



Commodity trading 1st report
Albanian oil

November 2018

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Purpose of the report

This report is prepared pursuant to the contract between The Extractive Industries Transparency Initiative – EITI, Oslo, Norway and Deloitte Albania Sh.p.k. dated March 2018. The objective of the assignment is to:

- (i) undertake a review of transparency gaps in the commodity trading value chain in consultation with AlBEITI, multi-stakeholder group (MSG) and relevant government agencies;
- (ii) provide capacity building to the MSG and AlBEITI on commodity trading; and
- (iii) produce a report on commodity trading to address the gaps identified.

This report is prepared pursuant to the Commodity trading scoping study published in June 2018. The report presents:

1. Define what constitutes “in-kind” revenues in Albania;
2. Present a brief overview of the State-owned Entities and other government agencies’ mandate in collecting “in-kind” revenues on behalf of the government;
3. Explanation of the methods for data collection and the agreed quality assurance procedures underpinning the data disclosed.
4. To the extent possible, collated and analyzed data pertaining to the different parts and transactions associated with the commodity trading transparency value chain;
5. Present recommendations for any policy, regulatory or administrative reforms to improve governance and transparency of commodity trading transparency in Albania.

The information and analysis presented in this report are benchmarked against the EITI standard and Guidance note 26 - Reporting on first trades in oil dated June 2017.

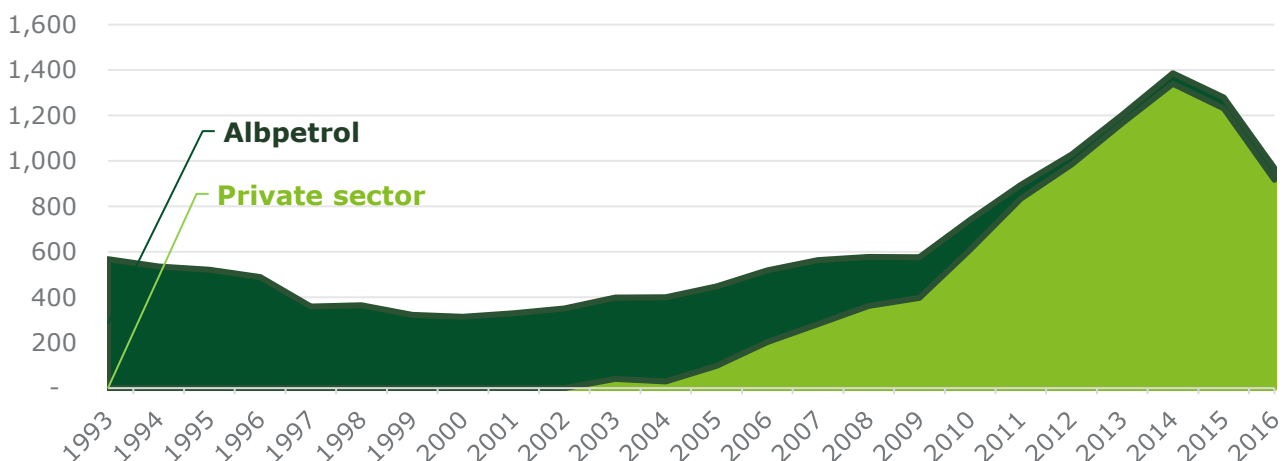
Context and background

1. The oil sector has been strategically important and main contributor to the economic development in the country before the 90s. Albanian oil sources, which distributed in the western and south-western part of Albania, are mainly in two structures: sandstone and limestone. Currently these sources have considerable reserves but their full potential extraction needs advanced secondary methods.
2. According studies performed by the Albanian State¹ between year 1985 and 1990, petroleum reserves at existing Albanian drill sites totalled about 437.6 million tons, however recoverable stocks estimated based on extracting methods applied in those years amounted to only 81 million tons. Estimated geological reserves from sandstone structures comprised 77.4% of total geological reserves; however, their recovery was assessed at 13%. Recovery of geological reserves from limestone formations varied from 24% to 50%.
3. Based on the same studies Albania's known natural gas reserves have been estimated at 18,164 million Nm³ and lie mainly in Kuçova, Patos, Divjaka, Frakulla, Ballaj, Povelca, Panaja and Finiq.

Exploration and production of crude oil

4. Crude oil production in Albania began in 1929 with 750 tons of crude oil. After World War II, production increased steadily and recorded the highest pick 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 1 - Historical oil production from 1993 to 2016



Source: MEI - www.energija.gov.al

¹ Information on reserves is provided by Albpetrol. Aggregated data are disclosed in the following link: <http://www.albpetrol.al/rezervat-gjeologjike/>

State participation

5. During the former communist regime and until the early 90s, the oil operations were performed by the State structures and directorates. In early 90s, Government of Albania signed five petroleum agreements with international oil companies and issued the Law no. 7746 "On Petroleum (Exploration and Production)" dated 28 July 1993, "the Petroleum law".
6. Currently the Albanian 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.
7. 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 Albania. Since its incorporation, the State granted Albpetrol sh.a with the administration of all existing oilfields in Albania and some exploration blocks to allow Albpetrol continue its oil exploration and production operations, but also pursue oil extraction through modernized technologies. Extension 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. The Albpetrol Agreement grants an exclusive license to Albpetrol on all existing oilfields and some exploration blocks. Albpetrol holds no other rights in addition to these extended exclusively by this Agreement. The currently-in-force list of oilfields and exploration blocks as amended in 2012 and 2015 is presented in Annex 2.
8. The Petroleum law and the Albpetrol Agreement allow the Albpetrol to sub-grant its rights to private oil companies in order to pursue better utilization of resources and production efficiency. Sub-contracting of Albpetrol's rights is performed through Petroleum Sharing Agreement signed between Albpetrol and the oil companies, subject to approval by the Ministry responsible for the Energy sector. The MIE grants its approval through a license agreement signed by the Minister responsible for energy and Albpetrol detailing the terms forming part of the PSA signed between Albpetrol and the respective oil company.
9. Albpetrol derives share of oil payments from the PSAs signed with six private oil companies engaged in crude oil production², in from of reward on its sub-granted rights and investments made in the oil-infrastructure before the well transfer under the PSA .
10. The rest of the exploration blocks, not allocated to Albpetrol through the exclusive rights described above, are currently administered by AKBN acting on behalf of the Albanian State. None of these blocks administered by AKBN, have entered in the production phase at the date of these report.

Commodity benefits derived from the PSAs

11. All currently-in-force Petroleum Agreements are organized as Production Sharing Agreements ("PSA"). All PSAs allocate share of oil payments in form of incremental production (production extracted from contractor's investment). When PSA grant rights on oilfields in production phase, the operator makes oil payments for the deemed production or pre-existing production in each pre-existing well transferred under the PSA.
12. As mentioned above, all PSAs in the production phase are administered by Albpetrol. Hence, all share of oil payments derived from the currently-in-force PSAs are made to Albpetrol. AKBN may collect share of oil payments when the PSAs under its administration enter the production phase.

² For more information on the PSAs in production and the oil companies engaged refer to the most recent EITI report at <http://www.albeiti.org/>.

Pre-existing or deemed production (PEP)

13. PSA agreements foresee payment of PEP anytime the transfer of oilfield includes well takeover. The level of PEP varies and is specifically agreed for each well transferred under the PSA. PEP is set either as a lump sum quantity or in percentage to the average production extracted in the last six months, reduced on an exponential basis per year.
14. The purpose of PEP payments is not provided in the PSA. Enquiries with representatives of Albpetrol informed that PEP payments are set to compensate Albpetrol for the investment made in the oil infrastructure prior to the well transfer date. PEP transfers typically decline in line with well depletion cycle. Negotiated PEP varies to the condition of existing infrastructure and well depletion cycle.

Share of incremental production (Albpetrol's Share of Production – 'ASP')

15. The allocated share for the incremental production could be either Albpetrol's share or the Government's share collected by AKBN. The share of the incremental contract's production is set similar to royalty in percent to the available petroleum extracted by the contractor.
16. All currently in force agreement foresee the contractor's share of risk and investment comprise 100% of the project investment. The Government or Albpetrol do not participate with investments during the licensed period.

Contract disclosure

17. Currently enacted terms with regard to PEP and ASP for the agreements allocated are not disclosed because of the confidentiality clauses. Older version of the certain PSAs disclosed in <http://www.resourcecontracts.org/countries/al> show varying agreements on the method of share of payments.

Share of oil payment method "in-kind vs. cash revenue"

18. Certain agreements impose share of oil payments made in-kind and some others allow parties to decide whether the payments will be made in kind or derived in cash.
19. Currently, only Albpetrol derives share of oil payments from the PSAs. None of the PSAs administered by AKBN have entered the production phase so far.
20. Over the last 6 years, share of oil payments were made in kind in substantially all cases, with except of PSAs where Albpetrol negotiated and derived cash payments due to substantial delays in the contractors production program.

