K06626412K	2,258	2,258	-	-	-	-
K06626413S	-	-	-	-	-	-
K06626418M	10,214	9,307	-	-	(908)	-
K07729901W	22,217	22,227	-	-	10	-
K07729908J	3,959	3,959	-	-	-	-
K07729917I	4,404	4,404	-	-	-	-
K11613001M	400,568	436,754	-	-	36,186	-
K11829502V	2,646	2,646	-	-	(-)	-
K12107002A	23,546	23,556	-	-	9	-
K12911201C	21,884	21,940	10	-	47	-
K16815202M	20,475	20,607	133	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K22218005O	9,552	9,539	-	-	(13)	-
K24207608A	7,637	7,637	-	-	-	-
K24725213C	3,502	3,485	-	-	(17)	-
K26513465D	2,112	2,112	-	-	-	-
K26513471B	2,913	2,818	(61)	-	(34)	-
K27713604T	2,825	2,825	-	-	-	-
K28310906F	9,285	9,285	-	-	-	-
K31321021N	46,054	42,752	(3,302)	-	-	-
K32807432W	21,026	21,066	-	-	41	-
K36805204D	491	491	-	-	-	-
K36811904G	3,230	3,256	-	-	27	-
K41313033U	15,408	15,408	-	-	-	-
K47220405O	-	-	-	-	-	-
K47220407H	5,236	5,236	-	-	-	-
K48429906N	6,244	6,244	-	-	-	-
K52128506K	19,022	19,025	-	-	3	-
K53129001Q	2,088	2,099	-	-	10	-
K61914005R	85,942	85,942	-	-	(-)	-
K62418008C	386	386	-	-	-	-
K64312403D	639	668	30	-	(-)	-
K67812601U	7,444	7,444	-	-	-	-
K69209401C	1,567	1,569	-	-	2	-
K71627041B	65,481	59,508	-	-	(5,973)	-
K72327010L	2,102	2,249	18	-	129	-
K73627001A	1,895	2,045	-	-	150	-
K77315401J	3,856	2,821	-	-	(1,035)	-
K77424401L	32,512	32,512	-	-	-	-
K81819509L	5,984	6,159	-	-	175	-
K82217010F	17,305	17,305	-	-	-	-
K86328401E	11,525	11,525	-	-	-	-
K86407401R	6,081	6,481	-	-	400	-
K87021202E	6,831	6,968	-	-	137	-
K87515901A	3,826	3,826	-	-	-	-
K87530903A	5,687	5,716	-	-	29	-
K88016902A	5,438	5,961	-	-	523	-
K88812401M	2,367	2,354	-	-	(12)	-
K91624006A	647	749	102	-	-	-
K92110004Q	1,690	1,762	72	-	-	-
K94016202U	1,474	1,481	-	-	6	-
K97114401A	7,795	7,795	-	-	-	-
L01614001R	1,567	1,566	-	-	(-)	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L01629005J	15,536	15,592	-	-	57	-
L01818011E	4,610	4,614	4	-	-	-
L06410401C	12,319	12,319	-	-	-	-
L06817401D	8,097	8,097	-	-	(-)	-
L07324401C	5,301	5,301	-	-	-	-
L07525201B	1,124	1,224	-	-	100	-
L08412202M	4,146	4,146	-	-	(-)	-
L11401018K	1,412	1,412	-	-	-	-
L18516901B	4,621	4,625	3	-	-	-
L21317019E	9,178	9,177	-	-	(1)	-
L23409002A	888	888	-	-	(-)	-
L26912401G	11,441	10,915	(3,113)	-	2,587	-
L31929015F	1,964	1,715	-	-	(248)	-
L36506201A	609	609	-	-	-	-
L37009201B	2,754	2,754	-	-	1	-
L42423012I	42	42	-	-	-	-
L48312301L	340	340	-	-	-	-
L52228034M	31,862	31,862	-	-	-	-
L67421401T	1,175	1,493	-	-	317	-
J96829402J	-	132	-	-	-	132
Aggregated	16,700	16,698	-	-	(2)	-
Total	1,490,065	1,379,429	1,259	0	(112,027)	132

