

ALBANIA

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Background information

Albania is playing a leading part in international efforts to stop global warming and limit damaging climate change, which particularly threatens developing countries and the poor and vulnerable. The Albanian Prime Minister strongly supported the view that it was vital to reach international agreement on a new commitment period under the Kyoto Protocol at the meeting United Nations Framework Convention on Climate Change (UNFCCC) meetings in Copenhagen in December 2009.

Country context

Albania ratified UNFCCC in 1995 and has the status of a non-Annex I Party. Recently, Albania ratified the Kyoto Protocol as well. The Government of Albania has taken considerable steps toward the implementation of the UNFCCC requirements, such as preparing the First National Communication (FNC), a Technology Needs Assessment (TNA) and compiling the National Action Plan (NAP) to address climate change, with UNDP/GEF support. The Second National Communication (SNC) to the UNFCCC was recently realized.

According to the FNC, Albania is a relatively low net emitter of greenhouse gases (GHGs), with relatively low carbon dioxide (CO₂) emissions per capita, mainly due to the fact that over 90% of electricity is generated by hydro-sources. The energy sector contributes more than 60% of total emissions. Relatively high CO₂ emissions on a per-GDP basis are explained mainly due to high energy intensity. Based on the predictions for future emissions, by 2020 total emissions will rise by more than five times. Although Albania has made no commitments to reduce GHG emissions, the NAP aims to curb their growth.

Major commitments under the UNFCCC

By becoming a party to the UNFCCC, Albania has accepted a number of commitments which include, *inter alia*, to:

- Develop, periodically update, publish and make national inventories of anthropogenic emissions by sources and removals by sinks of all GHGs not controlled by the Montreal Protocol available to the Conference of the Parties of UNFCCC.
- Formulate, implement, publish and regularly update national and, where appropriate, regional programmes containing measures to mitigate climate change.
- Communicate information related to implementation of the UNFCCC to the CoP, in accordance with Article 12.

After the completion of the FNC, Albania secured “add-on” support from UNDP/GEF. Through this project, the climate change team that prepared the FNC has completed a TNA Report. At the start of the project, in 1998, a climate change office was established in the Ministry of Environment. This office serves not only for UNDP/GEF project implementation but is also responsible for the implementation process of the UNFCCC, serving as the national focal point and a possible nucleus for a national UNFCCC secretariat/committee in the future. A Programme Steering Committee has also been established that oversees all projects and activities within the framework of the UNFCCC. This informal committee includes high-level participants from all major governmental and non-governmental stakeholders. A technical-level national climate change team with three thematic working groups (on GHG emission inventories; GHG abatement measures; and vulnerability and adaptation) has been established.

Legal framework in support of implementation of the Kyoto Protocol and the Clean Development Mechanism

- Law No. 9334 dated 16.12.2004 on: “Ratification of Kyoto Protocol (KP) from the Republic of Albania,” and Law on Amendments to the Law No. 9385, dated 4.5.2005 “On Forests and Forest service”.
- The Ministry of Environment, Forestry and Water Administration (MoEFWA) is the responsible National Entity for implementation of the Kyoto Protocol in the Republic of Albania.
- Forest definition for the purposes of the Kyoto Protocol/Clean Development Mechanism (CDM) projects Law No. 9890, dated 19.03.2008. Amendments to Law No 8934, dated 5.9.2002 on “Environment Protection”, give the responsibility to the Minister of Environment of Albania to issue rules and procedures for hosting CDM projects in Albania, including Memoranda of Understanding and Agreements with the Governments of Italy and of Denmark. Other CDM-related agreements include with the World Bank Bio-carbon fund, and with Austrian Technical Cooperation.

Current Institutional Framework for CDM

Designated National Authority: The Government of Albania appointed the Climate Change Unit of the Ministry of Environment as the Designated National Authority (DNA). The basic functions of the DNA are to decide sustainable development criteria; confirm voluntary participation of the project participants; and confirm the sustainable development contribution of the project and issue Letters of Approval for the purposes of validation and registration under the CDM. The Ministry of Environment, Forests and Water Administration has responsibility for UNFCCC and Kyoto Protocol matters, and the DNA, through a Resolution of the Minister of Environment, was formally nominated to UNFCCC Secretariat in June 2005, upon the ratification of the Kyoto Protocol by Albania.