In-kind revenue of crude oil

21. Receipts of crude oil in form of PEP or ASP constitute "in-kind revenue" collected by Albpetrol because of PSA in-force under its administration.

Gas output

22. Gas is produced either directly from gas fields or in form of associated petroleum gas. Albpetrol informs that gas fields of Divjaka, Frakulla, Povelca, and Panaja are almost depleted and the oil company holding the PSA have not reported gas production since rights on these fields were sublicensed to private investors in 2013.
23. As it regards gas associated with crude oil extraction, PSAs allow the sublicensed oil companies either to use or flare the quantities of gas output. For the year 2016, Albpetrol could provide only data for its own operations, however informed that collects no data on the gas output produced through crude oil extractions by the PSAs contractors.
24. PSAs granting rights on gas fields foresee share of gas payments in form of PEP or share of incremental contractor's production. Over the last 6 years,

Albpetrol did not report collecting in-kind or cash payments related to share of gas.

In-kind revenue of gas

25. Receipt of gas in form of PEP or ASP would constitute "in-kind revenue" collected by Albpetrol because of PSA in-force under its administration.

Sale of Albpetrol's oil (commodity trading)

26. Albpetrol sells the oil derived from PSAs and extracted through its own oil field operations through open public auctions³ in accordance with law and regulation on public auctions and rules and procedures set in the Order no. 83, dated 10 February 2012, amended issued by the Minister responsible for the energy sector.
27. Accordingly, Albpetrol organizes open auctions to allocate annual oil contracts. Quantity of oil sold is based on the annual forecasts of oil production and share of oil derived from PSAs. Albpetrol delivers oil and collects contract payments based on a defined schedule during the year.
28. All actions are organised upon the Minister's approval. Albpetrol may initiated auction procedures when its oil inventory counts 20,000-30,000 tonnes of crude oil, either from its own production of share of oil derived from the oil companies. As it regards gas, the regulatory acts require planning and contracting the sale of the disposable gas in the upcoming five years.
29. The commission administering the auction comprises 7 members including 3 representatives from the Ministry of Infrastructure and Energy, 2 representatives from Albpetrol, 1 representative from the State's Technical and Industrial Inspectorate ("STII") and 1 representative from AKBN. The commission is primarily responsible for compiling the terms of the bid, overseeing the process and evaluation of the bids.

Materiality

30. Individual sales transactions are not individually material because of low volumes and values of oil sold on a daily basis. However, when aggregated by buyer, oil sales turn to be all individually material to the annual commodity trading, given the low number of buyers throughout the year.

Pricing of oil

31. Enquiries with Albpetrol representatives informed that the auction start price for oil is set with reference to Brent oil prices through a formula that considers quality of oil to be delivered, access to international markets etc.
32. The floor auction price for oil is set as a percentage to Brent price, as published by Platts European Marketscan, with reference to the forecasted oil quality, which is based on historical quality of oil derived from different oil fields. The price includes an adjustment for the transport costs because the delivery point is FOB. The price is set by a group of experts from Albpetrol, AKBN, MIE and STII. When setting the floor auction price the group of experts considers the historical quality of the output derived by each oil field. Hence, price set should change after changes in the mix of oil qualities.
33. Albpetrol has not disclosed so far how mix blends of qualities enter into the determination of the auction floor price. Chart 2 presents a comparative analysis of the auction prices set during the years 2013-2016 with each other and the Brent benchmark. This analysis shows that, except for the

³ Law no. 9874, date 14 February 2008 "On public auctions" and Decision of the Council of Ministers no. 1719, date 17 December 2008 "Approval of public auction rules", amended.

second auction in 2013, prices set across auctions organized during the years 2013-2016 were at the same level.

Oil quality records held by Albpetrol

34. Albpetrol has 13 operating units including:

- QPN Patos (Qendra e Prodhimit te Naftes Patos) – Oil production unit Patos
- QPN Kucove (Qendra e Prodhimit te Naftes Kucove) – Oil production unit Kucove
- QPN Ballsh (Qendra e Prodhimit te Naftes Ballsh) – Oil production unit Ballsh
- QASHNG (Qendra Administrimit te Shitjes Naftes e Gazit) – Centre for Administration of Sales of Oil and Gas
- QAR (Qendra Administrimit dhe Ruajtjes se Prones) – Centre for Administration and Property Security
- QSHGJ (Qendra e Sherbimeve Gjeofizike) – Centre for Geophysics Services)
- QFSHE (Qendra e Furnizimit dhe Sherbimeve Elektrike) – Centre for Power Supply and Services
- QEMNG (Qendra Emergjences, Mjedisit, Naftes e Gazit) – Centre for Emergencies, Environment, Oil and gas)
- QFMT (Qendra e Furnizimit Materialeve Teknike) – Centre for Supply of Technical Materials
- QT Patos (Qendra e Transportit) – Transport Centre Transport
- QMN Kucove (Qendra Mekanike e Naftes Kucove) – Oil Mechanic Centre Kucova
- QTG (Qendra e Transmetimit te Gazit) – Centre for Gas Transmission Administration unit (Administrata)

35. Each unit has its own accounting practice and prepares separate financial statements, which are consolidated at company level by the Administration unit. The administration unit, keeps accounting records in Financa 5 (accounting software offering general ledger module), while the other units use either paper registers or a combination of Financa 5 and paper registers.

36. At the date of this report, Albpetrol is undergoing through a corporate restructuring aiming to enhance the effectiveness and efficiency of the company's operations.

37. Sales Administration Centre for Oil and Gas "QASHNG" is the unit responsible for coordinating oil inventory movements and sales. Enquiries with Albpetrol's staff working in QASHNG revealed that this unit keeps inventory records in excel and in paper registers. Paper registers are compiled for complying with the tax laws and procedures applicable to the movements of commodities subject to excise tax, such as crude oil.

38. Each oil movement is accompanied by the measurement and quality analysis report detailing:

- Reservoir height measured before the movement
- Reservoir height measured after the movement
- Gross oil volume (m³)
- Temperature at the reservoir
- Oil density (gr/cm³) in 15°C and water content (sediment) in percentage.
- Net oil volume (m³) in 15°C (excluding water and other deposits).
- Net quantity in ton (excluding water and other deposits).

39. Net quantity of oil in ton is the quantity recorded in the selling invoice. Contractual price is set in \$/Bbl. and in order to price the sale, Albpetrol converts price from \$/Bbl. to \$/Ton by using the following formula:
- $$\text{No. of barrels contained in 1 ton oil (Y)} = 1 (0.158987 * \text{density in } 15.5^{\circ}\text{C})$$
40. Net oil quantity is the key measure recorded in Albpetrol's registers for acquisitions/production and sales of oil.
41. From enquiries and observations of Albpetrol's procedures, we understand that Albpetrol does not keep consolidated records of:
- the quality of oil derived from different sources including own production, in-kind oil payments collected from the PSAs;
 - the quality of oil sold to its contractors.
42. Details of the quality of oil movements can be found in the paper documentation supporting oil movements. However, Albpetrol has no process in place to record and analyse the quality of oil movements throughout the financial year.
43. Records kept by Albpetrol consist in net oil quantities *in ton* in its accounting excel registers and keeps records *in m³* in the tax and custom registers. Period-end, inventory measures and reconciliations are also expressed in *tons / m³* of net oil. Governance and controls on oil data are also weak because of use of excel and paper-based records.
44. Director of the technical department at Albpetrol informed that the Company is in process of establishing an integrated regulation for measuring and accounting of oil quantities stored and moved. Pilot records will be initially kept in excel until Albpetrol procures an inventory management system.

Data held by the custom authorities

45. Crude oil is subject to excise fiscal controls. Excise is effectively applied on the oil-by products consumed within the country, rather than the crude oil. However, crude oil movements are subject to the same controls as excise products, because they may form a key raw material for the oil-by products domestically produced and consumed. Movements of crude oil are monitored through making process.
46. The Albanian Custom Administrate is the fiscal authority in charge for the excise controls. All crude oil producers, including Albpetrol, have their oil deposits arranged as fiscal warehouse. Accordingly, the deposit are sealed by the custom representatives and opened only in the presence of the custom's representatives, who are monitor the quantity and quality of oil entering and exiting the fiscal deposits.
47. For the purpose of fiscal monitoring, all crude oil movements are recorded in ASYCUDA (Automated Systems for Customs Data), a computerized customs management system.

ASYCUDA collects the following details for each oil movement:

- Tax number of the seller
- Tax number of the buyer
- Invoice number
- Transport method
- Car plate of the transporter
- Quantity of crude oil (gross weight in kg)
- Quantity of crude oil (net weight in kg)
- Price per kg
- Crude oil origin
- Crude oil destination country
- Crude oil density in 15°C

48. Albpetrol and the oil companies record the crude oil movement details in the ASYCUDA system and accompany transactions with supporting fiscal invoice, oil analysis report, transportation invoice, etc.