Table 2.17 – VAT

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	0	0	0	0	0	0
J62903125G	92,597	92,597	0	0	0	0
J64102248C	25,082	25,163	0	0	81	0
J64104078V	0	0	0	0	0	0
J64104103H	4,156	4,209	0	0	53	0
J64416207W	5,272	4,814	(467)	0	9	0
J68103906N	777	0	0	0	0	(777)
J68403919H	0	0	0	0	0	0
J72015001L	0	0	0	0	0	0
J72603135F	3,783	3,787	0	0	4	0
J74517202O	5,631	6,902	0	0	1,270	0
J74517209B	5,132	5,132	0	0	0	0
J78716319A	0	0	0	0	0	0
J82916504G	0	0	0	0	0	0
J86906408N	11,510	11,510	0	0	0	0
J96829413B	0	0	0	0	0	0
J96829414J	0	0	0	0	0	0
J96829416C	0	2,322	2,322	0	0	0
J96829420H	2,403	2,403	0	0	0	0
J98021906L	0	229	229	0	0	0
J98021907T	55	55	0	0	0	0
K01524006L	72,067	75,367	0	0	3,300	0
K02701009U	3,907	3,907	0	0	0	0
K04005052C	5,472	6,196	67	0	657	0
K04226208A	0	0	0	0	0	0
K04226216O	13,827	13,827	0	0	0	0
K06626403L	0	0	0	0	0	0
K06626406M	2,762	2,762	0	0	0	0
K06626412K	0	0	0	0	0	0
K06626413S	0	0	0	0	0	0
K06626418M	0	0	0	0	0	0
K07729901W	5,686	5,686	0	0	0	0
K07729908J	0	0	0	0	0	0
K07729917I	5,340	5,340	0	0	0	0
K11613001M	0	5	5	0	0	0
K11829502V	6,019	6,023	4	0	0	0
K12107002A	0	0	0	0	0	0
K12911201C	23,373	23,727	336	0	18	0
K16815202M	0	0	0	0	0	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K22218005O	7,742	7,799	27	0	30	0
K24207608A	2,770	2,770	0	0	0	0
K24725213C	9,619	9,564	5	0	(59)	0
K26513465D	1,146	1,146	0	0	0	0
K26513471B	0	0	0	0	0	0
K27713604T	1,389	1,389	0	0	0	0
K28310906F	0	1,922	1,922	0	0	0
K31321021N	11,262	11,262	0	0	0	0
K32807432W	76,836	76,836	0	0	0	0
K36805204D	1,508	1,508	0	0	0	0
K36811904G	0	0	0	0	0	0
K41313033U	1,424	1,424	0	0	0	0
K47220405O	0	0	0	0	0	0
K47220407H	0	0	0	0	0	0
K48429906N	0	0	0	0	0	0
K52128506K	0	36	36	0	0	0
K53129001Q	0	576	576	0	0	0
K61914005R	0	80	80	0	0	0
K62418008C	0	0	0	0	0	0
K64312403D	0	0	0	0	0	0
K67812601U	0	4	0	0	0	4
K69209401C	0	0	0	0	0	0
K71627041B	0	0	0	0	0	0
K72327010L	0	0	0	0	0	0
K73627001A	0	0	0	0	0	0
K77315401J	0	0	0	0	0	0
K77424401L	461	461	0	0	0	0
K81819509L	0	0	0	0	0	0
K82217010F	5,624	5,624	0	0	0	0
K86328401E	0	0	0	0	0	0
K86407401R	43,662	43,662	0	0	0	0
K87021202E	4,743	4,750	7	0	0	0
K87515901A	3,951	4,034	84	0	0	0
K87530903A	0	0	0	0	0	0
K88016902A	0	0	0	0	0	0
K88812401M	0	0	0	0	0	0
K91624006A	0	0	0	0	0	0
K92110004Q	3,019	3,019	0	0	0	0
K94016202U	2,296	3,648	3	0	1,349	0
K97114401A	0	234	234	0	0	0
L01614001R	3,467	3,467	0	0	0	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L01629005J	0	0	0	0	0	0
L01818011E	20,510	20,597	87	0	0	0
L06410401C	5,298	5,298	0	0	0	0
L06817401D	26,620	26,620	0	0	0	0
L07324401C	0	0	0	0	0	0
L07525201B	2,358	2,358	0	0	0	0
L08412202M	0	0	0	0	0	0
L11401018K	1,982	1,982	0	0	0	0
L18516901B	4,364	4,364	0	0	0	0
L21317019E	51,685	54,010	2,099	0	225	0
L23409002A	362	274	0	0	(89)	0
L26912401G	0	0	0	0	0	0
L31929015F	0	4	4	0	0	0
L36506201A	170	170	0	0	0	0
L37009201B	61	61	0	0	0	0
L42423012I	775	540	0	0	(235)	0
L48312301L	2,618	2,618	0	0	0	0
L52228034M	8,052	8,052	0	0	0	0
L67421401T	0	0	0	0	0	0
J96829402J	2,342	0	0	0	0	(2,342)
Aggregated	7,556	7,556	0	0	0	0
Total	610,522	621,680	7,660	-	6,614	(3,116)

Table 2.18 – Tax on dividend

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L61523043R	0	0	0	0	0	0
J62903125G	0	0	0	0	0	0
J64102248C	0	0	0	0	0	0
J64104078V	0	0	0	0	0	0
J64104103H	0	0	0	0	0	0
J64416207W	0	0	0	0	0	0
J68103906N	4,361	1,125	0	0	-3,236	0
J68403919H	1,500	0	0	0	0	-1,500
J72015001L	0	0	0	0	0	0
J72603135F	0	0	0	0	0	0
J74517202O	1,500	1,500	0	0	0	0
J74517209B	0	0	0	0	0	0
J78716319A	0	0	0	0	0	0
J82916504G	0	0	0	0	0	0
J86906408N	990	990	0	0	0	0
J96829413B	2,188	2,188	0	0	0	0
J96829414J	0	1,461	0	0	0	1,461
J96829416C	0	0	0	0	0	0
J96829420H	0	0	0	0	0	0
J98021906L	10,054	10,108	54	0	0	0
J98021907T	10,000	10,000	0	0	0	0
K01524006L	0	0	0	0	0	0
K02701009U	0	0	0	0	0	0
K04005052C	29	29	0	0	-29	29
K04226208A	0	0	0	0	0	0
K04226216O	0	0	0	0	0	0
K06626403L	0	0	0	0	0	0
K06626406M	0	0	0	0	0	0
K06626412K	1,000	1,000	0	0	0	0
K06626413S	0	0	0	0	0	0
K06626418M	0	0	0	0	0	0
K07729901W	15,000	15,000	0	0	0	0
K07729908J	0	0	0	0	0	0
K07729917I	0	0	0	0	0	0
K11613001M	0	0	0	0	0	0
K11829502V	0	0	0	0	0	0
K12107002A	0	0	0	0	0	0
K12911201C	0	0	0	0	0	0
K16815202M	0	0	0	0	0	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K22218005O	0	0	0	0	0	0
K24207608A	1,500	1,503	3	0	0	0
K24725213C	0	0	0	0	0	0
K26513465D	0	0	0	0	0	0
K26513471B	0	0	0	0	0	0
K27713604T	0	0	0	0	0	0
K28310906F	0	0	0	0	0	0
K31321021N	0	0	0	0	0	0
K32807432W	0	0	0	0	0	0
K36805204D	16	16	0	0	0	0
K36811904G	0	0	0	0	0	0
K41313033U	0	0	0	0	0	0
K47220405O	0	0	0	0	0	0
K47220407H	0	0	0	0	0	0
K48429906N	0	0	0	0	0	0
K52128506K	1,120	1,174	0	0	54	0
K53129001Q	15	15	0	0	0	0
K61914005R	0	0	0	0	0	0
K62418008C	0	0	0	0	0	0
K64312403D	0	0	0	0	0	0
K67812601U	6,425	6,425	0	0	0	0
K69209401C	0	0	0	0	0	0
K71627041B	0	0	0	0	0	0
K72327010L	0	0	0	0	0	0
K73627001A	0	0	0	0	0	0
K77315401J	0	0	0	0	0	0
K77424401L	9,528	9,528	0	0	0	0
K81819509L	0	0	0	0	0	0
K82217010F	0	0	0	0	0	0
K86328401E	0	0	0	0	0	0
K86407401R	0	0	0	0	0	0
K87021202E	0	0	0	0	0	0
K87515901A	1,800	1,800	0	0	0	0
K87530903A	0	0	0	0	0	0
K88016902A	0	0	0	0	0	0
K88812401M	353	345	0	0	-8	0
K91624006A	0	0	0	0	0	0
K92110004Q	0	0	0	0	0	0
K94016202U	0	0	0	0	0	0
K97114401A	0	0	0	0	0	0
L01614001R	0	0	0	0	0	0