The Climate Change Programme/Unit is assigned to provide substantive support to the DNA. The scope of its responsibilities includes:

- providing substantive support to the Ministry for the implementation of the UNFCCC and Kyoto Protocol, including DNA functions;
- acting as focal point for UNFCCC and Kyoto Protocol, with responsibility for management and implementation of climate change projects: (National Communication; mitigation and adaptation projects);
- mobilizing resources (new projects for implementation of the UNFCCC and Kyoto Protocol); and
- developing a package of rules and procedures for CDM project approval and the associated support framework. This is being drafted and will be formalized soon.

Assistance on institutional capacity building

World Bank BioCarbon Fund

- Assisted Natural Regeneration Project (ongoing)
- Facilitation of Kyoto Protocol ratification and DNA establishment.
- Facilitation of the process for “forest definition” for the purpose of CDM projects.
- Baseline setting and monitoring methodology for an Afforestation/Reforestation (A/R) Land Use, Land Use Change and Forestry (LULUCF) Emission Reduction Purchase Agreement (ERPA) negotiation.

Italian Government

- Capacity building activities (ongoing):
- Legal and Institutional support
- CDM potential, Project Idea Note (PIN) development, feasibility studies.

Austrian Development Assistance

- Building Albania's capacity to access Carbon Finance (ongoing).
- Legal and institutional framework set-up for the DNA.
- Standard baseline studies (energy, forests).
- Increasing awareness of advantages of carbon finance.
- CDM strategy.

UNDP MDG Carbon Facility

- Identification of CDM projects with high sustainable development impact (ongoing)

Current situation with CDM

CDM potential identified:

- Approx: 2500 kilotonne CO₂ equivalent per year through an A/R CDM project.
- New methodology approved. Project AR-AM003 for Albania's assisted natural regeneration of forests (Project Design Document (PDD) developed; pre-validation and validation performed; Emission Reduction Purchase Agreement (ERPA) signed; project registered as CDM).
- 7 PINs for Small Hydro Power Plants (SHPPs) developed. 2 PDDs developed through Austrian assistance.
- A portfolio of 11 CDM projects are identified under the Memorandum of Understanding with Italy, and a tendering procedure is finalized for selection of companies to carry out feasibility studies.
- Work on sectoral baselines: Power sector (final draft) and Forest sector feasibility study (in progress).
- Reduce transaction costs; better estimate ER, prepare the PDDs faster.

Summary of climate change dimensions

This annual report summarizes the government's progress on activities to reduce greenhouse gas (GHG) emissions and adapt to climate change impacts during the past years. This report provides an overview of climate change policies and programmes across Albania. Some of these programmes have already been implemented, while others are being developed in consultation with stakeholders and/or leading experts. To address the climate change related issues, the Government of Albania has formed a partnership with the United Nations Development Programme (UNDP), and supported by the Global Environment Facility (GEF), Austrian Technical Cooperation and other donors, is implementing a series of projects in the area of climate change mitigation (energy efficiency, renewable energy, carbon financing) and adaptation (adaptation policies in the Drini-Mati river deltas, carbon neutral territories). The Swiss and Italian Governments are supporting the creation of a functioning market for solar water heating.

The Ministry of Environment, Forestry and Water Administration and UNDP in November 2009 released two national reports: "The Second National Communication of Albania to the United Nations Framework Convention on Climate Change" and "Albanian Policy Paper for Carbon Finance". The reports represent the culmination of the work of a team of experts over a three-year period. Albania's Second National Communication to the UNFCCC presents an assessment of Albania's present situation with regard to climate change. It also provides scientific information and evidence as valuable input for policy-makers in long-term development planning for relevant sectors. The report shows that GHG emissions in Albania in 2000 totalled 7619.9 Gg. The main contributing sectors were Energy (44.0%), followed by Agriculture (27.1%) and Land Use Change and Forestry (21.6%). The share of land use change and forestry is being significantly reduced, while the shares of energy and waste are rising. Among energy subsectors, transport is the fastest growing sector.

