

## **Many cooks stirring Albania's carbon soup**

*Relying on its developing country status under the Kyoto Protocol, the Albanian government has, in recent years, promoted a series of carbon-heavy power generation facilities. The checkered history of the Durrës coal-fired thermo-power plant, instigated by the Albanian Ministry of Economy, Trade and Energy and eyed by the Italian energy company Enel, illustrates how a country in transition has chosen to deal with the legacy of an obsolete energy strategy, a chaotic political culture and dominant foreign investors.*

### **Roots of the problem**

The history of the Durrës thermo-power plant is short, crooked and entangled with the development of energy and industry parks in Albania. In 2003, the Albanian Council of Territorial Adjustment approved the siting of an energy and industrial park in the vicinity of the town of Vlora on the Adriatic Sea. The 500 hectare Vlora energy and industry park was to host several thermo-power plants (TPPs), an oil terminal, the outpost of the AMBO trans-Balkan pipeline and other industrial facilities.

Of the original plans, only the combined cycle 97 MW TPP and the oil terminal received approval from the Albanian authorities; moreover the TPP received a credit from three international financial institutions. In subsequent years, both projects faced strong criticism from local people and environmentalists for alleged negative impacts on the Vlora Bay, harm to the local tourist- and agriculture-reliant economy and a lack of proper public consultations.

Amidst strenuous civil protests, the governing Democratic Party announced in March 2007 that it was no longer supporting the large scale energy zone in Vlora planned by the former Socialist government. Stating that it did not “intend to turn Vlora into an energy back yard for the Balkans”, the government requested the National Council of Territorial Adjustment to review its approval for the Vlora energy and industry park.<sup>1</sup> As a result, the status of the Vlora park was “modified” to “industrial” on May 22, 2007. The decision thus prevented any new investment in power generating capacities inside the park.

Long before the final decision was taken to not build any further power generating capacities in Vlora, the Albanian government had been looking for opportunities for building new TPPs elsewhere, in particular by pondering the idea to move the remaining energy components of the Vlora energy park up north near to the planned industrial zone at the Porto Romano area in Durrës, Albania's second largest town and home to 200,000 inhabitants. While Porto Romano has been notorious as one of the country's worst environmental hot spots as a consequence of toxic contamination from a former chemical

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<sup>1</sup> AMBO pipeline neglected, Albanian government accused of "national treason". AENews. March 4, 2007. <http://www.albanianeconomy.com/content/view/140/38/>

plant<sup>2</sup>, prime minister Sali Berisha publicly stated that the government considered moving the energy complex planned for Vlora to Porto Romano back in 2006.<sup>3</sup>

### **Foreign manoeuvrings**

On December 3, 2007, Enel's CEO Fulvio Conti and the Albanian Minister of Economy, Trade and Energy signed a memorandum of understanding for the development of the Albanian energy sector. Under the agreement the company committed to the development of a 1,300 MW coal-fired plant and the construction of a power inter-connection with Italy.<sup>4</sup>

While the media were reporting on Enel's plans to enter the Albanian energy market, in April this year the joint Ministerial and Municipal committee approved a regional Master Plan produced by the British-based Landell Mills consultancy company in the Framework of the Sustainable and Integrated Development of the Tirana-Durrës region project.<sup>5</sup> The master plan was "developed over two years of research and stakeholder consultation" and aimed to offer guidelines for the sound development of the area.<sup>6</sup>

On May 25, the same consultancy company launched the "Rapid Environmental Assessment for the Industrial and Energetic Park's at Porto Romano, Durrës, Albania", which was co-financed by UNDP Albania and the Delegation of the European Commission to Albania.<sup>7</sup> The study provides an elementary environmental, social and economical assessment of the impacts of the Durrës energy and industry park promoted by the Ministry of Economy, Trade and Energy.

According to the authors, the park is envisioned to cover an area of 1,720 hectares and its energy zone is expected to host a TPP as well as oil and gas installations. The authors assess different scenarios depending on the type of TPP to be established in Durrës – thus indicating that a specific type has not been selected. The consultants also recommend that "a thermal power plant should be constructed as oil or gas assisted multi-fuel installation, to resolve problems relating to municipal waste disposal and enable the use of renewable resources such as biomass for instance from the constructed wetland waste water treatment plant".<sup>8</sup>

Interestingly, this recommendation is completely missing from the presentation prepared by Landell Mills on the Environmental Assessment of Industrial and Energetic Parks at

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<sup>2</sup> Post-Conflict Environmental Assessment – Albania. United Nations Environment Programme. 2000.

<sup>3</sup> Albania industry: Planned energy complex may move to Porto Romano. ViewsWire. 20 April 2006.

<sup>4</sup> Annual Report 2007. Enel.

<sup>5</sup> Landel Mills Newsletter. Landel Mills Development Consultants. Issue 8. July 2008.

<sup>6</sup> Landel Mills Newsletter. Landel Mills Development Consultants. Issue 8. July 2008.