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L01629005J	0	0	0	0	0	0
L01818011E	0	0	0	0	0	0
L06410401C	0	0	0	0	0	0
L06817401D	0	0	0	0	0	0
L07324401C	0	0	0	0	0	0
L07525201B	0	0	0	0	0	0
L08412202M	0	0	0	0	0	0
L11401018K	0	0	0	0	0	0
L18516901B	0	0	0	0	0	0
L21317019E	0	0	0	0	0	0
L23409002A	0	0	0	0	0	0
L26912401G	0	0	0	0	0	0
L31929015F	0	0	0	0	0	0
L36506201A	0	0	0	0	0	0
L37009201B	1,125	1,125	0	0	0	0
L42423012I	0	0	0	0	0	0
L48312301L	0	0	0	0	0	0
L52228034M	0	0	0	0	0	0
L67421401T	0	0	0	0	0	0
J96829402J	0	0	0	0	0	0
Aggregated	0	1,598	0	0	0	1,598
Total	68,503	66,930	58	0	-3,219	1,588

Table 2.19 – Tax penalties

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
J64102248C	1,446	-	-	-	-	(1,446)
J64104078V	282	-	-	-	-	(282)
J68403919H	80	-	-	-	-	(80)
J78716319A	71	-	-	-	-	(71)
J82916504G	65	-	-	-	-	(65)
J98021906L	10	-	-	-	-	(10)
K01524006L	4,291	-	-	-	-	(4,291)
K06626418M	878	-	-	-	-	(878)
K11613001M	43	-	-	-	-	(43)
K12911201C	2,090	-	-	-	-	(2,090)
K16815202M	-	-	-	-	-	(-)
K24207608A	13	10	-	-	(3)	-
K24725213C	200	-	-	-	-	(200)
K31321021N	368	25	-	-	(343)	-
K32807432W	50	50	-	-	-	-
K64312403D	15	15	-	-	-	-
K67812601U	50	50	-	-	-	-
K77424401L	48	-	-	-	-	(48)
K81819509L	131	-	-	-	-	(131)
K87021202E	-	-	-	-	-	(-)
L06410401C	31	-	-	-	-	(31)
L07324401C	35	-	-	-	-	(35)
L23409002A	10	-	-	-	-	(10)
L26912401G	200	-	-	-	-	(200)
L36506201A	1,654	-	-	-	-	(1,654)
L37009201B	31	-	-	-	-	(31)
J96829402J	20	-	-	-	-	(20)
Total	12,116	150	0	0	(346)	(11,619)

Table 2.20 – Other payments made to the State

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
DPD						
J62903125G	-	4	-	-	-	4
K06626403L	-	244	-	-	-	244
K11613001M	-	61	-	-	-	61
K12107002A	-	15	-	-	-	15
K16815202M	-	-	-	-	-	-
K31321021N	-	-	-	-	-	-
K41313033U	-	4	-	-	-	4
K52128506K	-	24	-	-	-	24
K61914005R	142,184	142,184	-	-	-	-
K71627041B	-	152	-	-	-	152
K87021202E	-	55	-	-	-	55
L37009201B	-	16	-	-	-	16
Total	142,184	142,759	-	-	-	575
DPT						
J64102248C	-	461	-	-	-	461
J64104078V	-	12	12	-	-	-
J72015001L	-	20	-	-	-	20
J74517202O	31	31	-	-	-	-
J82916504G	59	391	-	-	332	-
J86906408N	59	59	-	-	-	-
J96829414J	-	36	-	-	36	-
K01524006L	168	184	-	-	16	-
K04005052C	-	11	-	-	-	11
K04226208A	6,465	-	-	-	-	(6,465)
K06626403L	101	101	-	-	-	-
K06626418M	-	10	-	-	-	10
K07729908J	-	23	-	-	-	23
K11613001M	20	1,507	-	-	1,486	-
K12107002A	1,494	1,495	-	-	-	-
K12911201C	10	10	-	-	-	-
K16815202M	-	266	2	-	264	-
K22218005O	48	68	20	-	-	-
K31321021N	954	964	10	-	-	-
K32807432W	260	251	(9)	-	-	-
K41313033U	-	428	-	-	-	428
K47220407H	-	10	10	-	-	-
K52128506K	-	208	-	-	-	208

K61914005R	-	30,043	-	-	30,043	-
K69209401C	36	40	-	-	4	-
K71627041B	-	1,887	-	-	-	1,887
K72327010L	-	29	-	-	-	29
K73627001A	510	557	-	-	46	-
K77424401L	103	103	-	-	-	-
K81819509L	-	422	-	-	-	422
K87021202E	42	42	-	-	-	-
K87530903A	10	10	-	-	-	-
K88812401M	-	91	-	-	-	91
K97114401A	29	29	-	-	-	-
L01629005J	2,000	2,544	-	-	544	-
L01818011E	-	10	-	-	-	10
L06410401C	-	10	10	-	-	-
L06817401D	-	10	10	-	-	-
L18516901B	-	9	-	-	-	9
L21317019E	-	92	-	-	92	-
L52228034M	50	50	-	-	-	-
Aggregated	27	27	-	-	-	-
Total	12,479	42,552	66	-	32,864	(2,857)