GHG emissions per capita in Albania were 2.47 t CO₂ equivalent, which is 4 to 5 times lower than the average of industrialized countries. This is due to generally low energy consumption, with more than 90% of electricity being produced by hydropower plants and most energy being consumed as electricity. Two development scenarios have been built for the abovementioned sectors: a baseline scenario, which considers the development of the sectors without mitigation efforts, and an abatement scenario, which considers the implementation of a set of prioritized measures, aiming to reach a reduction of GHG emissions of 48% by the year 2025.

The report highlights that adaptation measures are needed, together with legislative, regulatory, and institutional frameworks, to prevent negative effects of climate change and also to identify new methods and technologies. Climate change is expected to bring significant effects in all sectors analysed, with energy being the most sensitive one. Rising temperatures, changes in the amount of precipitation, and variation in humidity, wind patterns and the number of annual sunny days could affect both consumption and production of energy. The two reports have been produced in the framework of the UNDP Albania Climate Change programme, supported by the Global Environment Facility and Austrian Development Agency, and implemented by UNDP Albania.

Projects and programmes

Together, the Government of Albania and UNDP have committed to support the use of renewable energy sources, protect biodiversity, and streamline commitments to international environmental conventions, and specifically those related to Biodiversity, Climate Change and Land Degradation. UNDP supports the Climate Change Unit within the Ministry of Environment Forestry and Water Administration.

The Climate Change programme, as mentioned above, works with the Ministry through producing the necessary reports to the UN Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol. The reports enable the Government to sell its carbon credits to industrialized countries that produce excess carbon emissions through the Clean Development Mechanism (CDM). This particular type of foreign investment, called 'Carbon Finance', also allows Albania to continue reducing its own carbon emissions for further credits to sell on the international market.

UNDP promotes solar water heating in the marketplace, with a project that foresees the installation of 70 000 m² of solar panels in Albania, with a cumulative GHG reduction potential of 1.5 million tonne over the next 20 years. UNDP, through the Climate Change Programme and GEF, is addressing the first ever attempts in Albania at climate change adaptation with a project aimed at protecting vulnerable ecosystems and local livelihoods by identifying and mainstreaming adaptation response measures into development programming in the Drini-Mati River Deltas. By implementing the Stockholm Convention, Albania is also taking measures to eliminate or reduce the release of Persistent Organic Pollutants (POPs) into the environment, and to manage contaminated sites.

The Governments of Albania, of FYR of Macedonia, and of Greece are working together to protect globally significant biodiversity in the Prespa Lakes Basin. The three countries are integrating and coordinating ecological, economic and social goals to reduce pollution in the lakes, and are introducing environmental management practices.

In addition to the technical and financial support given to Government counterparts, UNDP provides support to a number of non-governmental and community-based organizations working on specific environmental concerns. UNDP is also supporting eco-tourism as a way to protect the environment and cultural assets while providing economic and job growth opportunities for primarily rural communities.

Table 1. UNDP projects in the area of Energy and Environment in Albania

Project name	Theme
Building Capacity to Access Carbon Finance in Albania (June 2007–December 2009)	Frameworks and strategies for sustainable development
Enabling Albania to prepare its Second National Communication in Response to its Commitments to the UNFCCC (March 2005–December 2009)	Frameworks and strategies for sustainable development
GEF Small Grants Programme (open-ended)	Conservation and sustainable use of biodiversity
Identification and prioritization of environmental hotspots in Albania (January 2008–July 2010)	National and sectoral policy and planning to control emissions of ozone-depleting substances and persistent organic pollutants
Identification of adaptation response measures in the Drini–Mati River Deltas (May 2008–May 2012)	Conservation and sustainable use of biodiversity
Integrated Ecosystem Management in the Prespa Lakes Basin of Albania, FYR-Macedonia and Greece (September 2006–December 2011)	Conservation and sustainable use of biodiversity
Strengthening capacities in the Western Balkan countries to address environmental problems through remediation of high priority hot spots - Albanian Component (October 2007–March 2010)	National and sectoral policy and planning to control emissions of ozone-depleting substances and persistent organic pollutants

Project Design Document for afforestation and reforestation project activities

Forest situation

Albania's forests cover 36% and pastures cover 14% of the total land area. The primary responsibility for forest and pasture management belongs to the Ministry of Environment, Forests and Water Administration. The forest ownership rights have been delegated to communes (local level) according to case-by-case decrees of CM during 2008: Amendment to the Law No. 9385, dated 4.5.2005 on "Forests and Forest Service". A National Strategy on Forests Management (2001) and Biodiversity Strategy (1999) address the sustainable management of forests. Degradation has been identified as a major issue for the country, mainly due to uncontrolled grazing. Illegal cutting, mainly for energy needs in rural areas, is another phenomenon.