<sup>7</sup> Rapid Environmental Assessment for the Industrial and Energetic Park's at Porto Romano, Durrës, Albania. Landel Mills Development Consultants. 25 May 2008.

<sup>8</sup> Rapid Environmental Assessment for the Industrial and Energetic Park's at Porto Romano, Durrës, Albania. Landel Mills Development Consultants. 25 May 2008.

Porto Romano in Durrës for the International Conference on the Development of Industrial Zones that took place in Tirana on June 10.<sup>9</sup>

### **The plot thickens**

On June 24 this year, Enel's CEO announced publicly that the company was planning to build a coal-fired power station in Albania, claiming to "have all the necessary guarantees to be able to increase our presence in that market".<sup>10</sup> On the same day, Enel organised the so-called "second" public consultations for the coal TPP in Durrës in the presence of a handful of NGOs, local community representatives and media.<sup>11</sup>

While it remains unclear when and where the first public consultations over the project took place, the company presented Landel Mills's Rapid Environmental Assessment and introduced a project consisting of: a two unit coal-fired TPP, each unit having generation capacity of 800 MW; a jetty for handling the imported coal; a 400 KV transmission line connecting the local substation to Tirana's main substation; and a 210 km long undersea 500 KV transmission line connecting Porto Romano with Italy. Specifically, the underwater line "will export energy in Italy, but will also connect Albania with European Energy market creating the possibility of energy import too".<sup>12</sup>

According to Enel's presenters in Durrës, the company would build and operate the plant under a 25-30 year concessionaire licence. While the electricity produced would be sold to Albania at cost price and an undetermined amount of energy would be exported to Italy at market price, Enel reassured the public that there would be more than enough energy to cover the national needs.

Meanwhile, Enel's claim that a coal-based power plant similar to the one in Durrës is being built in Rome<sup>13</sup> has not been thoroughly vetted by the Albanian government and press. Enel's reticence in this respect remains puzzling – not even the exact location of this "similar power plant" has been made public in Albania. It appears that at its second public consultation meeting in Durrës, Enel was referring to the highly-contested Enel power plant in Torre Valdaliga Nord, which was recently the subject of a petition before the District Attorney in Civitavecchia in order to investigate whether Enel violated any

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<sup>9</sup> Environmental Assessment of Industrial and Energetic Parks, Porto Romano, Durrës, Albania. Landel Mills Development Consultants. 10 June 2008.

<sup>10</sup> Enel invests in Albania coal plant, maybe nuclear. Reuters. 24 June 2008.

<http://www.reuters.com/article/rbssUtilitiesElectric/idUSL2414928620080624>

<sup>11</sup> The Second Consultation Meeting with the Public on "Porto Romano Energy Complex". Ministry of the Environment.

[http://www.moe.gov.al/cms\\_en/index.php?option=com\\_content&task=view&id=66&Itemid=1](http://www.moe.gov.al/cms_en/index.php?option=com_content&task=view&id=66&Itemid=1)

<sup>12</sup> The Second Consultation Meeting with the Public on "Porto Romano Energy Complex". Ministry of the Environment.

[http://www.moe.gov.al/cms\\_en/index.php?option=com\\_content&task=view&id=66&Itemid=1](http://www.moe.gov.al/cms_en/index.php?option=com_content&task=view&id=66&Itemid=1)

<sup>13</sup> The Second Consultation Meeting with the Public on "Porto Romano Energy Complex". Ministry of the Environment.

[http://www.moe.gov.al/cms\\_en/index.php?option=com\\_content&task=view&id=66&Itemid=1](http://www.moe.gov.al/cms_en/index.php?option=com_content&task=view&id=66&Itemid=1)

environmental laws during construction, concerning in particular the lack of an integrated environmental authorisation.<sup>14</sup>

In spite of Enel's public undertakings and statements, Albanian prime minister Berisha met in June 2008 with a German-Greek energy consortium comprised of RWE, PPC and Titan to discuss the "500-800 megawatt energy project" which is "envisaged to be constructed in Porto Romano, near Durrës city". Berisha assured the potential investors that the government will "take into consideration both projects and evaluate them in full compliance with environmental and technological criteria".<sup>15</sup>

While the media reported in June on Albania's upcoming choice between Enel and the German-Greek Consortium to build the Durrës TPP<sup>16</sup>, no new information has subsequently emerged on how the Albanian government has been assessing the two projects and whether it has assessed more than one type of power generation facility for Durrës.

