

**SUMMARY OF MINUTES OF MEETING**  
**INVESTMENT COUNCIL (IC)**  
**MEETING XXIX**

***“Challenges of the SMEs in the Transition to Alternative Energy Sources”***

**Tirana, 31 January 2023, 11:30 – 13:00**

The meeting was chaired by the Minister of Finance and Economy and IC Chair, Ms Delina Ibrahimaj. The meeting was attended by 13 IC members and over 40 observers - representatives of the local and foreign business associations and state institutions in Albania.

**Opening of the Meeting by Minister Delina Ibrahimaj, IC Chair**

In her opening speech, Minister Ibrahimaj highlighted that energy has been at the centre of discussions for the government and the business in the past two years. Although this period has not been easy for the business, the country's economy has shown resilience and flexibility, with the government undertaking adequate measures. The green transition and investments in renewable energies at all business levels is a joint work and challenge, and she expressed her willingness to collaborate with the business to undertake further necessary initiatives. The Minister affirmed that Albania is a country that produces electricity from renewable sources and emphasised the fact that the government (through the Ministry of Infrastructure and Energy) has taken measures to meet the objective of diversifying the supply of electricity. Considering that Albanian businesses rely mainly on electricity for their production activity, Minister Ibrahimaj mentioned that the government has subsidised and will continue to subsidise the electricity price for most businesses.

**Presentation of the analysis by the Secretariat**

Ms Diana Leka (Angoni), IC Secretariat, informed that the Secretariat's analysis has as its main objective the stimulation of the dialogue on the SMEs' challenges for investing in alternative energy sources, with a focus on a) the quality of the energy supply and the factors that affect the decision-making to invest on alternative investments and b) awareness about access to finance. The study highlights the need for prioritising interventions to address entrepreneurs' uncertainties within the energy market dynamics and the Green Agenda.

In the end, Ms Leka thanked the partners: Auleda Vlora, the Durrës Chamber of Commerce and Industry, the Union of Albanian Producers, the Women's Economic Chamber and the Municipality of Korça for the support provided in the successful organisation of meetings with businesses.

**Summary of main discussions**

Mr Christoph Denk, EBRD, congratulated Minister Ibrahimaj, the members of the Investment Council, and the Secretariat for their involvement in this important public-private dialogue platform, and thanked the donor of the Investment Council, the Swiss Government, for enabling this forum to come together. Today's topic is very important for all countries and businesses in the double challenge of energy security and green transition—both coming together in the context of renewable energy, where Albania has a special role. The key challenge is to diversify from

hydropower also to other forms of renewable energy like wind and solar, where Albania has made great steps ahead, particularly through the successful auctions for renewable energy that have gained widespread attention in the region and among investors. Other important milestones are necessary for the further development of the market, including the day-ahead market for example, as well as addressing challenges that shall come up in the findings identified by the technical note of the Secretariat—to effectively provide reliable and high-quality delivery of electricity, which is crucial for SMEs. EBRD is supporting the sector through financing but also through policy advice and policy engagement in the sector reforms, while it supports SMEs through partner banks and advises them through EBRD's Advice for Small Business Programme while addressing even more the topic of training and skills that are essential for the development of renewable energy and for the green economy transition.

**Ms Klodiana Ajazi, Women Economic Chamber (WECA)**, thanked for the priority given to the gender issue and further stated that their recommendations represent both large and small businesses, while the small business was particularly targeted for completing the Secretariat's survey. The main recommendations of WECA are:

1. In addition to the new strategies and laws being adopted, it is necessary to set up working groups and a proactive approach between institutions and business chambers to enable information sharing, not only on the fiscal incentives offered in the energy sector but also as regards to the technical terms and their practical implementation. Although SMEs may have financial resources to invest and they do need to invest, many do not understand this type of investment and do not have information about the right model.
2. Designing programs as per the sectoral specificities, given that various sectors have different challenges.
3. Capacity-building of the structures implementing pertinent laws/strategies or even the recommendations given in regard, because despite having good laws, we lag behind in their implementation. For example, energy efficiency in Albania is directly impacted by construction standards and quality. Despite the legal requirements and standards (included in the laws) and respective audits, the new or old buildings do not meet the criteria provided in the Law on Energy Efficiency. Therefore, there is a need for better cooperation between institutions/chambers/businesses in regard to monitoring and control.

Meanwhile, big companies face a critical challenge, which perhaps should be addressed to MIE. Producers and self-producers have a question: Is today's distribution line able to cope with the current demand to invest in renewable resources?