Price determination

49. Crude oils have various attributes that make them more or less attractive to refiners. Crude oil that is less viscous and flows more easily, is referred to as "light," while more viscous crudes that may require heating or diluent to flow are considered "heavy." Sulphur is a common impurity in crude oil that must be removed from most transportation fuels to meet ever more stringent air quality requirements. Crudes with a low level of sulphur are designated "sweet," while those with a high level are called "sour". Hence, density and sulphur content should be among the main criteria driving price determination for the Albpetrol's oil.

Moreover, Albpetrol's sales contract require monitoring of the other parameters including:

- Water content in %
- Viscosity in 20°C
- Mechanical waste content %
- Acidity expressed in TAN
- Mineral content in %
- Nickel content in %
- Etc.

50. Based on the above-described processes, Albpetrol has not established effective processes in place for recording and analyzing oil density, Sulphur content, water content etc. in each oil movement.

Lack of integrated systems (i.e. ERP systems etc.) poses a substantial burden to the establishment of effective reporting and controls.

ASYCUDA (custom excise system) may provide accurate records of gross and net weight of Albpetrol's sales of crude oil.

Auctions organized from 2013 to 2016

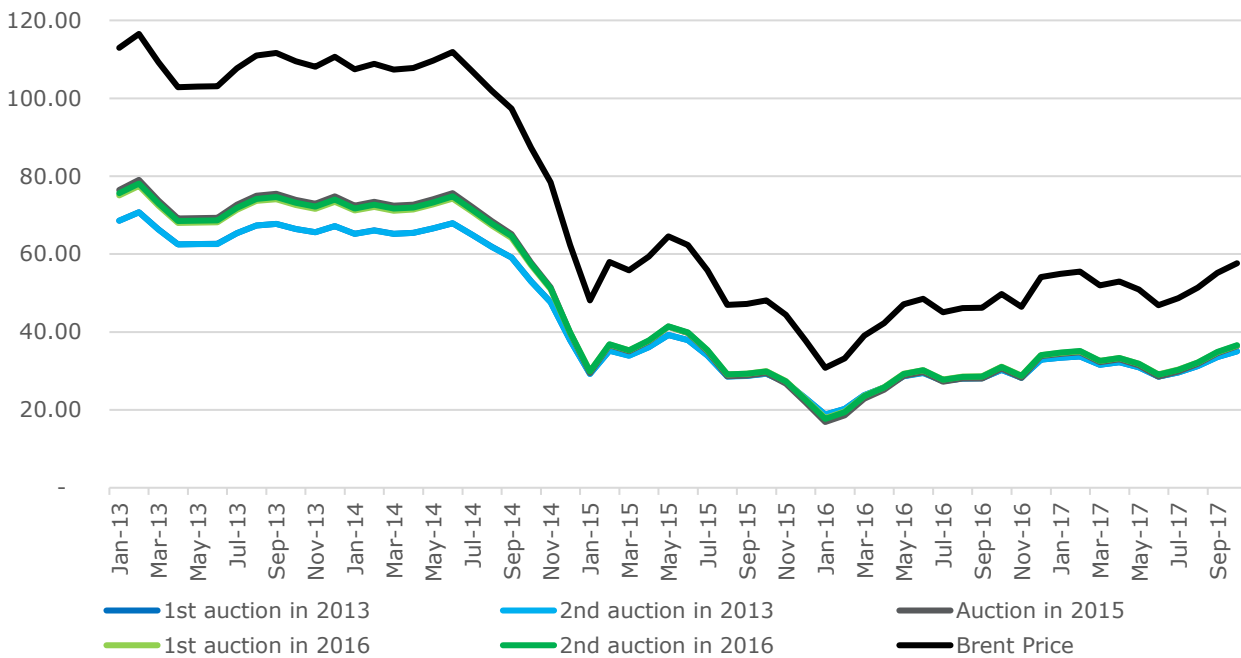
51. Albpetrol organized five oil auctions and did not announce any gas auction:

Table 1 – Summary of Auctions organized from 2013 to 2016

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 Brent x 60.61% \$bbl. + K	Liona Sh.a. (NUIS L31731005C) with K = 0.1 \$/bbl.	No other applicants	Filed in the Albpetrol archive
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/nj/oftim-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) with 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) with K = 0.1 \$/bbl.	No other applicants	Filed in the Albpetrol archive

52. Companies allowed to participate in Albpetrol's auctions shall wither possess a trading license of crude oil or refining license for crude oil. Contracts are allocated to the higher price bid.
53. Auction winning price over the years was very close to the floor. This seem to be related to the limited number of participants in Albpetrol's auction.
54. Chart 2 below compares the wining auction price over of 57 months with each other and the Brent price. The chart shows that Albpetrol achieved more or less the same price on the auctions organized in 2015 and 2016, except for year 2013 when the auction price formula result in a lower selling price for the years 2013-2014.

Chart 2 – Albpetrol’s oil auction price vs. Brent price



Source for Bendt monthly price: World Bank databank

55. Albpetrol’s practice is to use as reference the Brent benchmark price issued on the date the payment is received. Sales contract terms allow the buyers to deposit the prepaid amount before each transaction or issue a Letter of Credit, which allows Albpetrol to withdraw the money upon each delivery by submitting supporting invoices, and payment authorizations etc. When the Letter of Credit is used as a payment method, the Brent benchmark is priced against the benchmark price (Brent) in force on the date of the LC enters in force. Hence, if the contractor issues an LC covering the whole contract, this implies that the benchmark price is capped at the initial reference price. Because of substantial fluctuations in oil prices during the period, Albpetrol might have had gains or losses from the capped positions⁴.

Price adjustments

- 56. Enquiries with Albpetrol’s staff revealed that price adjustment were performed on rare occasions, because payment date as considered effective for price determination is usually in advance of the sales date.
- 57. We understood price adjustments made related mainly to the benchmark. Albpetrol has no access to daily Brent prices published on *Platts European Market scan*. Benchmarks used are taken from the bulletin issued by the Agency for Public Procurement (www.app.gov.al). When time elapse is significant, Albpetrol’s staff informed that were not using APP as initial source, instead Brent prices were notified through corresponding with Bankers Petroleum.

⁴ Albpetrol did not provide information to allow for an analysis of its gain/loss position.

58. From year 2013 to 2016, Albpetrol disclosed the following sales of oil to each contractor in terms of quantities sold and sales values.

Table 2 - Summary of sales of Albpetrol's oil from year 2013 to 2016

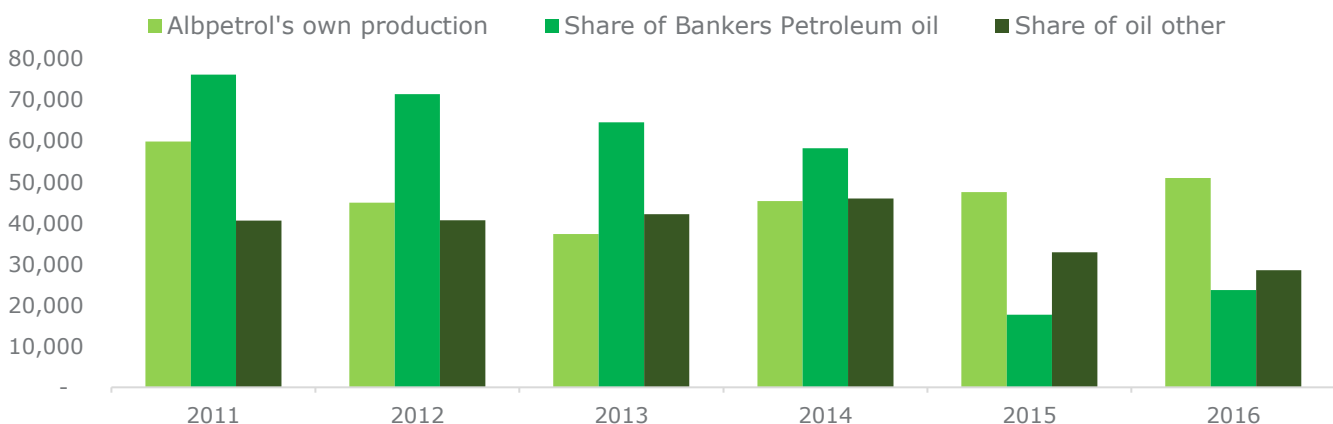
Years	Contractor	Activity licensed as of April 2018	Quantity (ton)	Average Price US\$/ton	Sales value in US\$
2013	"Duçellari 2010" Sh.A	No active licenses	36,976.00	470.00	17,410,844
2013	"Niti Petrol Company" Sh.A	No active licenses	9,971.00	485.00	4,835,915
2013	Interpetrol Ltd	LN-3994-10-2017 (oil and gas trading license)	31,754.00	416.50	13,189,167
2013	LIONA Sh.A	LN-7222-12-2013; LN-7343-01-2014; LN-6613-07-2013; (oil and gas trading licenses)	15,171.00	435.00	6,578,108
2013	TPD Trading Petrol & Drilling Sh.A.	LN-6130-02-2013 (oil and gas trading licenses and operated refining capacities in 2013-2016)	33,870.00	430.71	14,265,384
			127,742.00	438.79	56,279,418
2014	LIONA Sh.A	LN-7222-12-2013; LN-7343-01-2014; LN-6613-07-2013; (oil and gas trading licenses)	10,482.00	433.00	4,482,997
2014	<i>Not reported</i>	n/a	8,961.00	426.50	3,831,983
2014	TPD Trading Petrol & Drilling Sh.A.	LN-6130-02-2013 (oil and gas trading licenses and operated refining capacities in 2013-2016)	108,216.00	385.13	42,269,051
			127,659.00	400.00	50,584,031
2015	TPD Trading Petrol & Drilling Sh.A	LN-6130-02-2013 (oil and gas trading licenses and operated refining capacities in 2013-2016)	84,623.5	181.36	15,347,387
2015	Bankers Petroleum Albania Ltd.	Licensed oil producer	17,676.2	213.97	3,782,225
2015	Sherwood International Ltd.	Licensed oil producer	2,026.8	242.08	490,648
			104,326.50	188.07	19,620,260
2016	TPD Trading Petrol & Drilling Sh.A	LN-6130-02-2013 (oil and gas trading licenses and operated refining capacities in 2013-2016)	37,786.4	132.10	4,991,560
2016	Porto Romano Oil Sh.a.	Oil and gas depositing capacities in Romano port	39,450.8	184.85	7,292,425
			77,237.2	159.04	12,283,985