Two projects, starting from 1996, have supported the transfer of forests to the communities, and sustainable forest management. The Albania Forestry Project (AFP) (1996–2004) supported the transfer of user rights and management of forest and pasture from the state to local communities. It was followed up by a Natural Resource Development Project (NRDP), 2005–2011, with the main objective of supporting expansion of community-based management of the natural resource of the country. As part of this project, the BioCarbon Fund of the World Bank agreed with the Ministry of Environment, Forests and Water Administration to pilot the first CDM project for Albania.

Project objective

To increase carbon sequestration through afforestation and reforestation of highly degraded land, which will also lead to enhanced sources of livelihood and incomes in poor rural areas, reduced soil degradation, improved water quality, and conservation of biodiversity

Project overview

This is the first CDM project for Albania and the area projected to be afforested is 6272.36 ha of degraded land; CO₂ emission reduction of approximately 280 000 t CO₂ (in the period 2002–2017) to be transferred to the World Bank as Emissions Reductions (ER). The project methodology is new and has been approved by CDM Executive Board (EB) as project AR-AM003. The period of crediting

will be 20 years, with possibility of renewal. The NRDP, funded by a credit from the International Development Association, will support the carbon sequestration project in its first years. Project participants are MoEFWA and the BioCarbon Fund of World Bank. The validation process was realized in 2009, with registration of the project on 2 January 2010.

The role of the communal Forest and Pasture User Associations (FPUAs)

The Carbon Sequestration project is based on Forest and Pasture User Associations (FPUAs). An FPUA will make an agreement with a commune to use a part of the communal forest land under the management of the commune for the purposes of the project. FPUAs will be responsible for the planting and tending of the trees. FPUAs will be the recipients of the payments for sequestered carbon received from the World Bank.

Where and how will the money be transferred?

The state owns the tradable rights in sequestered carbon because it owns the sequestered carbon as a component of a tree. The state would contract to sell those rights—carbon credits—to the World Bank through the ERPA. The World Bank would pay the price for the carbon credits into a bank account which will be directly under control and management of the FPUAs involved in the project.

How the local villages can benefit from the carbon payments?

The carbon payments will be transferred from the Carbon Association to each commune in the FPUA account; the amount of carbon payments will depend on the area in hectares planted or managed by each commune. The FPUA should produce a management plan for the expenditure of the carbon payments for environmental and social improvement (a re-investment fund) within the villages involved in the project, proportionally to the land made available to the project in each village. The FPUA should maintain proper accounts of any expenditure of project-related payments and will permit the Commune, the DFS and officers of the CFCUA to check on and audit those accounts.

Climate change impacts and dimensions

Climate change effects in Albania

In his article, written for the Internet forum On the Frontlines of Climate Change (<http://www.climatefrontlines.org/en-GB/node/249>), which was launched by UNESCO, in partnership with the Secretariat of the Convention on Biological Diversity (SCBD), the Secretariat of the UN Permanent Forum on Indigenous Issue (SPFII) and the Office of the High Commissioner on Human Rights (OHCHR), Mr. Edvin Pacara, Executive Director of the Institute for Environmental Policy in Albania, summarized the situation in Albania as follows:

Climate change effects were felt since the late 1990s in Albania, more precisely in 1997, when the winter came with very little or no snow at all. It used to snow a lot on the Albanian highlands, but in 1997 it snowed just once and very little. All of March and April were hot, and with very little rain. Since 1997, winters in Albania have become shorter and milder, whereas summers have become longer and hotter. Droughts in summer and sometimes even in autumn, and then sudden floods, have become more frequent. The coasts have started to erode along almost the entire Adriatic coastline in Albania due to sea level rise—in some places the sea has advanced more than 50 m inland, destroying the coastal forests and vegetation, and increasing the salinity in the lagoons and fields near the coast. Sea level rise has wreaked havoc on the beautiful Mediterranean Pine forests that cover the Adriatic coast in Albania. Most of the trees that are found on the coastal margins are dying from increasing salinity. In other places, especially in villages near the coast, the salinity in the soil and in the water wells has increased significantly, damaging the small rural economies along the coast.