In October 2008, the Albanian media revealed that a Bosnian businessman, Damir Fazlic, bought the land where the Durrës thermal power plant was to be built. The finding was made in connection to a probe into money-laundering involving Fazlic's business and Prime Minister Berisha and foreign minister Lulzim Basha.<sup>17</sup>

During his visit to Albania on October 26, the Italian Minister of Foreign Affairs Gianfranco Frattini promised Albania faster EU and NATO integration and visa liberalisation while highlighting the interest in "the development of energetic projects that Italy needs". Frattini was accused by the Albanian media of conditioning visa liberation for the electricity generation projects, including the Durrës TPP.<sup>18</sup>

While Berisha has attempted to put pressure on the Prosecutor General who has been investigating the corruption allegations<sup>19</sup>, Damir Fazlic's property in Durrës has been frozen.<sup>20</sup> On November 5, a court hearing involving Falzic took place<sup>21</sup> and on November 7, the Ministry of Economy, Trade and Energy released a public notice,

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<sup>14</sup> Un esposto contro la Centrale Enel di Civitavecchia. Roma IndyMedia. 19 October 2008.  
<http://roma.indymedia.org/node/5307>

<sup>15</sup> Weekly News. A Weekly Bulletin of the Council of Ministers Republic of Albani. Year 1/Number 53. 9 June 2008.

<sup>16</sup> Albania To Choose Between Italy's Enel, German-Greek Consortium Investor to Build Durrës Power Plant. SEENews. 4 June 2008.

<sup>17</sup> Albania PM Under Fire over Business Ties. Balkan Insight. 28 October 2008.  
<http://www.balkaninsight.com/en/main/news/14346/>

<sup>18</sup> Italy wants energy projects in exchange for visas. AENews. 27 October 2008.

<http://www.albanianeconomy.com/news/2008/10/27/italy-wants-energy-projects-in-exchange-for-visas/>

<sup>19</sup> Attacks On Top Prosecutor Anger Albania's US Ally. Balkan Insight. 23 October 2008.  
<http://www.balkaninsight.com/en/main/analysis/14242/>

<sup>20</sup> <http://www.vetemplajme.com/Ceshtja-e-Fazlic--alarm-i-kuq-per-pastrim-parash-artikull-1602.p.w>

<sup>21</sup> Damir Falzic trial about private property. Vizion Plus. 11/5/2008 1:54:08 PM.  
<http://www.vizionplus.tv/Lajm.aspx?%2024605>

denying “false claims that have circulated recently in the Albanian media” about the corruption related to the Porto Romano property.<sup>22</sup>

Just three days later, the Regional Council of the Territorial Adjustment in Durrës approved the construction of the 810 hectare energy park in Porto Romano promoted by the Albanian Ministry of Economy, Trade and Energy.<sup>23</sup> The decisions of the National Council of the Territorial Adjustment and the Albanian government are still pending.

### **The devil is in the carbon details**

Coal power plants are generally confirmed as having the highest emission factor per unit of energy generated on account of their low operational efficiency and the high carbon intensity of coal. Albania's CO<sub>2</sub> emissions totalled 3.6 million tonnes in 2003, and the enormous capacity of the Durrës plant will clearly contribute to a massive increase in the country's carbon emissions. Yet in the context of the new global climate deal, which will replace the current Kyoto Protocol after 2012, there will be pressure just round the corner for Albania to adopt climate reduction policies and to offer a stable and stimulating investment environment for low carbon technologies.

The current decision to initiate a centralised coal power plant for the next thirty years will significantly influence Albania's future carbon standing. Not only does coal power generation pose a concern for global carbon emissions, but it is also a source of significant local pollution. Among the associated emissions most detrimental to human health are the fine particles containing nitrogen oxide and sulphur dioxide.

Despite the fact that coal-fired TPP plants are widely recognised as the most climate-wrecking forms of electricity generation even for the environmentally-strict EU market, the governing elite in Albania is determined to have one in its own backyard. The question remains if this determination is based on a strategic assessment of energy generation and efficiency in the country, due consideration of TPP technologies and responsible deliberation on Albania's long-term carbon emissions. The schizophrenic decision-making process on the 1600 MW Durrës coal-fired TPP conducted so far does not indicate so.

As for the Italian company Enel, with the prospect of coal power generation becoming prohibitively expensive under the reformed EU Emission Trading Scheme system, the shift of production to a neighbouring – but still non-EU – country is a profitable move. Enel will avoid the additional costs posed by the auctioning of carbon allowances and still secure domestic energy demand. The costs of local pollution will, however, not be borne by Italy.

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<sup>22</sup> METE: The truth about Porto-Romano Area. Ministry of Economy, Trade and Energy. 7 November 2008. <http://www.mete.gov.al/news.php?idm=651&l=e>

<sup>23</sup> Miratohet në KRRT master plani për Parkun Energjetik. 11 November 2008. <http://www.balkanweb.com/sitev4/index.php?id=29390>

As this article goes to print, it has emerged that Italian prime minister Silvio Berlusconi will visit Albania on December 2.<sup>24</sup> Although press reports indicate that a nuclear power plant project will be the focus of the flying visit, it would not be surprising if Berlusconi exerts further pressure on the Albanian government to quickly approve the Enel project in Durrës.

***This article was prepared in joint cooperation between EDEN Center, an Albanian NGO, and CEE Bankwatch Network.***

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<sup>24</sup> Koha Jone, 19.12.2008, [http://www.kohajone.com/html/artikull\\_33716.html](http://www.kohajone.com/html/artikull_33716.html)