**Mr Enea Karakaçi, MIE**, said that the Secretariat's findings and recommendations are quite interesting, and some of them are already known by MIE. In the past year, MIE has developed a series of consultation round tables with business associations/chambers/companies, while with the Tirana Chamber of Commerce, there was also a working group related to energy. The law on renewable sources is now in parliament for approval, and the draft law includes a number of the recommendations mentioned here, e.g. annual netting, energy community, etc. On the other hand, some elements must be taken into consideration by the business and the chamber. It is clear that the state budget cannot indefinitely support the price of energy for the business. The business connected to 35 KW, despite having high prices, they are still at lower levels than the market's prices since the Albania Power Corporation (KESH) still supplies them.

*Some good news:* ALPEX venture company (Albanian Power Exchange), since November 2022, has started training for operators who want to be part of it. All interested parties are invited to become part of this training as, according to the forecasts, the exchange market will be operational within April 2023. In regards to self-production, it is a fact that in 2019 there was 0 MW of installed self-production capacity, while at the end of 2020, this reached over 100 MW, a high figure that comes

as a result of state incentives. Despite the problems with the procedures, municipalities, building permits, etc., the increase in the price and the simplification of the procedures has increased the interest in this technology, and in 2023 this capacity is expected to be doubled. In the last call for WBIF, MIE will continue its measures for the diversification of renewable energy. A call will be held for a 50 MW investment that KESH will invest in Belsh. Also, through WBIF, an application has been made in terms of energy efficiency measures where MIE has requested a fund of up to 20 million Euros and the winner is expected to be announced. This fund will continue the measures taken to date in photovoltaics and warm water for households, and it can also be further extended to financing measures for businesses.

In the end, he expressed his interest in discussing with the representatives in this meeting one more issue: EBRD has dedicated a fund together with the EU to commercial banks in the country for direct financing in energy efficiency, where 10%-20% is a grant. However, Albania has the lowest level of penetration in the region in this regard, and this needs exploration also from the perspective of the entities to understand why this happens.

**Minister Delina Ibrahimaj, MFE**, expressed the need for increased business awareness—a finding of the Secretariat’s survey as well—and in this regard, the chambers of commerce are the best medium. The existence of a portal that summarises all available information is not sufficient, as many SMEs may not be able to access it. Therefore, it is important for the chambers of commerce to cooperate with regard to public information and consultation. Also, in the previous IC meeting from last year dedicated to public consultation, it was found out that businesses do not use the online consultation portal. The most preferred form turned out to be the round table, which still has some limitations and does not allow for inclusiveness. For this reason, more work should be done in terms of the level of cooperation, and after this meeting, the Secretariat can continue to receive proposals in this direction.

**Mr Nesti Tarusha, Fix PRO sh.p.k.**, said that the production sector is the most affected by the energy crisis and the global crisis in general. As a result, businesses are forced to find themselves the solutions to face these crises. Firstly, the company Fix Pro took the decision to invest in August 2021, and in October 2021, the 0.5 MW energy production plant was put into operation (within the allowed limit), which today covers 60% - 65% of the consumption that the company needs. Secondly, the company operates in conditioning mode and refrigeration capacity, and for this reason, it has intervened in its cooling system to use up all the energy of the compressors for sanitary water. Thirdly, the company has intervened in the entire lighting system by replacing all the bulbs with LED lighting. The last intervention has been in waste processing to ensure the factory’s heating.

The company’s suggestions to the government are:

1. **More flexibility for timely approval decisions.** The company decided to invest with its own funds because, according to its forecast, it would take up to 1 and a half years for the fund to be approved if it applied to the IPARD funds, for example. Therefore, the state should respond faster for the business to seize opportunities.
2. **Review of the installation allowed capacity.** The 0.5 MW limit for installed capacity is low for most businesses as the needs are higher; therefore, its review would be greatly appreciated.

**Mr Luis Ndreka, Lufra**, raised the following issues:

1. **Installation limit** – As a large consumer, the 0.5 MW limit replaces up to 15%-20% of the consumption of about 350 MW per month. Understanding the difficulties of the distribution

line, he suggested a limit change based on a formula that experts can estimate based on % of average consumption or installed capacity—depending on the company’s energy consumption.

2. Energy efficiency – To create an incentive mechanism to support companies in purchasing new technological devices with low energy consumption.