Source: EITI Report 2013-2016

Sale contract terms

59. The Order no. 83, dated 10 October 2012, as amended issued by the Minister responsible for the energy sector sets the contractual terms to be included in Albpetrol's oil sale contracts.
60. These 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.
61. Albpetrol may negotiate better terms, however is not allowed to negotiate worse terms without the Minister's approval.
62. Buying companies take Albpetrol's oil in one of the delivery points as established in the contract:
 - Albpetrol's selling point;
 - Oil companies production site.
63. As a result, buying companies get mix of qualities of oil based on its origin throughout the contract term.
64. Oil derived from Bankers Petroleum production site is expected to be at the same quality the company delivers to its export contractors.
65. We compared the crude oil sale contracts signed in 2016 with the contract template set in The Order no. 83, dated 10 February 2012, as amended issued by the Minister responsible for the energy sector and noted some changes from the regulatory template. The changes are discussed and clarified with Albpetrol's representatives, and not considered deviations from the Order no. 83. One of the changes noted from the comparison was introduction of the Letter of Credit as method of payment.
66. Chart 3 below shows an analysis of the ongoing of Albpetrol's available oil during the period 2011-2016.

Chart 3 – Albpetrol's available oil from 2011 to 2016



Source: EITI report 2013-2016

67. Share of oil derived from Bankers Petroleum (extracted from Patos-Marinza oilfield) has been a substantial source of oil for Albpetrol until 2014.
68. Oil is transported via oil tanks at the expense of the buying company from the delivery point. Each oil tank is accompanied by:
 - the technical invoice detailing quality, reconciliation between parties on the analysis, details of the reservoir;
 - details of the analysis; and
 - the fiscal invoice.

Payment method

69. Albpetrol accepts prepaid deposits in cash or via Letter of credit (LC) issued in favour of Albpetrol. When LC is used as a method of payment, the Albpetrol executes the payment in the subsequent weeks following the transactions (hence on post-paid basis). Under these terms Albpetrol extends credits to customers using the Bank as a third guarantee party.

Such exposes Albpetrol to credit risk, under circumstances where:

- LC is disbursed up to the maximum allowed limit;
- The Bank cancels the unused credit limit due to the customer’s poor credit control

We were unofficially informed that poor credit control lead to delayed payments unsettled accounts receivables in the past.

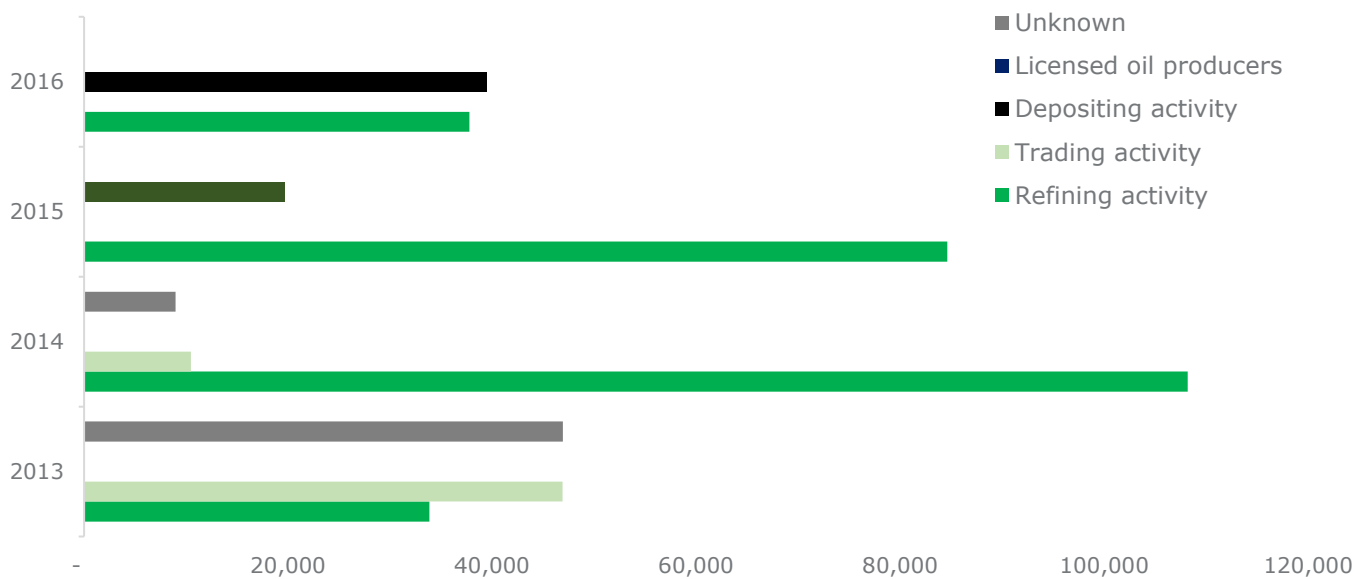
Subsequent use of oil

70. Albpetrol does not collect data on the subsequent use of oil, nor its imposes conditions to the use of oil. Companies buying Albpetrol’s oil are free to depose the oil as necessary.

71. Chart 4 below provides an analysis of the quantity of oil sold during from 2013 to 2016 based on the activity performed by the buying companies. The majority of Albpetrol’s oil was sold to companies pursuing domestic refining activity, about 60% of oil sold during the period. Oil sold to companies pursuing trading and depositing activities comprised about 22% of the oil sold during the period.

72. In accordance with the regulatory acts governing Albpetrol’s sales, Albpetrol shall notify the Tax and custom authorities immediately upon each sale made.

Chart 4 – Analysis of Albpetrol’s oil sale by the activity of the buying company from 2011 to 2016



Source: EITI report 2013-2016

In kind vs. cash collections

Regulatory acts

73. The Government of Albania authorized Albpetrol to obtain in cash the equivalent value of the share of oil derived from the PSAs via CMD no. 947, dated 29.12.2014. The decision allows Albpetrol to enter in negotiations with its contractors to determine payment methods. According to the decision share of oil shall be priced based on the average sales price derived by the oil company for the past month allowing for a deduction of transport, insurance and freight costs based incurred by the oil company based on the sales incoterms.
74. Pursuant to this decision, the Minister responsible for the energy sector issued order no. 1, dated 26.5.2015 instructing on procedures to be followed on deriving the corresponding value of the share of oil.

Based on these instructions:

- The reference price will be calculated as the average sales price derived by the contractor in the months when liability to deliver the share of oil arises, allowing for deduction of transport, insurance and freight costs incurred, when these are supported.
- Albpetrol will issue a quarterly invoice for the value of the monthly invoiced quantities of PEP and ASP within 60 days from the end of the quarter.
- VAT will be applied at 20% of the taxable value.
- Invoice will be issued in US dollar converted in Lek with the official exchange rate enacted on the invoice date.
- The contractor will pay Albpetrol the value invoiced including VAT less royalty tax, which will be paid by the contractor on Albpetrol's behalf.
- Payments are due within 10 days from the date of the invoice.