Table 2.21 – Other payments made to the LGU

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
Bulqize						
J68103906N	140	140	-	-	-	-
J68403919H	-	140	-	-	-	140
J86906408N	140	140	-	-	-	-
J96829413B	-	140	-	-	140	-
J96829414J	140	140	-	-	-	-
J96829416C	280	140	-	-	(140)	-
J96829420H	140	140	-	-	-	-
J98021906L	140	140	-	-	-	-
J98021907T	140	140	-	-	-	-
K06626403L	140	140	-	-	-	-
K06626406M	140	140	-	-	-	-
K06626412K	-	140	-	-	-	140
K06626418M	1,378	1,400	-	-	22	-
K07729901W	145	140	-	-	(5)	-
K07729908J	140	140	-	-	-	-
K11613001M	1,521	1,400	-	-	(121)	-
K26513465D	420	140	-	-	(280)	-
K26513471B	140	140	-	-	-	-
K28310906F	-	140	-	-	140	-
K32807432W	105	-	-	-	(105)	-
K36811904G	-	140	-	-	-	140
K47220405O	140	140	-	-	-	-
K72327010L	140	140	-	-	-	-
K77315401J	150	-	-	-	-	(150)
K77424401L	447	140	-	-	(307)	-
K82217010F	140	140	-	-	-	-
K86328401E	140	140	-	-	-	-
K86407401R	140	140	-	-	-	-
K87515901A	140	-	-	-	-	(140)
K88016902A	140	-	-	-	-	(140)
K97114401A	140	140	-	-	-	-
L01818011E	140	140	-	-	-	-
L06410401C	140	140	-	-	-	-
L06817401D	280	140	-	-	(140)	-
L07324401C	140	140	-	-	-	-

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
L18516901B	140	140	-	-	-	-
L26912401G	-	140	-	-	-	140
L48312301L	140	-	-	-	-	(140)
J96829402J	140	140	-	-	-	-
Aggregated	280	140	-	140	-	-
Total	8,365	7,420	-	140	(795)	(10)
Kruje						
J62903125G	1,640	725	(915)	-	-	-
J64102248C	748	150	-	-	(598)	-
J64416207W	-	835	-	-	-	835
J74517202O	-	380	-	-	-	380
J74517209B	1,074	730	-	-	(344)	-
K01524006L	1,758	-	-	-	-	(1,758)
K04226208A	51,799	46,517	-	-	(5,281)	-
K04226216O	730	730	-	-	-	-
K24725213C	28	643	-	-	615	-
K31321021N	799	799	-	-	-	-
K61914005R	37,997	37,982	-	-	(14)	-
K92110004Q	580	630	-	-	50	-
Total	97,152	90,121	(915)	-	(5,573)	(543)
Fier						
J82916504G	394	-	-	-	-	(394)
K32807432W	105	-	-	-	-	(105)
Total	498	-	-	-	-	(498)
Patos						
K36805204D	77	140	-	(63)	-	-
L21317019E	159	159	-	-	(-)	-
Total	236	299	-	(63)	(-)	-

Appendix 3:

Disaggregated reconciliation from the hydropower sector

Table 3.1 - List of hydropower companies

NUIS	Companies	Reporting year	Reported
J61817005F	KESH sh.a.	2017 & 2018	Yes
K02727230T	Kurum International sh.a	2017 & 2018	Yes
K82417005V	ENERGJI ASHTA	2017 & 2018	Yes
L57703202C	Euron Energy" shpk	2017 & 2018	Yes
L51503039D	Alb-Energy shpk	2017 & 2018	Yes
L57703201R	Energjal shpk	2017 & 2018	Yes
L11731504A	AYEN AS ENERGJI	2017 & 2018	No
K82418002C	DEVOLL HYDROPOWER	2017 & 2018	Yes
K87920201S	GJO-SPA POWER	2017 & 2018	No
K92108022E	"DITEKO" sh.p.k	2017 & 2018	Yes
K71624026M	"Balkan Green Energy" sh.p.k	2017 & 2018	Yes
K82321008Q	ERDAT LURA	2017 & 2018	No
K91928002U	ENERGY PLUS	2017 & 2018	No
K81813003S	POWER-ELEKTRIK-SLABINJE	2017 & 2018	No
L41918001E	Hec Lanabregas	2017 & 2018	Yes
K98420202O	"HIDROALBANIA Energji" shpk	2017 & 2018	Yes
K73621202N	"Hec i Tervolit" shpk	2017 & 2018	No

I. Reconciliation for 2017

Table 3.2 - Payments per company – hydropower

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	55,830	55,830	(9)	-	9	-
K92108022E	58,033	58,033	-	-	-	-
L51503039D	125,231	127,774	(2,399)	-	-	4,941
K82418002C	244,674	226,893	(17,751)	30	-	-
K82417005V	308,435	307,308	(1,139)	-	13	-
K02727230T	208,668	505,104	(22,513)	-	318,949	-
J61817005F	2,361,596	2,538,126	176,530	-	-	-
L57703201R	40,603	40,664	-	-	31	30
L57703202C	92,255	92,304	-	-	49	-
K98420202O	15,339	15,339	-	-	-	-
L41918001E	47,922	48,278	356	-	-	-
Total	3,558,586	4,015,653	133,075	30	319,051	4,971

Table 3.3 – Regulatory tariffs

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	574	574	-	-	-	-
K92108022E	105	105	-	-	-	-
L51503039D	1,519	1,519	-	-	-	-
K82418002C	75	45	-	30	-	-
K82417005V	3,724	3,724	-	-	-	-
K02727230T	6,541	6,541	-	-	-	-
J61817005F	-	16,436	16,436	-	-	-
L57703201R	-	30	-	-	-	30
L57703202C	-	-	-	-	-	-

K984202020	199	199	-	-	-	-
L41918001E	356	356	-	-	-	-
Total	13,093	29,529	16,436	30	0	30

Table 3.4 – Tax on profit

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	436	436	-	-	-	-
K92108022E	51,190	51,190	-	-	-	-
L51503039D	57,313	54,905	(2,409)	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	-	-	-	-	-	-
K02727230T	-	10	10	-	-	-
J61817005F	1,427,351	1,427,351	-	-	-	-
L57703201R	17,413	17,440	-	-	27	-
L57703202C	40,632	40,686	-	-	54	-
K984202020	8,225	8,225	-	-	-	-
L41918001E	19,511	19,511	-	-	--	-
Total	1,622,071	1,619,753	(2,399)	-	81	-