**Mr Enea Karakaçi, MIE**, said that there is a constant demand from businesses to increase capacities for self-production and production through solar panels. The current distribution line is amortised, and despite important investments made, there are still capacity limitations. However, if we make a comparison in the region, Albania has a high level of 500 KW (among the highest along with Greece and Spain) compared to other countries with a level of 10-20 to the max. 200 KW. This is done based on our natural and solar sources. One of the mechanisms that has been under consideration was the annual energy netting, which may now be the time to accept it as an option.

As for investments in self-production, for those with high consumption, he suggested considering the installation of a 5-7 MW plant and making exchanges with other companies, thus expanding the activity area in this direction. Finally, the crucial element is investing in energy efficiency, but in 2022, the fund (allocated in cooperation with MFE) went to support household consumers by promoting the installation of panels. Currently, an application has been made to WBIF for a grant to facilitate the funding for efficiency meters.

**Ms Ekaterina Solovova, EBRD**, commenting on the lack of access to financing for renewables, which was mentioned by several IC members, she encouraged business associations, market participants, and individual businesses to reach out to EBRD, other IFIs, banks and donors, for the up to date information regarding financing options, in case such information is lacking or seems overwhelming. EBRD would be happy to provide updated information (even through workshops, if necessary) about its programs, the type of financing being offered and any other information about available options. On the other hand, business members are also welcome to present any specific project that might be of interest to EBRD. EBRD provides direct financing, financing and risk sharing through commercial banks, and it also mobilises donor grants for both investment and technical assistance for individual projects.

**Dr Constantin Von Calvensleben, FIAA/Voltalia**, thanked for the opportunity to participate on behalf of FIAA. Voltalia Albania sh.p.k. started operating in Albania at the end of 2020 after winning an Albanian Government tender for solar energy. Currently, Voltalia’s biggest construction project is the construction of the Karavasta solar plant with 140 MW co-financed by EBRD and IFC, which will deliver “green” power to KESH at an affordable price from October 2023. Voltalia has also won the other project, the “Solar Park in Spitalle”, with a 100 MW peak which is currently in the preparation phase. MIE has strongly promoted the development towards renewable energies, but there are still numerous issues for renewable energy developers:

1. Unclear land ownership titles. It is necessary to improve the cooperation between the Albanian Cadastre Agency and the business to solve the issues of land ownership titles necessary for establishing parks/plants. The building of transmission lines and towers requires the need for the expropriation of land, which can be made on the *basis of servitude* as done in some countries, as it offers the advantage that when the line is no longer needed, the land can be returned to the original owner (this way, the resistance can be avoided).
2. Shortening the approval process of construction permits by the National Council of the Territory, which is currently too long and bureaucratic.
3. The selling of energy can be facilitated if there are international interconnection lines with increased capacities, such as the one with Greece. The line with North Macedonia is also important, where work is being done, but a line in the North should also be considered. The more such lines are

added and the sooner they are completed, the better it would be for businesses, making the investments more accessible and more easily financeable.

4. Renewable energies are intermittent by nature because if the sun is not shining or the wind is not blowing, no energy is produced. Therefore, the storage of energy is very important, but currently, there is a lack of regulatory framework on battery-based power storage.
5. Agricultural land is definitely very important for agriculture, but in some non-fertile areas for agriculture, it would be in the interest of energy-producing investors to facilitate the transfer of the destination of these lands from agricultural to land for energy production.
6. A good fiscal climate is also very important. Efforts have been made in the tax framework by MIE and MFE, but it would be appreciated if the incentive for the removal of import VAT for photovoltaic equipment such as panels, transformers, inverters and other equipment is taken into consideration.

**Mr Enio Jaço, AmCham**, emphasised that the modernisation and transfer to alternative sources of energy unite the interests of the private sector and the government. Land is an issue that is still unclear as to what criteria the land should meet to be considered for energy investments. The distribution network was discussed as having its own limitations. Incentives are sometimes unclear or not aligned with EU standards—a great investment opportunity for SMEs, but not all incentives are in their favour. AmCham's four recommendations are:

1. The regulatory framework for private investments in renewable energy has room for improvement. It is appreciated that a new law is being proposed.
2. Public investments are needed in the distribution network to allow private sector investors to have a much higher production capacity and sell back to the grid.
3. More fiscal incentive policies for SMEs aligned with EU standards, such as those of ARDA that are in line with EU directives, but more incentives are needed.
4. Increasing the role of business chambers and associations in public consultations on the regulatory and legal framework in this regard, as they are the actors that can raise awareness.

