OIL AND GAS IN ALBANIA

Albanian oil and gas is represents of the most promising albeit strictly regulated sectors of the economy. It has attracted foreign investors since the early nineties marking the beginning of reforms which transformed the public exclusive rights, control and responsibilities with regard to exploration and exploitation, to the private sector. Oil and gas reserves still remain property of the Albanian State which enters into agreements and grants rights with regard to evaluation, exploration, production, refining/processing and transport of the product.

The law foresees the procedures and defines the authorities responsible for the licensing of oil and gas related activities. It draws the basic terms and conditions of sector agreements entered between the Albanian Ministry of Economy, Trade and Energy and the interested subject and/or the state company Albpetrol SHA.

An interested investor may enter into an exploration agreement with the Ministry of Economy, which means it will have the exclusive right to carry out exploration activities within the granted area for a maximum term of 7 years.

Another typology of permit is the so called permit to evaluate an object, which grants some non-exclusive rights to the interested subject to carry out real seismic and paleontological studies.

The law defines the main terms of exploitation agreements which are again entered between the interested investor and the Ministry, together with the right to build and operate pipelines. The parties may decide the split of the product between them, which represents a kind of extra royalty. Similar agreement may be entered between the interested investor and the state owned company Albpetrol SHA. Said agreements are ratified with a decision of the Albanian Council of Ministers.
Oil and gas sector in Albania has a specific fiscal regulation. Based on the typology of the exploitation agreement and the extracted quantity the income tax will vary from 30-55%.

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