Table 3.5 – Tax penalties

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	59	50	(9)	-	-	-
K92108022E	-	-	-	-	-	-
L51503039D	-	-	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	1,139	-	(1,139)	-	-	-
K02727230T	1,868	100	(100)	-	(1,668)	-
J61817005F	-	-	-	-	-	-
L57703201R	-	-	-	-	-	-
L57703202C	-	-	-	-	-	-
K984202020	-	-	-	-	-	-
L41918001E	-	-	-	-	-	-
Total	3,066	150	(1,248)	-	(1,668)	-

Table 3.6 – Payments for social and health insurance and personal income tax

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	24,093	24,093	-	-	-	-
K92108022E	5,534	5,534	-	-	-	-
L51503039D	3,825	3,835	10	-	-	-
K82418002C	244,599	226,848	(17,751)	-	-	-
K82417005V	14,917	14,917	-	-	(0)	-
K02727230T	143,352	133,380	(22,423)	-	12,451	-
J61817005F	249,705	249,706	-	-	-	-
L57703201R	4,326	4,331	-	-	4	-
L57703202C	4,215	4,210	-	-	(5)	-
K984202020	6,915	6,915	-	-	-	-
L41918001E	8,635	8,635	-	-	-	-
Total	710,117	682,403	(40,164)	-	12,450	-

Table 3.7 – VAT

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	29,824	29,824	-	-	-	-
K92108022E	-	-	-	-	-	-
L51503039D	62,575	62,575	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	259,315	259,328	-	-	13	-
K02727230T	50,000	358,165	-	-	308,165	-
J61817005F	643,873	657,553	13,679	-	-	-
L57703201R	18,864	18,864	-	-	-	-
L57703202C	47,408	47,408	-	-	-	-
K984202020	-	-	-	-	-	-
L41918001E	19,420	19,420	-	-	-	-
Total	1,131,279	1,453,136	13,679	-	308,178	-

Table 3.8 – Tax on dividend

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	-	-	-	-	-	-
K92108022E	-	-	-	-	-	-
L51503039D	-	-	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	-	-	-	-	-	-
K02727230T	-	-	-	-	-	-
J61817005F	39,211	185,512	146,301	-	-	-
L57703201R	-	-	-	-	-	-
L57703202C	-	-	-	-	-	-
K984202020	-	-	-	-	-	-

L41918001E	-	-	-	-	-	-
Total	39,211	185,512	146,301	-	-	-

Table 3.9 – Other material payments: State

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	845	853	-	-	9	-
K92108022E	948	948	-	-	-	-
L51503039D	-	4,941	-	-	-	4,941
K82418002C	-	-	-	-	-	-
K82417005V	29,339	29,339	-	-	-	-
K02727230T	6,907	6,908	-	-	1	-
J61817005F	1,455	1,569	114	-	-	-
L57703201R	-	-	-	-	-	-
L57703202C	-	-	-	-	-	-
K98420202O	-	-	-	-	-	-
L41918001E	-	356	356	-	-	-
Total	39,493	44,914	469	-	10	4,941

Withholding tax is presented as the only other material payment made to the state which has been reconciled.

Table 3.10 – Other payments: Local Government

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	-	-	-	-	-	-
K92108022E	256	256	-	-	-	-
L51503039D	-	-	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	-	-	-	-	-	-
K02727230T	-	-	-	-	-	-
J61817005F	-	-	-	-	-	-
L57703201R	-	-	-	-	-	-
L57703202C	-	-	-	-	-	-
K98420202O	-	-	-	-	-	-
L41918001E	-	-	-	-	-	-
Total	256	256	-	-	-	-

II. Reconciliation for 2018

Table 3.11 - Payments per company – hydropower

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	111,305	111,305	-	-	-	-
K92108022E	135,519	133,587	(1,933)	-	-	-
L51503039D	194,784	194,855	-	-	(1)	72
K82418002C	215,848	254,566	-	-	-	38,718
K82417005V	501,434	501,434	-	-	-	-
K02727230T	178,633	140,469	(43,763)	-	1	5,598
J61817005F	4,906,928	4,999,596	92,709	-	(40)	-
L57703201R	62,009	62,100	-	-	(65)	157
L57703202C	123,869	142,322	-	-	18,459	(7)
K98420202O	70,557	70,557	-	-	-	-
L41918001E	48,895	49,186	311	-	-	(20)
Total	6,549,780	6,659,975	47,324	0	18,354	44,517

Table 3.12 – Regulatory tariffs

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	286	286	-	-	-	-
K92108022E	316	316	-	-	-	-
L51503039D	404	403	-	-	(1)	-
K82418002C	646	646	-	-	-	-
K82417005V	1,799	1,799	-	-	-	-
K02727230T	-	5,599	-	-	-	5,599
J61817005F	-	13,859	13,859	-	-	-
L57703201R	-	176	-	-	-	176
L57703202C	-	-	-	-	-	-

K984202020	119	119	-	-	-	-
L41918001E	250	250	-	-	-	-
Total	3,820	23,453	13,859	-	(1)	5,776

Table 3.13 – Tax on profit

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	6,459	6,459	-	-	-	-
K92108022E	41,897	41,897	-	-	-	-
L51503039D	74,097	74,097	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	10	10	-	-	-	-
K02727230T	-	-	-	-	-	-
J61817005F	2,341,691	2,420,423	78,732	-	-	-
L57703201R	14,833	14,837	-	-	4	-
L57703202C	45,082	45,082	-	-	-	-
K984202020	9,327	9,327	-	-	-	-
L41918001E	10,265	10,265	-	-	-	-
Total	2,543,661	2,622,397	78,732	-	4	-

Table 3.14 – Tax penalties

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	50	50	-	-	-	-
K92108022E	-	-	-	-	-	-
L51503039D	-	-	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	50	50	-	-	-	-
K02727230T	1	-	-	-	-	-1
J61817005F	-	-	-	-	-	-
L57703201R	20	-	-	-	-	-20
L57703202C	7	-	-	-	-	-7
K984202020	-	-	-	-	-	-
L41918001E	21	-	-	-	-	-21
Total	148	100	-	-		(49)