**Mr Enea Karakaçi, MIE**, said that although there is an eagerness to participate in the public consultation, there is also a general complaint about the non-development of the public consultation. The draft law on renewable sources remained published in the electronic register of public consultation for over three months, but the interest and comments on it were zero. Everyone in this meeting expressed interest in public consultation, but business associations do not seem to be very focused on being actively involved in this process. The fact is that for this consultation, there was no direct commitment from any entity.

However, MIE is open to discussing with the interested actors to find a better mechanism for the public consultation process, but in the meantime also, the associations should get engaged to collect valuable comments for the improvement of the draft laws.

**Mr Nikolin Jaka, Tirana Chamber of Commerce**, thanked the Secretariat for the study by including in one material the concerns of the private companies, with a focus on the SMEs. According to the chamber's estimations, very few companies are engaged in the 35 KW-110 KW voltage; therefore, there should be around 40 large consumers. Mr Jaka raised the following recommendations:

1. The energy crisis has changed the rules, and perhaps it is time to analyse the costs and assess whether the installed power limit can be increased above 0.5 MW or 1 MW. The idea is to support the private sector and evaluate the real opportunities that are imposed by the current situation. It is appreciated the support that MIE gave to the business in 2022. The initiative of business associations and chambers of commerce to establish a joint working group with MIE was materialised in January 2022. Out of 7 requests from the business community, MIE accepted



5. One of the unfulfilled requests was related to the demand for increasing the power capacity installed by self-producers.
2. There is a need for significant investment in the transmission line. Commending the collaboration with MIE (and respective working group), the current condition of the transmission line and the need for focused investments should be assessed. Also, Mr Jaka appreciated the MFE's support regarding the business proposal to exempt from VAT the imported machinery and equipment for investment in wind or solar renewable energies.
3. A big question mark is related to our country's capitalisation of renewable sources or energy efficiency. MIE-MFE-IC-EBRD, all together, must think about a strategy on how to develop and use BRE. What is its focus, and where should we concentrate our efforts? Time has shown that business in Albania is done more by intuition rather than calculation. In the past two years, there has been an increased interest in investing in RES, which is related to the increase in energy demand. We must be clear about the effectiveness of these investments so that history does not repeat itself—e.g. in the '90s everyone was focused on trade, in '97 on construction and then on nuts and olives. There is a risk of making many investments without simultaneously optimising them in practice. Companies are currently focused on the purchase of land to invest in energy parks, but there is currently a lack of a law that structures or channels these investments or areas that maximise yield and do not cause harm.
4. It is positive that MIE is putting the energy exchange market into operation, but we need to see how much trained the operators are to enter the energy exchange market and how much educated they are about the energy market. The IC can further address the energy topic in the future.
5. A question for the EBRD: As per our knowledge, in EU countries, there are incentives that are given for large investments in the field of energy that cover even 50% of the financing needed for the investment. Is it time for Albania to be included in these EBRD-EU subsidies? If so, it is time for ministries to get involved and structure this support and subvention for the business.
6. The two companies, Lufra and Fix Pro, clearly expressed the requirements of the business. The present maximum installed power capacity of 0.5 MW covers only 15%-20% of business energy requirements. Meanwhile, support schemes and subsidies for households are conditioned by how they are built and arranged.
7. We commend that investments are allowed in a place different from consumption. But in this case, it should be clarified what the transmission costs will be.

Small and medium-sized businesses have problems with the procedure of obtaining building permits for photovoltaic plants for self-production. Most of the debates and complaints are related to the obstacles encountered in the municipality regarding this fact.

**Minister Delina Ibrahimaj, MFE,** stated that MIE has provided timely help and solutions to business requirements in various categories and is currently in a “constructive debate” with MFE regarding support measures, as fiscal stability must also be considered. MIE has been implementing a strategy in the field of energy for years, which has slowed down due to the objective circumstances the economy is going through, but in any case, in favour of business. The focus of this meeting should be on the SMEs.

**Mr Giordano Gorini, Confindustria Albania,** raised the following issues:

- 1) The main problem identified by Confindustria members is the amortised distribution line. In parallel with the increase in production capacity, investments must be made in the transmission and distribution network. Positive examples in Italy and other European countries indicate that where there is a transmission and distribution line able to absorb the energy produced, renewable energy production sources do not create a problem for each other. This is a key element for increasing capacity from photovoltaics and a requirement for HPP manufacturers and small and medium-

sized enterprises as well. There are cabins in various parts of Albania which are not able to handle the energy that goes through the electrical grids. In this view, investments made by SMEs or other enterprises are not added value as long as the network does not properly absorb them.