If the contractor's average selling price will be lower than Albpetrol's latest auction price, Albpetrol will derive in-kind payments until the contractor's average price at least equals the latest auction price.

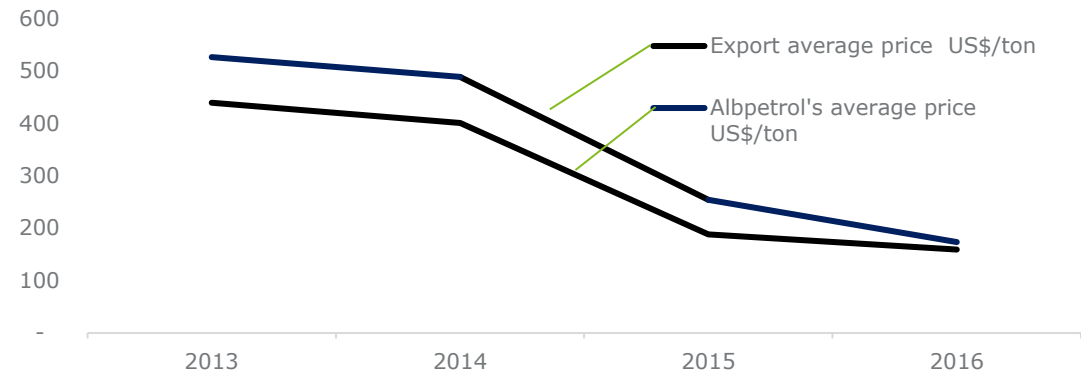
Contractor's perspective

75. Enquiries with Albpetrol revealed that the negotiations to derive the corresponding value in cash have not been successful so far.
76. Bankers Petroleum informed that the instructions do not address all costs incurred by the company for the output sold. For example, Bankers incurred substantial costs for the diluent/gasoil blended with the extracted crude oil to bring the oil at the parameters agreed with its buying partners. Diluent should not form part of the share of oil benefits derived by Albpetrol as it is injected externally to enhance the product quality. For this reason the company, shall be allowed to deduct diluent costs from its price. Other costs incurred and not considered by the instruction would be transport, depositing and insurance costs incurred to bring the crude oil from the wells to the delivery point, which is defined as ex-work point by the underlying regulatory acts.
77. Other considerations should be given to the nature of this transaction and define whether the oil companies are buying back the share of oil by Albpetrol or selling the oil on Albpetrol's behalf and delivering the corresponding value in cash. Bankers Petroleum for example exports the majority of oil extracted and as a result is not subject to VAT on export sales. On the other hand, the regulatory acts force the company to pay VAT to Albpetrol, when collects no VAT on its original sales.

Albpetrol’s perspective

78. Albpetrol’s representatives believe that the modality for collecting share of oil are part of larger decisions involving internal restructurings and maintaining a balanced workforce. Albpetrol informed not actively negotiating the modalities of cash payments with the oil companies at the date of this report.

Chart 5 – Albpetrol’s average price per US\$/ton vs average export price US\$/ton



Source: EITI report 2013-2016

79. Average export price is constantly higher than Albpetrol’s price. Albpetrol informs that this is mainly due to different sales incoterms, where Albpetrol’s sales are made to domestic refineries or resellers under Ex-Work terms, while export price is agreed on FOB terms, including transport, insurance and freight cost in addition to any Ex-Work negotiated prices. However, Albpetrol could not provide substantiating analysis to support the above.

80. The above analysis show that the difference between the average annual Albpetrol’s price and average annual export price have become smaller in 2016 as compared to 2015 and 2014.

AKBN’s engagement in sale of the Government’s oil

81. Petroleum Agreements administered by AKBN on behalf of the government foresee AKBN as the institution acting on behalf of the Government in relation to the benefits derived from the agreement and its supervision. Accordingly, AKBN has the right to collect share of oil payments and administer commodity trading on behalf of the Government.

82. The PSAs administered by AKBN have not entered the production phase and so far AKBN did not collect any in-kind or cash payments in relation to the share of oil.

83. Enquires with representatives from AKBN department in charge for PSAs, revealed that unlike Albpetrol, AKBN has not set the procedures and practices for administering the trading of the Government’s oil and gas.

Analysis of the transparency GAPS–Scoping study

First trade reporting

Types of commodities sold

Topic	Current state	Recommendations
Name of seller of the government's share of production	<p>Albpetrol's engagement as 'first trade' seller is already disclosed in EITI reports.</p> <p>Its activities in relation to the 'first trade' are regulated by orders issued by the Minister responsible for the energy sector.</p> <p>In case of PSAs administered by AKBN, it is unclear what would be its role and the level of engagement with the 'first trade' in the future it is not determined by regulatory acts.</p>	<p>The Government of Albania shall clarify the position of AKBN in relation to administration / selling the government's oil via regulatory acts.</p>
Oil grade and quality <i>(cargo by cargo disclosures only)</i>	<p>Different oilfields in Albania produce several grades and qualities of crude oil, which attract different prices on the market. For example, Bankers Petroleum, the largest oil producer in the country, blends the crude oil extracted to enhance its properties and meet its export partner's demand.</p> <p>Albpetrol's contractors benefit from enhanced qualities, because they pick up the oil at Bankers Petroleum site.</p> <p>As a result, Albpetrol collects mix qualities and grades from its sublicensed PSAs (including Bankers Petroleum) and does not perform any blending or quality enhancing activity.</p> <p>Oil sales are transported via trucks from the specified point of sales. This would involve numerous truck sales occurring through the year.</p> <p>Typically each truck sales shall be identified separate and accompanied by the technical invoice including:</p> <ul style="list-style-type: none"> - Point of sale (reservoir number); - Quantity in tons; 	<p>The MSG should ask Albpetrol to disclose transactions on truck-by-truck bases in an opened ledger database. The transaction details shall include:</p> <ul style="list-style-type: none"> - Invoice number - Buyer's full name and tax number; - Transporters full name and tax number; - Date of sale; - Point of sale (reservoir number); - Quantity in tons; - Quantity in m³; - Quantity in bbl.; - API gravity; - Sulphur content in %; - Water content in %; - Mechanical waste content in %; - Oil density in 15.5°C; - Delivery destination; - Date of payment receipt; - Final price applied; - Etc.

Topic	Current state	Recommendations
Date of sale (cargo by cargo disclosure only)	<p>In line with regulatory acts, the final sales price is determined with reference to Brent price, as published by Platts European Market scan effective on the payment date.</p> <p>As noted in paragraphs 51-52 the final price should be known to Albpetrol before the actual sale, however due to limitation in access to the daily Brent price information, Albpetrol performs initially issues the invoice using an approximated price and then adjusts the invoice when the final price is available in the APP bulletin.</p>	<p>MSG shall ask Albpetrol to disclose in its open ledger published the:</p> <ul style="list-style-type: none"> - Type of payment (cash / LC) - Date of payment receipt or LC effective date, - Brent price used as reference, - Effective date of the Brent price use as reference, and - Final price applied (when the initial invoice is issued using an approximated price). <p>This discrepancy may be adjusted forward-looking if the APP would publish the Brent price on a daily basis in its website. The MSG shall consider addressing this matter to the relevant government authority responsible for the APP operations.</p>
	<ul style="list-style-type: none"> - Quantity in m³; - Quantity in bbl.; - API gravity; - Sulphur content in %; - Water content in %; - Mechanical waste content in %; - Oil density in 15.5°C; - Delivery destination - Etc. <p>However, as noted in paragraphs 31-45 Albpetrol does not maintain accurate and complete operational records on quality of oil movements.</p> <p>Considering the lower level of digitalization in recording accounting and operational inventory movements, the most accurate records available would be those processed through ASYCUDA system providing details of gross and net weight of crude oil.</p>	<p>Albpetrol shall maintain an updated copy of the open ledger database in excel in its website for free access of the public.</p> <p>Considering the lack of operational records Albpetrol may publish an interim register with transactions already available in its accounting systems including:</p> <ul style="list-style-type: none"> - Gross weight - Net weight - Price in USD - Price in LEK - etc. <p>Albpetrol's records shall be compared to the records processed in the ASYCUDA system. The MSG shall ask the Albanian Custom Administrative to provide detailed transaction database for Albpetrol sales.</p>

Topic	Current state	Recommendations
Type of state-owned oil	<p>Types of oil sold, include:</p> <ul style="list-style-type: none"> - Albpetrol’s own production - ASP (contractors share of oil) - PEP (pre-existing/deemed production) <p>We understand that Albpetrol can easily distinguished between its own production and the share of oil derived from the sub-licensed oil companies. However, is reluctant to further disaggregate the share of oil derived into PEP and ASP, because of on-going disagreements with oil companies for the reconciliation of PEP/ASP delivered throughout the contract life.</p>	<p>The MSG should ask Albpetrol to disclose at least the origin of oil for each transaction, including details of oil producing company at the agreed level of disaggregation.</p>
Contract number and/or purchase order and/or invoice number	<p>Sales typically occur under the framework of one or two main agreement assigned during the year to 1-2 contractors.</p> <p>Invoice number would be the best tracking option.</p>	<p>The MSG shall ask Albpetrol to disclose the number of invoice for each oil sale transaction.</p>
(cargo-by-cargo disclosure only)		