Table 3.15 – Payments for social and health insurance and personal income tax

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	24,063	24,063	-	-	-	-
K92108022E	6,781	6,781	-	-	-	-
L51503039D	4,427	4,427	-	-	-	-
K82418002C	215,202	215,202	-	-	-	-
K82417005V	15,036	15,036	-	-	-	-
K02727230T	174,946	131,184	(43,763)	-	1	-
J61817005F	253,902	253,902	-	-	-	-
L57703201R	4,662	4,593	-	-	(68)	-
L57703202C	4,253	4,263	-	-	10	-
K984202020	9,138	9,138	-	-	-	-
L41918001E	8,471	8,482	11	-	-	-
Total	720,880	677,071	(43,751)	-	(58)	-

Table 3.16 – VAT

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	75,012	75,012	-	-	-	-
K92108022E	83,076	83,076	-	-	-	-
L51503039D	115,856	115,856	-	-	-	-
K82418002C	-	27,426	-	-	-	27,426
K82417005V	458,892	458,892	-	-	-	-
K02727230T	-	-	-	-	-	-
J61817005F	2,307,518	2,307,478	-	-	(40)	-
L57703201R	42,494	42,494	-	-	-	-
L57703202C	74,527	92,977	-	-	18,449	-
K98420202O	51,973	51,973	-	-	-	-
L41918001E	29,889	29,889	-	-	-	-
Total	3,239,239	3,285,074	-	-	18,409	27,426

Table 3.18 – Other material payments: State

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	5,014	5,014	-	-	-	-
K92108022E	1,117	1,117	-	-	-	-
L51503039D	-	72	-	-	-	72
K82418002C	-	11,292	-	-	-	11,292
K82417005V	25,647	25,647	-	-	-	-
K02727230T	3,686	3,686	-	-	-	-
J61817005F	3,816	3,934	118	-	-	-
L57703201R	-	-	-	-	-	-
L57703202C	-	-	-	-	-	-
K98420202O	-	-	-	-	-	-

L41918001E	-	299	299	-	-	-
Total	39,280	51,061	417	0	0	11,364

The only other material payment made to the state reconciled for 2018 is withholding tax.

Table 3.19 – Other payments: Local Government

Amounts in ALL thousands

NUIS	Sum of Payer	Sum of Recipient	Explained discrepancies		Remaining discrepancy	
			Payer	Recipient	Unidentified	Without Counterparty
K71624026M	420	420	-	-	-	-
K92108022E	2,333	400	(1,933)	-	-	-
L51503039D	-	-	-	-	-	-
K82418002C	-	-	-	-	-	-
K82417005V	-	-	-	-	-	-
K02727230T	-	-	-	-	-	-
J61817005F	-	-	-	-	-	-
L57703201R	-	-	-	-	-	-
L57703202C	-	-	-	-	-	-
K98420202O	-	-	-	-	-	-
L41918001E	-	-	-	-	-	-
Total	2,753	820	(1,933)	-	-	-

Appendix 4:

Beneficial Ownership Self-Assessment

Elements of Requirement 2.5	Questions for the Validator to consider until 31 December 2021 (initial criteria to be assessed as 'satisfactory progress')	Self-assessment	Recommendations/Next steps
Public register of beneficial owners (recommended) (2.5.a).	<i>Are there laws, regulations or policies in place to back establishing and maintaining a public register of beneficial owners, including those of corporate entity(ies) that apply for, operate or hold a participating interest in an exploration or production oil, gas or mining license or contract?</i>	<p>The new Law 112/2020 " For Beneficial Owners" has been approved on July 29, 2020 and the declaration of beneficial owners will commence in January 2021. This has been prepared for all businesses in Albania and it fulfil the EITI requirements on the disclosure of beneficial ownership in extractives .</p> <p>The law describes how the register of Beneficial Owners will be managed, secured, maintained and monitored.</p>	
Documenting the government's policy and MSG's discussions (2.5.b).	<i>Is the government's policy and multi-stakeholder group's discussion on disclosure of beneficial ownership documented, including details of the relevant legal provisions, actual disclosure practices and any reforms that are planned or underway?</i>	<p>The discussions are documented in the following: http://www.albeiti.org/viti-2018/ http://www.albeiti.org/viti-2019/</p> <p>Relevant legal provisions, common practices, the country's progress and anticipated changes are all documented in the EITI report.</p>	<p>Regarding planned reforms, a BO roadmap is available on the AlbEiti website: http://www.albeiti.org/site/dokumente-aktive/</p> <p>The new Law 112/2020 " For Beneficial Owners" has been approved on July 29, 2020 and the declaration of beneficial owners will commence in January 2021.</p>
Implementing countries required to request, and companies disclose, beneficial ownership	<i>Has the implementing country requested beneficial ownership information to be publicly disclosed by corporate entity(ies) that apply for, or hold a participating interest in an exploration or production oil, gas or mining license or contract?</i>	<p>Till July of 2020 legal framework supported the disclosure of direct owners but not and beneficial ownership. Companies that are selected as reporting entities were requested to provide</p>	<p>As compelled by the new law, company participation in BO disclosure is required for all companies registered in the country. This information will be</p>

<p>information (2.5.c).</p>	<p><i>Does the legal framework back the request?</i></p> <p>Have any corporate entity(ies) that apply for, or hold a participating interest in an exploration or production oil, gas or mining license or contract disclosed the information?</p> <p>Does the requested information include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted?</p>	<p>information on beneficial ownership.</p> <p>Not many companies opt to disclose this information willingly.</p> <p>The request forms include the identity of beneficial owners, their respective shares in the company, and asks about how ownership or control is exerted. All information listed in the EITI standard is requested.</p>	<p>available in a register administrated by QKB.</p> <p>However, the law abides by the obligations set by privacy laws where applicable.</p>
<p>Disclosing gaps and weaknesses (2.5.c)</p>	<p><i>Has the MSG assessed gaps or weaknesses in disclosure of beneficial ownership information, including an assessment of the materiality of omissions and the reliability of beneficial information?</i></p> <p>Has the government or MSG agreed and documented plans to overcome the identified challenges?</p>	<p>The greatest challenge till now lied in the barriers for disclosure posed by the current legal framework.</p>	<p>The new law, mentioned above, will address the disclosure of beneficial ownership for the licensees operating in the sectors in scope.</p>
<p>Required information about the identity of the beneficial owner: Nationality, country of residence, politically exposed persons (2.5.d).</p> <p>Recommended: National identity number, date of birth, address and means of contact (2.5.d).</p>	<p><i>Does the requested information include details of the identity of the beneficial owner(s), including nationality, country of residence, and identification of politically exposed persons?</i></p>	<p>The requested information does include these details, however in most cases companies do not disclose it willingly. This information is considered personal data and it was thus protected by law. The identification of politically exposed persons is conducted by public institutions, but not disclosed due to the current privacy laws.</p>	<p>The new law lists information on nationality and country of residence, as well as other data mentioned in requirement 2.5, as mandatory for disclosure.</p> <p>However, we did not see any requirement stipulating public disclosure of politically exposed persons.</p>
<p>Assurances on the accuracy of information (2.5.e)</p>	<p><i>Has the relevant government entity or the MSG established an approach for participating companies to assure the accuracy of the beneficial ownership information they provide?</i></p>	<p>Based on the relevant ministry's reporting, they do not conduct any assurance processes regarding beneficial ownership. However, penalties are applied for the misstatement of information.</p>	<p>Beneficiary owners will be required to provide all the necessary information to the private entities subject to reporting on beneficial ownership. The penalties for inaccuracies in disclosure are set to enforce the appropriate participation of companies.</p>