The climate change effects have increased the number and the intensity of fires in Albania. During 2006–2007 there were 352 major fires that burned throughout Albanian parks and forests, burning entire ecosystems and pastures. In some areas you could drive for tens of kilometres without seeing a single tree

unburned—the fires devastated entire forests sometimes. The fires can be attributed to a higher temperature in summer, prolonged droughts and earlier melting of snow on the mountain caps. The climate change has brought mild winters, which have favoured the growth of tropical plants even in Albania. Seasons have shifted a lot too—trees used to lose their leaves by October and then flower in March, but now they lose leaves late in November and flower sometimes even by the end January.

Status of assessment and research on climate change

Documents

Several studies have been carried out regarding climate change issues, and also numerous assessments of climate vulnerability. Further information can be found on the following Web sites, as well as by following up on the references provided at the end of this report.

Web sites

www.ccalb.org/
www.ccalb.org/Progress%20Annual%20Report%202006_Climate%20Change%20Programme_Albania.pdf
www.ccalb.org/public%20awareness/pa_publications.htm
www.moe.gov.al/
sgp.undp.org/
www.ccalb.org/activities/activities_TNA.htm
archive.rec.org/REC/Programs/ClimateChange/Docs/country-assessment-report-albania.pdf
www.wbc-inco.net/attach/Report_Albania.pdf
www.esmap.org/filez/pubs/121200934336_FINAL_CESVAP_Albania_Climate_Vulnerability_Assmnt-English.pdf
www.undg.org/toolkit/tool.cfm?id=245

Legal framework and national policies related to climate change

Except for the laws on ratification of the UNFCCC and the Kyoto Protocol from Albania's parliament, there are no laws that address explicitly the issue of climate change. Because the energy sector emits a significant share of GHG emissions, the sector has been the focus of analysis and recommendations for climate change mitigation. In addition, the most relevant laws for climate change are those applying to the energy sector. The legislative framework on energy in Albania currently comprises a relatively large number of different items of legislation.

Laws related to climate change

Law on Energy Efficiency and Renewable Energy Sources (No. 9372 of April 27, 2005)

This is the most important law for climate change in general and GHG mitigation in particular. It focuses on promotion of energy efficiency and energy conservation, creation of an energy efficiency fund, energy efficiency labelling, and promotion of energy audit schemes. This law establishes the economical use of energy sources, the establishment of more reliable energy supply conditions, as well as the minimization of impact on the environment.

Law on Power Sector (No. 9072 of May 2003)

It assures the conditions of electricity supply to consumers, efficient functioning of the electricity market and adjusts the power sector to market economy conditions.

Law on Electricity (No. 7962 of July 1995)

This law specifies the conditions for activities in the power sector and the rights and duties of all physical and legal persons involved in such activities.

Law on Regulation of Power Sector (No. 7970 of July 1995)

This law prescribes the establishment of an Energy Regulatory Body (ERE) in the power sector and defines its duties. According to this law, ERE is responsible for tariff regulation and licensing in the power sector.

Law on Energy Conservation in Buildings (No. 8937 of September 2002)

This law declares that the design and construction of buildings should meet the necessary technical parameters for conservation, saving and efficient use of energy.

Governmental Decree for Energy Building Code

The elaboration of the Energy Building Code began in 1998, based on the National Agency for Energy (NAE) in collaboration with the Albania-EU Energy Efficiency Centre (EEC) and the other institutions of the sector.

Governmental Decree for Strategy of Energy (No. 424 of June 2003)

This governmental decree approves the National Strategy of Energy until 2015. According to the decree, the Ministry of Industry and Energy and the NAE are appointed to update this strategy every two years.