Buying companies

Topic	Current state	Recommendations
Buyer	EITI report for 2016, have disclosed the name, tax number and address of the buying company.	n/a
Beneficial owner	<p>Currently the Government does not maintain a register of beneficial ownership in the extractive sector of oil and mining.</p> <p>Typically, buyers of Albpetrol’s oil have been registered companies in Albania owned by Albanian shareholders.</p> <p>The Government of Albania is in process of implementing beneficial ownership regulation to comply with new EITI requirements in 2020.</p>	<p>Albpetrol may consider asking companies participating oil auctions to disclose the beneficial ownership.</p> <p>MSG to consider relevance and ability to verify beneficial ownership self-declared in the light of overall beneficial ownership transparency project.</p>
Incoterms	<p>Albpetrol applies incoterms published by the International Chamber of Commerce (ICC) that are commonly used in both international and domestic trade contracts.</p> <p>Current pricing option allow for deduction of a certain value expressed in US\$/bbl. based on the point of sale.</p> <p>In order to understand the pricing option it is important to analyze details of the point of sales and incoterms applied to each transaction.</p>	<p>The MSG shall disclose Incoterms governing the contracts and each \ transaction in its open distributed ledger</p> <p>In addition, the MSG shall disclose the point of sale and origin of the oil.</p>
Load port, terminal or depot	Points of sales are specified in the contract and for each transaction noted in the accompanying invoice.	The MSG shall ask Albpetrol to disclose destination of oil sold, specifying the refinery, depositing capacity, export destination etc.

Country benefits for the sale

Topic	Current state	Recommendations
Volumes sold	Albpetrol currently discloses the volumes of oil in the EITI report for 2016, by contractors on an annual basis.	The MSG shall ask Albpetrol to provide volumes of crude oil disaggregated by truck sale, as noted above.
Revenues received	Albpetrol currently discloses the revenue generated by contractor in USD and Lek on an annual basis. As noted in paragraph 18-20, differing payment methods applied by Albpetrol may produce different revenue due to differing benchmark date.	The MSG shall ask Albpetrol to disclose revenue generated on a transaction basis in USD and Lek currency, and any other currency used in addition to USD or LEK, if any. Given the Albpetrol’s approach to fix the price at the date of LC, the MSG shall ask Albpetrol to calculate the profit and loss of this position in order to have a more comprehensive view of the benefits and costs from this payment approach
Price information	Albpetrol has already disclosed its price formula in the EITI reports; however, details of how this formula applied to each transaction are not available.	The MSG shall ask Albpetrol to disclose how the official auction price is applied in each transaction including details on the: <ul style="list-style-type: none"> - Date of sale transaction - Date of payment receipt / date of LC, - Brent price used as reference, - Effective date of the Brent price use as reference, and - Final price applied (when the initial invoice is issued using an approximated price), and - Currency applied for conversion in Lek or into any other currency.
Contract type	Albpetrol operates in a ‘term’ contract signed upon successful bid procedure. Albpetrol usually allocated to 1-2 contracts during the year. Standard terms of the contracts are based on regulatory acts published. Auction win bid price is disclosed; however, the full term of the contract is not disclosed.	The MSG shall ask Albpetrol to disclose the full contract term to enhance comprehensiveness of these transactions and allow the public for a comparison on how the regulatory act provisions apply.

Topic	Current state	Recommendations
Fees, charges and credits	Albpetrol has not disclosed any fee so far. Contracts signed between Albpetrol and the buyers in 2016 do not incorporate any fee either.	n/a
Foreign exchange rate	Albpetrol issues invoices denominated in USD and converted in Lek using the official exchange rate enacted on the invoice date. Contractual terms agreed for 2016 require AI	The MSG shall ask Albpetrol to disclose invoice currency, payment currency attached to the invoice and payment amount and any currency conversion term if invoices are denominated in a currency the than USD, which the price denomination currency.
Payment receipt date	Albpetrol has not disclosed the payments received form commodity trading so far.	The MSG shall ask Albpetrol to disclose the payment amount, currency and payment date attached to each invoice. In addition, the MSG shall ask Albeotrol to perform and disclose periodical reconciliations of sales and receipts with its contractors.
Payment account	Albpetrol has not disclosed so far the payment account. The regulator acts foresee that the payments are made in the bank accounts owned by the company.	The bank account shall be part of the contract terms and disclosed, if the full contract terms are disclosed. The MSG shall ask Albpetrol to disclose payments not made in to the Bank account specified in the contract.
Destination (sellers only)	Albpetrol does not collects data on the destination of oil.	Albpetrol may ask its contractors to disclose the intended use of oil and make disclosure of volumes by destination & subsequent use.
Source of data	Albpetrol undergoes to annual audit procedures.	In addition to annual audit procedure, the MSG may consider asking Albpetrol to engage its auditors to perform certain agreed procedures on Albpetrol’s disclosures on commodity trading. Alternatively, the MSG may ask the Independent Administrator to perform certain audit procedures including: <ul style="list-style-type: none"> - Trace transactions to supporting invoices, payments - Price verifications, - Etc.

Contextual information

Topic	Current state	Recommendations
Types of production the NOC sells	<p>The position of Albpetrol and its share in petroleum agreements is already disclosed in EITI reports.</p> <p>Albpetrol is granted a special license by the Albanian state to operate on its own or sub-license to the private oil companies all oil and gas fields in production stage and certain oil blocks.</p> <p>Albpetrol takes no share in the investments of the sublicensed operations and derives share of oil in form of:</p> <ul style="list-style-type: none"> - Pre-existing production and - Contractor’s share <p>Overall methods for accruing share of oil payments, is disclosed in the EITI report. Detailed formulas are considered commercially sensitive and not disclosed to the general public.</p> <p>Albpetrol derives and manages all benefits from the sale of oil and pays to the Albanian State dividends out of its profits.</p>	<p>The MSG shall ask Albpetrol to disclose the process accruing and deriving the share of oil including:</p> <ul style="list-style-type: none"> - Controls exercised; - Periodical reconciliations; - Comparison of accruing obligations vs share of oil payments; - Process to follow up on delayed payments.
Volumes of each type of oil sold per year	<p>Currently Albpetrol discloses total volume of oil sold per year; however provide no disaggregation by types of oil.</p> <p>From enquiries we understand that:</p> <ul style="list-style-type: none"> - There are unresolved reconciliation discrepancies related to the spilt between PEP and ASP, inherited from earlier periods. - Certain oil companies transfer a substantially lower share of PEP and ASP than the accruing liabilities. <p>Albpetrol is able identify type of oil sold, because sales are picked up directly at contractor’s production site.</p>	<p>The MSG shall ask Albpetrol to provide disagreed sales by origin/type of oil:</p> <ol style="list-style-type: none"> 1. Own production 2. PEP <ul style="list-style-type: none"> - Bankers Petroleum - Transoil group - Etc. 3. ASP <ul style="list-style-type: none"> - Bankers Petroleum - Transoil group - Etc.
Buyer selection process	<p>EITI reports provide a description of the annual buyer selection process and disclose details on the winning bid, non-winning applicants, volume negotiated.</p> <p>Auction details revealed that Albpetrol has difficulties to attracted applicants to its oil bidding process.</p> <p>The last four bids were allocated to the single participation applicant. The winning price was equal or almost equal to the auction floor price.</p> <p>Albpetrol commented that this is due to limited</p>	<p>The MSG shall ask Albpetrol to investigate additional selling options to the public annual auction. These could include:</p> <ul style="list-style-type: none"> - Selling back to the oil companies where PEP/ASP is derived; and - Working with international traders. <p>Benefits vs. costs of pursuing</p>