			<p>If errors are identified by QKB they are entitled to amend the disclosure.</p> <p>In the case that a private entity incorrectly reports its beneficiary owners, the person registered as a beneficiary owner has the right to file a lawsuit against the subject.</p>
<p>MSG should agree a definition of beneficial owner (2.5.f.ii), including ownership thresholds and reporting obligations for PEPs.</p>	<p>Has the MSG agreed an appropriate definition of the term beneficial owner?</p> <p>Is the definition aligned with Requirement 2.5.f.i and does it take international norms and relevant national laws into account?</p> <p>Does it include ownership threshold(s) and specify reporting obligations for politically exposed persons?</p> <p>Is the definition included in the EITI Report or does the report include a reference or link to another public source (e.g. a law) that includes the definition?</p>	<p>For the purpose of this reporting cycle, the MSG has defined beneficial ownership as follows: "<i>Beneficial owners are those persons who individually own or control more than 25% of a company's shares or of voting rights and/or if he or she is politically exposed, regardless of their participation in the company, the applicable threshold shall be lowered to 10%</i>".</p> <p>The definition is included in the EITI report, specifies reporting obligations for politically exposed persons, and is closely aligned with the legal definition.</p>	<p>The new legal definition of beneficial ownership is aligned with Requirement 2.5.f.i.</p> <p>Direct and indirect ownership definitions include ownership thresholds.</p> <p>Political exposure of beneficial owners, and its effect on thresholds, is not addressed in the report nor in the new Law for Beneficial Owners.</p>
<p>For publicly listed companies, name of stock exchange and link to stock exchange filings (2.5.f.iii).</p>	<p>For publicly listed companies, including wholly-owned subsidiaries, has the name of the stock exchange been disclosed and a link included to the stock exchange filings where they are listed, either in the public register on in the EITI Report?</p>	<p><i>Not relevant in Albania.</i></p>	
<p>EITI Report should disclose legal owners and share of ownership (2.5.g).</p>	<p>Is information about legal owners and share of ownership of such companies publicly available?</p>	<p>This information is publically available on:</p> <p>http://qkr.gov.al/kerko/kerko-ne-regjistrin-treqtar/kerko-per-subjekt/</p> <p>The steps to access this information are disclosed in the report.</p>	

Appendix 5:

Representation Letter

The following table only lists companies that have reported.

Subject	NUIS	Industry	Representation Letter	Agreed on disclosure of flows
"BEAT GENERATION" SHPK	L42423012I	Mining	yes	yes
"D & A" Sh.P.K	K11829502V	Mining	yes	yes
"XYZ 08" SHPK	K92110004Q	Mining	yes	yes
"HIDROALBANIA Energji" shpk	K98420202O	Hydropower	yes	yes
"DITEKO" sh.p.k	K92108022E	Hydropower	yes	yes
11 Heronjte Bater	K28310906F	Mining	yes	yes
3A-160 sh.p.k	L61523043R	Mining	no	yes
Agbes Konstruksion	K32807432W	Mining	no	yes
Ag-Invest	J72015001L	Mining	no	yes
Alb - Canaj	K07729901W	Mining	yes	yes
Alb Ieaa Internacional	J86906408N	Mining	no	yes
ALBA - CO shpk	J78311933L	Mining	no	yes
Albanisa Krypi	J96829413B	Mining	yes	yes
Albchrome	K11613001M	Mining	yes	yes
Alb-Energy shpk	L51503039D	Hydropower	no	yes
ALBMINE & CHROME	L52228034M	Mining	no	yes
Albpetrol Sh.a.	J82916500U	Oil & Gas	no	yes
Al-Gem sh.a	L11401018K	Mining	yes	yes
Allkurti	L01614001R	Mining	yes	yes
Ana 2013	L37009201B	Mining	yes	yes

Anio Oil&Gas sha (ish Trans Atlantik Albania Ltd)	L42223008U	Oil & Gas	yes	yes
Antea Cement Sh.a	K61914005R	Mining	yes	yes
Ardas	K86407401R	Mining	no	yes
Aris	K97114401A	Mining	no	yes
Arkev shpk	K86603401D	Mining	yes	yes
ASAB	L21317019E	Mining	no	yes
ATEANI shpk	J68103911D	Mining	no	yes
B & B Stone	K73627001A	Mining	no	yes
B&AD Construction sh.p.k	L36506201A	Mining	yes	yes
Babasi - 2	K04226216O	Mining	no	yes
Babasi COO shpk	J74517209B	Mining	yes	yes
Balkan Green Energy sh.p.k(ish ESEGEI)	K71624026M	Hydropower	yes	yes
Bankers Petroleum Albania Ltd.	K43128401L	Oil & Gas	no	yes
BEBJAshpk	K06626408F	Mining	no	yes
Beralb sha	K12107002A	Mining	yes	yes
Bledi	K36811904G	Mining	no	yes
Blerimi Kosturr 2010	L07525201B	Mining	no	yes
Braiden	L67421401T	Mining	yes	yes
Ceruja	K48429906N	Mining	no	yes
ColacemAlbaniashpk	K72306010V	Mining	yes	yes
Comercir	K36805204D	Mining	yes	yes
Çupi Group shpk	L06417401O	Mining	yes	yes
Delvina Gas Company LTD	L61416039U	Oil & Gas	yes	yes
Dema Patin	K87530903A	Mining	yes	yes
Dervishi shpk	J96829420H	Mining	no	yes
DEVOLL HYDROPOWER	K82418002C	Hydropower	yes	yes