National policies and measures to limit GHG emissions

The first GHG emission abatement analysis for Albania was performed in the frame of Albania's FNC. This analysis consisted of developing two GHG scenarios: a GHG baseline scenario and a GHG abatement scenario. The development of both scenarios was made by utilizing a number of assumptions based on the macro-economic projections of the country as a whole, as well as in the development plans of the economic sectors taken in particular.

The GHG abatement measures and technology options identified under Albania's FNC have undergone a prioritization process through Albania's TNA exercise carried out under the Top-Up Phase of the Climate Change Enabling Activities. The TNA is a complex process. It is a continuation of the work already carried out or identified or recommended under Albania's FNC and through other activities to enhance technology transfer.

This assessment of technology needs has been made through a sector-by-sector approach, starting with the energy sector, which, according to Albania's FNC, makes the most significant contribution to the overall GHG emissions inventory. The assessment also covers other sectors such as LULUCF, agriculture, waste management and industrial processes. The software used for the development of energy and transport baseline emissions scenario was Long-range Energy Alternatives Planning (LEAP) (version 95.0). Concerning the non-energy sectors, the 1996 revised IPCC methodology was used for the development of baseline emission projections, although an exception was made for the solvent use sector. The predictions for non-methane volatile organic compounds (NMVOC) emissions by the year 2020 are made according to UN Economic Commission for Europe COoRdinated INformation AIR (CORINAIR) methodology. The development of GHG abatement analysis for the energy and transport sector is based on LEAP and GACMO7 software. For the other sectors, the analysis is more qualitative (quantitative analysis was not possible).

Many new strategies and actions plans have recently been adopted by the Government of Albania that will affect GHG abatement in Albania, and therefore both scenarios (baseline and abatement) need to be updated and improved. Albania has addressed the mitigation and adaptation measures through the National Climate Change Strategy, which consists of a set of priorities for action in order to integrate climate change concerns into other economic development plans. This strategy is elaborated in the frame of Albania's First National Communication. The abatement scenario of emissions foresees the introduction and implementation of different options mainly focused on energy saving and energy efficiency measures. A basket of 25 GHG mitigation measures for the energy and transport sector is proposed in the frame of this study, which are then analysed in terms of cost and benefit. In terms of resource mobilization, the package of project ideas was developed under the TNA exercise. Two projects have been sent to GEF for funding and seem to

be successful (one is a project on Market Transformation for Solar Thermal Water Heating in Albania). GEF has recently approved a Project Development Facility (PDF B) and the pipeline entry of the full project. Another project on building adaptive capacities for representative vulnerable systems is underway. The rest of the project idea notes serve as good background for the potential projects to be carried out under the CDM.

The National Energy Strategy (NES) was drafted and approved in June 2003 by the Government of Albania, according to Decision of the Council of Ministers, No. 424, dated June 26, 2003. The NES, which was prepared as an integral part of the National Strategy for Social and Economic Development (NSSD), has already integrated many findings and outputs from Albania's FNC and TNA. The Strategy for the Development of the Energy Sector is a document that analyses and recommends changes by 2015 that must be undertaken in Albania to increase the security of the energy supply and the optimization of the energy resources to meet the local demand and achieve sustainable development. The specific objectives of the NES are:

- to increase the security and reliability of the energy supply in general and electricity in particular, at national and regional levels;
- to establish an efficient energy sector from financial and technical aspects;
- to establish an effective institutional and regulatory framework and restructuring of energy companies;
- to increase energy efficiency in generation, production and final use of energy sources, aiming to minimize pollution;
- to optimize the supply system with energy sources based on least-cost planning principles with minimal pollution; and
- to increase considerably investments in the energy sector through capital enhancement by international financial institutions, as well as private capital.

The policy objectives and strategies for forest development are:

- Ensure the territorial integrity, ecology and biodiversity of forests and pastures.
- Promote and support sustainable management of forest resources and pastures.
- Improvement and strengthening of ties with the market economy.
- Involvement of local stakeholders and users in conservation and forestry development.
- Institutional and legal reform of the forest service at national and local level.
- Establishment of an Environmental Fund for initial funding to ensure investment in environmental projects. Environmental resource management through a clear legal framework, implemented through a permit system to monitor and better control protected areas, protection of flora and fauna, water resources and rights to the waters (especially a planning system and strengthening waterbasin authorities).