Topic	Current state	Recommendations
	<p>refining capacities in the country. Because of the volumes sold are relatively small the auctions are not attracting traders.</p> <p>In addition to the low volumes, the following might as well be deterrent to attracting international oil traders:</p> <ul style="list-style-type: none"> - First, the auction process is organized through the Albanian Public Procurement Agency, documents are produced in Albanian and auction is not marketed internationally in order to attract international traders. - Second, Albpetrol cannot commit to deliver a constant oil quality because of its mix origin; and - Finally, Albpetrol negotiates ex-work terms, and accordingly traders pick up the oil at the specified point of sale (typically the production site) 	<p>these additional options be compared to the benefit and costs derived from the actual selling strategy.</p>
Explanation of pricing system	<p>The floor auction price is set as reference to the Brent price considering the mix oil qualities received and sold historically.</p> <p>In addition, Albpetrol allows for a small deduction in the oil price to compensate for transport costs and bring the price to ex-work terms.</p> <p>The details of mixed oil qualities and how these affects the auction price are not publically disclosed.</p>	<p>The MSG shall ask Albpetrol to perform and disclose a comparative analysis of the price adequacy by analyzing:</p> <ul style="list-style-type: none"> - Forecasted mix of oil vs. delivered mix of oil - Transport cost per expressed in \$/bbl. might be compared to costs incurred by other private oil companies.
The transfer and expenditure of oil sale proceeds	<p>Disclosers made is far by Albpetrol, do not reveal any transfer of expenditures included in the oil selling contracts.</p> <p>Contracts signed for 2016 as well do not foresee any expense charge terms.</p>	<p>The MSG shall ask Albpetrol to disclose the full contract terms to allow for a comprehensive understanding of the transactions.</p>
Special arrangements (swap sales, pre-payment deals, oil-backed loans etc.)	<p>Albpetrol asserts not having such deals / terms in its oil selling contracts.</p> <p>Contracts signed for 2016 as well do not foresee any swap sales, bulk pre-payment deals, oil backed loans.</p>	<p>Some of these terms, if any, would be revealed by disclosing full contract.</p> <p>However, others, such as oil swap deals need to be investigated through the procurement chain.</p> <p>The MSG shall ask Albpetrol to disclose:</p> <ul style="list-style-type: none"> - All business relationships entered with its buying

Topic	Current state	Recommendations
		<p>contractors, and</p> <ul style="list-style-type: none">- Full contract terms of these relationships to allow for a comprehensive understanding of the transactions.

Recommendations from the Scoping study and their implementation in the 1st Commodity trading report

Topic	Recommendation	Timeframe	MSG feedback	Implementation status
Definition of role of AKBN in administering the Government's oil.	The Government of Albania shall clarify the position of AKBN in relation to the administration / selling the government's oil through development / amendment of the regulatory acts.	When AKBN's administered PSAs enter the production phase (2-5 years)	Agreed	Not implemented Implementation of the recommendation as agreed to be observed in future commodity trading reports.
Disclosure of contracts between Albpetrol and oil buyers.	Disclosure of the full contract term.	August 2018, for inclusion in the commodity trading report.	Albpetrol agreed to disclose copies of contracts in its official website. Subsequently, ALBEITI will create a link to Albpetrol's website. The same links will be referred also in the EITI reports.	Not implemented Implementation of the recommendation as agreed to be observed in future commodity trading reports.
Disclosure of oil quality and details of the oil transactions.	The MSG shall ask Albpetrol to maintain and disclose in its website oil transactions performed during each accounting period on truck-by-truck bases in an opened ledger excel database. The transaction details shall include:	Albpetrol's accounting records are scattered across paper registers and with only limited details recoded in excel. As a result, the	The recommendation was generally disagreed and information requested deemed very extensive. Instead Albpetrol and the MSG propose disclose of total	Recommendation disagreed Albpetrol and the MSG disagreed on implementing this recommendation because of Albpetrol's current operational

Topic	Recommendation	Timeframe	MSG feedback	Implementation status
	<ul style="list-style-type: none"> ▪ Invoice number ▪ Buyer’s full name and tax number; ▪ Transporters full name and tax number; ▪ Date of sale; ▪ Point of sale (reservoir number); ▪ Quantity in tons; ▪ Quantity in m3; ▪ Quantity in bbl.; ▪ API gravity; ▪ Sulphur content in %; ▪ Water content in %; ▪ Mechanical waste content in %; ▪ Oil density in 15.5°C; ▪ Delivery destination; ▪ Date of payment receipt; ▪ Final price applied; ▪ Etc. <p>Albpetrol may update the list at the end of each month after the closure of the month until the end of the accounting period and save each accounting period in a separate excel workbook.</p>	<p>information cannot be reported and analyzed efficiently.</p> <p>Due to this fact this recommendation shall be applied prospectively starting from 2019.</p> <p>(1-2 years)</p>	<p>quantities and values of sales performed to each contractor during an accounting period.</p> <p>Which consist the same level of details already disclosed in the EITI report for 2016.</p>	<p>accounting and reporting limitations.</p> <p>Disclosure of detailed data from Albpetrol, to be discussed for the future EITI reports, as Albpetrol may overcome these operational reporting limitations in the forthcoming periods.</p>
Disclosure of oil quality and details of the oil transactions.	<p>Considering the lack of operational records, for the years 2017 and 2018, The MSG may ask Albpetrol to publish the level of details which are already available in its accounting systems including:</p> <ul style="list-style-type: none"> ▪ Gross weight ▪ Net weight ▪ Price in USD ▪ Price in LEK ▪ Etc. 	<p>August 2018, for inclusion in the commodity trading report.</p>	<p>Albpetrol disagreed on the recommended disclosures.</p> <p>Both Albpetrol’s representatives and the MSG members agreed to ask the Custom authorities to report the following information held for Albpetrol’s sales of oil:</p> <ul style="list-style-type: none"> ▪ Net volume, in m3 ▪ Net weight, in ton ▪ Gross weight, in ton 	<p>Partially implemented</p> <p>Information received from the Custom’s system ASYCUDA, partially meets the reporting template requirement.</p> <p>GAP analysis is presented in Annex 1.</p>

Topic	Recommendation	Timeframe	MSG feedback	Implementation status
	<p>The MSG shall ask for a comparison of Albpetrol's records with the data held by the Custom Authorities in ASYCUDA system. In order to perform the comparison, the MSG shall ask the Albanian Custom Authorities to provide detailed transaction database for Albpetrol sales.</p>		<ul style="list-style-type: none"> ▪ Density at 15% ▪ API indicator ▪ Applied price ▪ Value of sale in Lek ▪ Value of sale in currency 	
<p>Details of pricing and payments</p>	<p>MSG shall ask Albpetrol to disclose in its open ledger information related to reference price used and payment date for each payment received:</p> <ul style="list-style-type: none"> ▪ Type of payment (cash / LC) ▪ Date of payment receipt or LC effective date, ▪ Brent price used as reference, ▪ Effective date of the Brent price use as reference, and ▪ Final price applied (when the initial invoice is issued using an approximated price). <p>This discrepancy may be adjusted forward-looking if the APP would publish the Brent price on a daily basis in its website. The MSG shall consider addressing this matter to the relevant government authority responsible for the APP operations.</p>	<p>August 2018, for inclusion in the commodity trading report.</p>	<p>Albpetrol regarded the data as excessive and claimed that such reporting would require significant time and efforts.</p> <p>Both Albpetrol and the MSG agreed to the following disclosure:</p> <p>Presentation of the annual reconciliation of sales to collection for each contractor (buyer of oil from Albpetrol)</p> <ul style="list-style-type: none"> ▪ Accounts receivable from each contractor on 1/1/2016 (in USD and LEK); ▪ Sales to each contractor during 2016 (in USD and LEK); ▪ Payments collected from each contractor during the year (in USD and LEK); ▪ Accounts receivable from each contractor on 31/12/2016 (in USD and LEK). 	<p>Not implemented</p> <p>Implementation of the recommendation as agreed to be observed in future commodity trading reports.</p>

Topic	Recommendation	Timeframe	MSG feedback	Implementation status
Type of oil sold	<p>The MSG shall ask Albpetro to disclose types of oil sold on a truck-by-truck basis including:</p> <ul style="list-style-type: none"> Albpetro’s own production ASP (contractors share of oil) PEP (pre-existing/deemed production) 	August 2018, for inclusion in the commodity trading report.	Albpetro disagreed on this recommendation claiming that it was operationally difficult to produce such information for the detailed or aggregated sales.	<p>Recommendation disagreed</p> <p>Albpetro and the MSG disagreed on implementing this recommendation because of Albpetro’s current operational accounting and reporting limitations.</p> <p>Disclosure of detailed data from Albpetro, to be discussed for the future EITI reports, as Albpetro may overcome these operational reporting limitations in the forthcoming periods.</p>
Beneficial ownership	<p>Albpetro to consider asking companies participating oil auctions to disclose the beneficial ownership.</p> <p>MSG to consider relevance and ability to verify beneficial ownership self-declared in the light of overall beneficial ownership transparency project.</p>	Starting from year 2019	<p>Albpetro and the MSG members disagreed, considering the request excessive.</p> <p>All participants claimed that beneficial owners are those disclosed in the National Commercial Register.</p>	<p>Recommendation disagreed</p> <p>Albpetro and the MSG disagreed on implementing this recommendation because of Albpetro’s current operational accounting and reporting limitations.</p> <p>Disclosure of detailed data from Albpetro, to be discussed for the future EITI reports, as Albpetro may overcome these operational reporting limitations in the forthcoming periods.</p>
Incoterms	Disclosure of the Incoterms governing the contracts and each \ transaction in its open distributed ledger	August 2018, for inclusion in the	All participants agreed.	<p>Partially implemented</p> <p>Albpetro informed that it applied ex-work sales terms in</p>