Dialba	J96829414J	Mining	no	yes
EGI-K SHPK	K77424401L	Mining	no	yes
Energal shpk	L57703201R	Hydropower	yes	yes
ENERGJI ASHTA	K82417005V	Hydropower	no	yes
Erli-D SHPK	L07324401C	Mining	no	yes
Ervini shpk	K26513467T	Mining	no	yes
Euron Energy" shpk	L57703202C	Hydropower	yes	yes
F.Kruja CEMENT FACTORY	K04226208A	Mining	no	yes
Fabrika e Pasurimit te Kromir Bulqize	K06626418M	Mining	yes	yes
Favina	J64104078V	Mining	no	yes
Gega - G	K27713604T	Mining	no	yes
Gerda - 07 sh.p.k	K77315401J	Mining	no	yes
Geri's 2002	K47220407H	Mining	no	yes
Gjoni Shpk	K06626412K	Mining	yes	yes
Global Interprise Group shpk	K87515901A	Mining	yes	yes
HEC Lanabregas	J62005002O	Hydropower	no	yes
Herbi	J98021906L	Mining	no	yes
Igli - 07	K88812401M	Mining	no	yes
Illyria Minerals Industri sh.p.k	L01629005J	Mining	yes	yes
Isaku	J96829402J	Mining	no	yes
Ivno 1100	K47220405O	Mining	no	yes
Jaho-Mat	K07729917I	Mining	no	yes
K.I.D -ALB shpk	K52128506K	Mining	yes	yes
K-12 (Red mines)	K62418008C	Mining	no	yes
Kaprolla & Kompani	L06817401D	Mining	yes	yes
Kaprolla shpk	K86314401D	Mining	no	yes
Kegli-Duri sh.p.k	K94016202U	Mining	no	yes

KESH sh.a.	J61817005F	Hydropower	no	yes
Kevger sh.p.k	L06410401C	Mining	no	yes
KLERAJDI shpk	K19003407J	Mining	no	yes
KLERVIBRIS	K86328401E	Mining	no	yes
Klevi 10 Sh.p.k	L01818011E	Mining	no	yes
KLISAL sh.p.k	L23409002A	Mining	yes	yes
Klosi	J98021907T	Mining	no	yes
Koka	K06626403L	Mining	yes	yes
Koldashi Chrome Minerals sh.p.k	L08412202M	Mining	yes	yes
Krasta	K26513465D	Mining	no	yes
Kuarci Blace	K24207608A	Mining	yes	yes
Kujtimi & Lena shpk	L07207702J	Mining	no	yes
Kurum International sh.a	K02727230T	Hydropower	yes	yes
LED - BJON shpk	K92810002V	Mining	yes	yes
Lim - Em	K22218005O	Mining	yes	yes
Makaresh sh.p.k	K24725213C	Mining	no	yes
Mara 2011	L18516901B	Mining	no	yes
Milenium	K04005052C	Mining	yes	yes
Mineral Bitumen	K87021202E	Mining	yes	yes
Miniera e Kromit Katjel	K67812601U	Mining	yes	yes
Mining Ferro Nikel	L31929015F	Mining	yes	yes
Mustafaj shpk	K13001013H	Mining	no	yes
Neli Sh.P.K	J68103906N	Mining	no	yes
Nika	K92028004L	Mining	yes	yes
Pakti	L26912401G	Mining	no	yes
Pietra Nesli shpk	K53129001Q	Mining	yes	yes
PIRALI shpk	K32522607E	Mining	yes	yes

Platinum Alb	K91624006A	Mining	yes	yes
Priska sh.p.k	J64416207W	Mining	yes	yes
Qato - 01	K69209401C	Mining	no	yes
Ra-Krom Tirana	K88016902A	Mining	yes	yes
Ral	J96829416C	Mining	no	yes
Ro-Gent-1 shpk	L06510401F	Mining	no	yes
Salillari	J62903125G	Mining	yes	yes
San Leone Energy Plc.	K81421014P	Oil & Gas	yes	yes
Santara shpk	J64102248C	Mining	yes	yes
Selenice Bitumi	K16815202M	Mining	yes	yes
Shell Upstream Albania B.V	L21807009I	Oil & Gas	yes	yes
Sherwood Internacional Petroleum Ltd	L01607016G	Oil & Gas	no	yes
SHKALLA shpk	J98021904S	Mining	yes	yes
Shkemi	K26513471B	Mining	no	yes
Shpiragu	J72603135F	Mining	yes	yes
Shpresa - AL	K31321021N	Mining	yes	yes
Sokolaj sh.p.k	K64312403D	Mining	no	yes
Sorige Alb	K87608602E	Mining	yes	no
Stone Group Albania shpk	K64727001E	Mining	yes	yes
STONE PRODUCTION. SHPK	K41313033U	Mining	no	yes
Tadri sh.p.k	J68403919H	Mining	yes	yes
Tanusha	J64104103H	Mining	no	yes
Teki sh.p.k	L48312301L	Mining	no	yes
Tete	K71627041B	Mining	yes	yes
Topi Eki	J82916504G	Mining	yes	yes
TRANSOIL GROUP AG (IEC Visoka Shp)	L11725004I	Oil & Gas	no	yes

TUR-ALB-KROM sh.p.k	K81819509L	Mining	no	yes
Valteri Grand Sh.P.K	K72327010L	Mining	no	yes
VEGA Sh.p.k	K01524006L	Mining	yes	yes
Vellezerit Hysa	K12911201C	Mining	yes	yes
Vellezerit Llupo	K02701009U	Mining	no	yes
Vllaznimi Deda Imp-Exp	J78716319A	Mining	no	yes
Xhiretone	J71909005P	Mining	yes	no
Xhulio	J74517202O	Mining	no	yes
Ylberi	K07729908J	Mining	no	yes
Zasha	K82217010F	Mining	yes	yes
Zguri shpk	K06626406M	Mining	no	yes

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