Protection of forests.

- Includes promotion of forest management and conservation of natural pastures in order to ensure biodiversity and ecotourism development; rehabilitation of degraded forests to return the relevant forest stations to optimal condition; transfer of forests and pastures to local government units; and measures for illegal logging.

Land protection.

- Increase by 5% by 2010 the level of forest coverage in the areas most seriously affected in whole; ban all unlicensed extraction of river gravel; and strict restrictions imposed on licensed excavations.
- Maintain and increase biodiversity.
- Further increase of the surface of protected areas in 15% of the territory by the year 2014 (ensuring representation of all ecosystems and implementing elements of Pan-European

Ecological Network activities to support objectives and species action plans); preparation of management plans for protected areas within the existing priorities for 2011.

Policy options for wood energy

Management and sustainable development of multifunctional forest resources will be realized through the following objectives:

- Continuous protection and rehabilitation of forests.
- Conservation of forests through the reduction and cessation of illegal logging.
- Preservation and rehabilitation of forest ecosystems and damaged pastures through reforestation and rehabilitation of degraded forests.
- Organization of a modern forest cadastre, providing the basis for an updated forest wealth assessment, in terms not only surface area and volume, but also the property value at all levels of management. Development of a cadastre sector equipped for modern field techniques, including geographical information systems (GIS).
- Preservation of nature and promotion of ecotourism. Develop a national plan for tourism development in forest and in certain categories of protected areas and start its implementation. Increase capacity to host ecotourism model homes through investment in rural areas and tourist guide training.
- Promotion of sustainable and multifunctional use of forest resources.
- Promotion of social and protective functions of forests.
- Promotion of the production potential for non-timber products.
- Encouraging private activities carrying out works and services in state forests by specialized firms for execution of manufacturing activities and services. Liberalization of tariffs on industrial wood and fuelwood products from production forests.
- Transfer of right-to-use and ownership of forests and pastures to local government. Improve the legal framework, especially to encourage active involvement in the management of forests and pastures by local users and local governments.
- Creation of municipal forest administrations in relation to local governments.
- Continuation of institutional reform in order to establish effective and appropriate operation both centrally and at base level. Establishment of a Regional Forest Directorate, responsible for strengthening state institutions, improving the structure of forest administration, and facilitating versatility all levels.

Despite the progress made in mainstreaming climate change issues, there is a significant need to continue the process of incorporating climate change in national planning and policy. In addition to GHG reduction measures, there is a significant need to address adaptation, mainly in the most vulnerable areas of the country and in the most vulnerable sectors, such as water resources, agriculture and tourism. From the institutional point of view, there is a significant need to institutionalize the national communication process in order to ensure a sustainable and qualitative reporting process.

Proposed areas for cooperation

Gaps and problems identified

Institutional and legal

- Lack of a strong national institutional framework for CDM.
- Lack of formalized national rules and procedures for the CDM process in Albania, including:
 - structure of the CDM approval process;
 - sector-specific sustainable development criteria; and
 - financial resources for DNA staff.

Technical and capacity related

- Lack of national capacities to write PINs and PDDs.
- Limited knowledge of advantages of carbon financing in economics of investment, such as evaluating internal rates of return.
- Lack of data for estimation of baseline emissions.
- Lack of some methodologies (e.g. no approved CDM methodology for district heating or transportation projects).
- Low baseline for GHG emission for the energy sector due to lack of access and high reliance on hydro sources (95%).
- Attempts to get involved in carbon financing have started relatively late compared with other countries, thereby limiting investor interest.
- Limited internal resources to support the PDD, or even PIN preparation.

Albania's strategy in the carbon market

Although entering relatively late into the CDM market, Albania still has opportunity to undertake project-based transactions, by:

- working to properly establish an effective domestic framework to support CDM projects;
- working aggressively in parallel to develop a carbon project portfolio; and
- given the uncertainties of the market structure beyond 2012, prioritizing project development based on an assessment of the risks and benefits of engaging in the current market.