- 2) Another major problem is related to the instability of the network, which also causes damage to the existing investments, such as the case of the Maccaferri Group. To have stability in the production of energy of 3 MW, the company must have the stability of the network, the ups and downs of which damage and condition the production capacity.

### **Closing of the meeting**

At the end of all comments, Minister Ibrahimaj thanked the participants for their high interest in contributing to this topic and asked the members to bring proposals for the 2023 IC Agenda.

## List of participation

### Government representatives

1. Ms Delina Ibrahimaj, IC Chair/Minister of Finance and Economy
2. Mr Reald Keta, Advisor for the Energy, delegated by Ms Edona Bilali, Minister of State for the Protection of the Entrepreneurship

### Business representatives

1. Mr Nikolin Jaka, Chair, Chamber of Commerce and Industry of Tirana
2. Ms Ines Muçostepa, Chair, Union of Chambers of Commerce and Industry (UCCIAL)
3. Ms Klodiana Ajazi, Founder & Executive Director, Women Economic Chamber (WECA)
4. Mr Aleko Proko, Executive Director, Union of Albanian Producers
5. Mr Enio Jaço, President, AmCham Albania
6. Mr Bilal Kara, Chair, Albanian - Turkish Chamber of Commerce and Industry (ATTSO)
7. Mr Nesti Tarusha, Administrator, Fix Pro sh.p.k. (*ad-hoc*)
8. Mr Luis Ndreka, Administrator, Lufra (*ad-hoc*)

### International partners

1. Ms Ekaterina Solovova, Head of EBRD Albania
2. Ms Laura Qorlaze, Country Representative, IFC Office
3. Ms Ledia Muço, Advisor for Economic Affairs, delegated by Mr Hubert Perr, Head of Cooperation, EU Delegation

### Absentees:

1. Ms Natasha Ahmetaj, Deputy Governor, Bank of Albania
2. Mr Sokol Nano, CEO, AIDA
3. Mr Emanuel Salinas, Country Manager, World Bank
4. Mr Ardian Lekaj, Chair, Albanian Chamber of Business Diaspora

### **Special guests:**

1. Mr Christoph Denk, Managing Director for Policy Strategy and Delivery, EBRD
2. Mr Patrik Meier, Deputy Head of Mission, Embassy of Switzerland in Albania
3. Mr Enea Karakaçi, Director General for Policies and Development of Energy and Industry, MIE

### **Other Participants:**

#### Previous IC business members:

1. Dr. Constantin Von Alvensleben, Member, FIAA /Country Manager, Voltalia Albania
2. Mr Giordano Gorini, Vice President, Confindustria Albania
3. Ms Gerta Bilali, Executive Director, Confindustria Albania
4. Mr Spiro Brumbulli, Secretary General, Association of Banks in Albania (AAB)
5. Mr Bledar Mankollari, Executive Director, German Chamber of Commerce (DIHA)
6. Ms Mira Pogaçi, Executive Director, Union of Albanian Traders (BTSH)



Other representatives

7. Mr Edvin Preņçe, Chair, Association Pro-Eksport Albania (PEA)
8. Mr Samir Shqarri, Chair, Swiss Chamber of Commerce in Albania (SWISSA)
9. Mr Agim Rrapaj, Chair, Council of Albanian Agribusiness (KASH)
10. Ms Albana Laknori, Secretary General, Tirana Chamber of Commerce and Industry
11. Mr Bashkim Sykja, Chief of Cabinet, Tirana Chamber of Commerce and Industry
12. Mr Reinaldo Pipiria, Chair, National Association of Real Estate (NAREA)
13. Mr Artan Gjergji, Secretary General, Albanian E-Commerce Association (AECA)
14. Mr Dritan Mezini, Chair, Albanian Information Technology Association (AITA)
15. Ms Edlira Muedini, Project Manager, RisiAlbania
16. Ms Aida Lahi, Policy Advisor for Economic and Trade Affairs, Embassy of the Kingdom of the Netherlands in Albania
17. Ms Manjola Mumajesi, Trade Analyst, Italian Trade Agency (ICE)
18. Mr Bardhi Sejdarasi, Chief Editor for Economy, Albanian Radio and Television (RTSH)
19. Mr Martin Serreqi, Deputy Dean for Entrepreneurship and Relations with the Public, Economic Faculty of the University of Tirana (FEUT)
20. Mr Ledjon Shahini, Lector, Economic Faculty of the University of Tirana (FEUT)
21. Mr Sokol Spahiu, Energy Expert