Topic	Recommendation	Timeframe	MSG feedback	Implementation status
		commodity trading report.	Incoterms will be part of the contract terms agreed to be made available for public access.	substantially all cases. However, such is not disclosed on a transaction-by-transaction basis attached to the transaction price terms. GAP analysis is presented in Annex 1.
Load port, terminal or depot	The MSG shall ask Albpetro to disclose destination of oil sold, specifying the refinery, depositing capacity, export destination etc.	August 2018, for inclusion in the commodity trading report or starting from year 2019	Albpetro disagreed on this recommendation claiming that such request was operationally complex to be implemented on past, current and future contracts.	Recommendation disagreed Albpetro and the MSG disagreed on implementing this recommendation because of Albpetro's current operational accounting and reporting limitations. Disclosure of detailed data from Albpetro, to be discussed for the future EITI reports, as Albpetro may overcome these operational reporting limitations in the forthcoming periods.
Bank account details	The MSG shall ask Albpetro to disclose payments not made in to the Bank account specified in the contract.	August 2018, for inclusion in the commodity trading report.	Albpetro asserted that all payments were fully received in Albpetro's bank account.	Implemented Albpetro shall grant an explicit declaration on collections for each forthcoming reporting period.
Destination of oil by seller.	Albpetro may ask its contractors to disclose the intended use of oil and make disclosure of volumes by destination & subsequent use.	August 2018, for inclusion in the commodity trading report.	Albpetro disagreed on this recommendation claiming that such request was operationally complex to be implemented on	Recommendation disagreed Albpetro and the MSG disagreed on implementing this recommendation because of

Topic	Recommendation	Timeframe	MSG feedback	Implementation status
			past, current and future contracts.	Albpetrol’s current operational accounting and reporting limitations. Disclosure of detailed data from Albpetrol, to be discussed for the future EITI reports, as Albpetrol may overcome these operational reporting limitations in the forthcoming periods.
Data assurance	In addition to annual audit procedure, the MSG may consider asking Albpetrol to engage its auditors to perform certain agreed procedures on Albpetrol’s disclosures on commodity trading. Alternatively, the MSG may ask the Independent Administrator to perform certain audit procedures including: <ul style="list-style-type: none"> Trace transactions to supporting invoices, payments Price verifications, Etc. 	Starting from year 2018	Albpetrol disagreed on this recommendation claiming that additional audit procures were excessive and costly.	Recommendation disagreed Albpetrol and the MSG disagreed on implementing this recommendation because of additional assurance costs.
		August 2018, for inclusion in the commodity trading report.	For the purpose of this report Albpetrol agreed to disclose a comparison of prices between Albpetrol and other private oil companies, during 2016 including a comparison of the: <ul style="list-style-type: none"> Incoterms implemented by other oil companies Applied price as a % to Brent Other applied discounts / additions Both Albpetrol and ALBEITI will assist in collecting price information from the private oil companies.	Not implemented Implementation of the recommendation as agreed to be observed in future commodity trading reports.

Annex 1 – GAPs in the reporting template

The table below summarizes GAPs between the information required and the compiled in the reporting template attached in Annex 3 of this report. The reporting template is compiled with data received from the Custom Authority in November 2018, for the period from 1 January 2016 to 31 August 2018.

Table 3 – Analysis of GAPs in the reporting template

Key questions	Core vs. additional information	Title of the column	Fulfillment status
1. What oil is being sold?	Core information	Name of seller	✓ <input type="checkbox"/>
		Oil grade and quality (e.g. API) - cargo by cargo disclosures only	✗ <input type="checkbox"/>
		Date of Sale - (Bill of lading date -- cargo by cargo disclosures only)	✓ <input type="checkbox"/>
	Additional information	Type of state-owned oil sold (e.g. profit oil)	✗ <input type="checkbox"/>
		Contract # / p/o # / invoice #	✗ <input type="checkbox"/>
2. Who is buying the product?	Core information	Buyer	✓ <input type="checkbox"/>
	Additional information	Beneficial owner of buyer	✗ <input type="checkbox"/>
		Incoterms	✗ <input type="checkbox"/>
		Load port, terminal or depot	✓ <input type="checkbox"/>
3. What return did the country receive from the sale?	Core information	Volumes sold (barrels)	✗ ✓ <input type="checkbox"/>
		Net Volumes (ton) NEW - Alternative to volumes in barrels	✗ ✓ <input type="checkbox"/>
		Revenues received	✗ <input type="checkbox"/>
		Price information: Official selling price	✗ <input type="checkbox"/>
		Price information: Pricing Option	✗ <input type="checkbox"/>
		Contract type	✓ <input type="checkbox"/>
	Additional information	Fees, charges and credits	✗ <input type="checkbox"/>
		Forex rate	✗ <input type="checkbox"/>
		Payment receipt date	✗ <input type="checkbox"/>
		Payment account	✗ <input type="checkbox"/>
4. Other information	Core information	Destination (sellers only)	✗ <input type="checkbox"/>
		Source of data	✓ <input type="checkbox"/>
		Notes	✓ <input type="checkbox"/>

Ledged

✓ <input type="checkbox"/>	✗ <input type="checkbox"/>	✗ ✓ <input type="checkbox"/>	✗ <input type="checkbox"/>
Information disclosed as required	Core information not disclosed	Core information not partially disclosed	Additional information not disclosed

The table below summarizes information requested and received from the custom authorities for the purpose of this report:

Table 4 – Comparison of information received vs information requested from the custom’s authority

Category	Column title	Column number	Provided
Transaction number	Invoice Serial Number	1	No
	Accompanying Custom Document Serial Number	2	Yes
	Date of custom warehouse release (DSHA)	3	Yes
Seller identification	Tax ID (NUIS) of the seller	4	Yes
	Name of the seller	5	Yes
Buyer identification	Tax ID (NUIS) of the buyer	6	Yes
	Name of the buyer	7	Yes
Transporting company identification	Tax ID (NUIS) of the transporting company	8	No
	Name of the transporting company	9	No
Export or warehouse	Crude oil destination	10	Yes
Quantity and density	Net weight in ton	11	Yes
	Gross weight in ton	12	No
	Crude oil density in 15°C	13	No
Price and invoice amount	Price per ton	14	No
	Amount invoiced in USD	15	No
	Amount invoiced in LEK equivalent	16	No

Annex 2 – List of oil fields and exploration blocks in Albania

Table 5 – List of oil fields and exploration blocks administered by Albpetrol and AKBN.

No.	Field	Oil and gas field / exploration block	Administered by
1	Oil field	Cakran-Mollaj	Albpetrol
2	Oil field	Ballsh-Hekal	Albpetrol
3	Oil field	Gorisht-Kocul	Albpetrol
4	Oil field	Karbunarë	Albpetrol
5	Oil field	Amonicë	Albpetrol
6	Oil field	Visokë-Kolonjë	Albpetrol
7	Oil field	Delvinë condensate	Albpetrol
8	Oil field	Finiq-Krane	Albpetrol
9	Oil field	Drashovicë	Albpetrol
10	Oil field	Patos-Marinëz	Albpetrol
11	Oil field	Kuçovë	Albpetrol
12	Oil field	Rasë-Pekisht	Albpetrol
13	Gas field	Divjaka	Albpetrol
14	Gas field	Ballaj-Kryevidh	Albpetrol
15	Gas field	Frakulla	Albpetrol
16	Gas field	Povelca	Albpetrol
17	Gas field	Panaja	Albpetrol
1	Offshore block	Block Rodoni N & S	AKBN
2	Offshore block	Block Adriatiku 2	Albpetrol
3	Offshore block	Block Adriatiku 3	Albpetrol
4	Offshore block	Block Adriatiku 4	Albpetrol
5	Offshore block	Block Joni 5	AKBN
6	Offshore block	Block Durres	AKBN
7	Onshore block	Block 1	AKBNI
8	Onshore block	Block 2	AKBN
9	Onshore block	Block 3	AKBN

10	Onshore block	Block 4	AKBN
11	Onshore block	Block 5	AKBN
12	Onshore block	Block 6	AKBN
13	Onshore block	Block 7	AKBN
14	Onshore block	Block 8	AKBN
15	Onshore block	Block A	AKBN
16	Onshore block	Block B	AKBN
17	Onshore block	Block C	AKBN
18	Onshore block	Block D	AKBN
19	Onshore block	Block E	AKBN
20	Onshore block	Block F	AKBN
21	Onshore block	Block Dumre	AKBN
22	Onshore block	Block Panaja	AKBN
23	Onshore block	Block Velca	Albpetrol
24	Onshore block	Block Delvina	Albpetrol

Annex 3 - Reporting template

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