Issues for consideration

It is important to position Albania as a good CDM project developer with effective institutional arrangements for the approval process. A simple national structure and simple approval procedures are important, as are least-cost options to promote CDM. Although the carbon market is an emerging market with lots of uncertainties, those who take the risk get access to the opportunities offered through financial mechanisms (CDM). The role of the private sector is crucial to the CDM process, so its involvement from the inception phase is critical. The usefulness of including the PIN within national approval procedure is the ability to issue "No-objection letters". Development of CDM projects should focus initially on sectors that have proven methodologies.

Next steps to be followed

The improved management of forests and pastures provides environmental benefits at regional, national and international levels, thus suggesting that the users of the land should also be rewarded for such services. This requires further investments to provide knowledge of environmental costs and effects. The aim would be to secure sustainable and worthwhile income to the forest and pasture users. One activity would be to extend the area of the project on "Assisted Natural Regeneration of Degraded Lands in Albania" in the frame of approved methodology for afforestation and reforestation projects.

Land degradation has been identified as a major issue for Albania. Land is eroding quickly, and the landscape looks devastated. It is essential that vegetative cover be established soon, to halt erosion. There are more than 150 000 ha of abandoned agricultural land, as well as degraded shrub and grazing land, that can be improved through assisted natural regeneration. Albania has long experience of working with local communities. Natural regeneration can be assisted by cooperation between the project (hosted by the Ministry of Environment, Forests and Water Administration of the Government of Albania), the communes and the forest user associations of the communes. Natural regeneration will be enabled by excluding grazing from the project area;

bare lands will be afforested through complementary planting. The baseline scenario is continuous degradation and erosion through unsustainable grazing.

The output of the project is long-term managed reforestation, contributing to soil conservation and improvement of water quality, generation of income in rural communities, production of wood and non-wood forest products (nuts, fruits and medicinal plants).

Relevant alternatives (baseline scenario) identified in the context of the project activities without the CDM component are: reintroduction of degraded lands into the agricultural production cycle; continuation of the existing and historical land use leading to further degradation; and implementation of a project as an assisted natural regeneration activity without being registered formally as an A/R CDM project activity.

A proposed modified approach in following up

As noted earlier, the BioCarbon Fund, administered by the World Bank, has agreed to purchase emission reductions in communal forests in Albania after a negotiation of an Emission Reduction Purchase Agreement (ERPA) at a price of US\$ 4.4 per tonne of CO₂. The biological growth in areas included is measured by local evaluators, subject to validation from an independent Designated Operational Entity (DOE). The same procedures to seek official Carbon Credits which could be used for meeting Kyoto Protocol commitments are, at least initially, not envisaged. There are two reasons for not following the same procedures as in the existing project on assisted natural regeneration through forestations:

- The selection of areas to be included is severely constrained by the Kyoto Protocol definitions.
- The procedure for verifying carbon credits under the World Bank Carbon Fund is excessively bureaucratic.

However, the verification of the carbon effects from existing methodology would be used as a strong indicator of the level of continuing carbon benefits which would be realized from carbon sequestration in areas similar to but outside of those included in that project. Consequently no continuing payment for carbon would be paid but the project should also include a pilot scheme for identifying voluntary carbon credits and alternative verification strategies.

An interesting possibility would be to assess interest by European private companies in contributing funding for carbon sequestration, by paying for implementation of sustainable participatory management plans. They may be interested in such an arrangement in view of the public image benefits of simultaneously supporting poverty reduction benefits and CO₂ reductions, as indicated by measurements of carbon benefits based on the NRDP component. The new project could also investigate the possibility of negotiating Voluntary Carbon Credits provided by some of the voluntary carbon credit arrangements, such as Voluntary Carbon Standard (VCS) thus making it possible to receive tradable Carbon Credits which would provide forest and pasture users with additional and continuous income.

Insufficient scientific data on payments for environmental services needs to be resolved by close cooperation with FAO

Another important project for the future in Albania could be a project on “payments for environmental services” (PES). Payment to the forest and pasture users for providing environmental services requires that these possible environmental services be verified. Assisted natural regeneration provides one example on how carbon sequestration could be verified and payments given to those who manage their forest and pasture for global environmental benefits.

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