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Technical Assistance for Strengthening the Capacity of the Ministry of Environment, Forests and Water Administration in Albania for Law Drafting and Enforcement of National Environmental Legislation

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TARIFF`S REPORT

Tariff`s for environmental permits

National Environmental Agency

Activity C.3

I. Draft

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LIST OF ABBREVIATIONS

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BAT	Best Available Techniques
BREF	Best Environmental Reference Note
DCM	Decision of Council of Ministers
EIA	Environmental Impact Assessment
ELV	Emission Limit Value
EPL	Environmental Protection Law
EUD	European Union Delegation to Albania
GIS	Geographic Information System
MoE	Ministry of Environment
NEA	National Environmental Agency
NLC	National Licensing Office
REA	Regional Environmental Agencies
SEI	State Environmental Inspectorate (same as NEI)
SELEA	Support Environmental Laws Enforcement Albania

1 EXECUTIVE SUMMARY & RECOMMENDATIONS

The present analysis justifies the need for a raise of the Tariffs for processing of Type A, B and C environmental permits and conducting environmental inspection in Albania.

Tariffs do not exist as of today only the administrative fee paid to NLC (QKL).

The following Tariffs are recommended as annual fees:

Type A	1500 EUR	or	**225.000 LEKE**
Type B	0800 EUR	or	**120.000 LEKE**
Type C	0000 EUR	or	**000.000 LEKE**

It should be noted that the Tariffs in e.g. Macedonia is 2-3 times higher and in EU countries 20 - 50 times higher.

The income from the tariffs should go back to the environmental sector if possible either to support the institutions (SEI and NEA) directly or into an environmental fund.

The following analysis provides detailed analysis of the actual situation in Albania.

2 INTRODUCTION

Albania has fully transposed the IPPC Directive and partly the IE (Industrial Emissions) Directive by adoption of the following laws and DCM:

- Law No. 10 431 dated 09.06.2011 "On Environmental Protection",
- Law No. 10 440, dated 07.07.2011 "On environmental impact assessment",
- Law No. 10 448, date 14.07.2011 "On environmental permits," and
- DCM no. 46, dated 01.29.2014, "On the establishment and the organization and functioning of the State Inspectorate of Environment, Forestry and Water".

The present analysis is undertaken to determine the administrative costs necessary for the permitting process specifically of the NEA. However also the costs for undertaking inspections are assessed and included in the analysis.

The system for integrated permitting as defined in the permitting law applies an integrated environmental approach for the regulation of certain industrial activities. This means that emissions to air, water (including discharges to sewer) and land, plus a range of other environmental impacts should be considered unilateral. This also means that regulators should set conditions for a permit in order to achieve a high level of environmental protection as a whole.

Conditions are determined based on the use of Best Available Technique (BAT) for Type A Permits. BAT balances the benefits for the environment versus the additional costs of operator. The law aims to prevent emissions and production of waste and where that is not possible, to reduce them to acceptable levels. The law also takes the integrated approach beyond the time of operation by setting conditions for restoration of sites when industrial activity has ceased.

The essence of the law is that operators should use the best technique option available to achieve a high level of protection of the environment taken as a whole. This is achieved by issuing conditional permits based on BAT. This, along with a review of local environmental conditions, technical characteristics of the installation and its location, provides the basis for determining the emission limit values (ELVs) and other conditions of the permit.

Utilization of BAT entails that the costs of implementation techniques is not excessive in relation to the environmental protection that they offer. Practical experience demonstrates that BAT can prevent damages to the environment and an investment can be justified.

To implement the law the different levels of the state administration execute a number of tasks. These tasks require the commitment of a certain number of human resources such as public servants including environmental inspectors and experts of NEA. It also requires in-kind contributions such as office, equipment, computers, etc. All this can be considered as costs for the administration.

The analysis that is presented includes all these costs in Albania. Part of the cost should be covered by operators who are obliged to implement the law by paying a Permit Tariff and/or an Annual Tariff according to the Polluter Pays Principle.

In the analysis a brief analysis will be presented of the administrative costs of the National Environmental

Agency and the administrative costs of the Environment Inspectorate to different industrial operators who have the obligation to implement the law in Albania.

3 USE OF ESTIMATES

The analysis includes two proposals:

- Establishment of a payment as a means to create an effective market prices, and
- Calculating the cost of administration to facilitate the resources made available by the responsible government entities

3.1 Establish a payment in terms of creating an effective market price

Permit management costing is aimed primarily at assessing the tariff/fee that will be collected from industry that requires an environmental permit.

The underlying assumption is that industry should cover the cost of production of goods and services. In the manufacturing process the industrial factors of production i.e. equipment, raw materials and labour force or workers are paid the market price. The cost is reflected in the prices that industries are demanding for goods produced and it can be assumed that in the end consumers are paying for the resources used in the production of the goods.

Industry is using natural resources or impacting the environment in order to produce goods or to perform services. The impacts include for example emissions to air and/or water as receptors from the manufacturing process. The level of emissions should be kept in an acceptable level which is based on the collection and updating of knowledge about the environment and the effects of such emissions combined with information on emission levels collected by the industry.

Environmental costs for industry are primarily "working time" and "equipment" needed for the monitoring of emissions. Such costs appear in the relevant markets for labour and equipment and are included in the cost calculations of individual companies just like any other cost of production and that is reflected in prices for manufactured goods in direct production costs as described above.

The society is paying for costs in terms of "hardware" and "work time" in public institutions that processes permits (NEA) and are enforcing permits (SEI). For industry, these costs are costs to society. If such costs should be included in the production process of the goods concerned such costs should be calculated to become part of the price of manufactured goods and service.

When a calculation is made the price of goods will reflect the cost of production of goods and, therefore, it will be the consumers who will pay the price and suffer the loss (in the financial sense to buy a commodity alternative) in order to benefit from specific goods.

It is clear from what how an analysis is made that administrative cost is important to inform the consumer about for the consumer to be able to know and choose between different goods for which the cost of environmental management is involved.

The analysis undertaken here will aim at determining the "payment" to be paid by the industry and thereby ensure that industry during the calculation of the price of the product must have regard to include environmental costs.

3.2 Calculating the cost of administration for the government entities

An additional consideration in the assessment of administrative costs is that decision makers have to make available the necessary financial and human resources to the responsible government agencies. In the case of environmental permitting and enforcement this is important n particular for the National Environment Agency and the State Environmental Inspectorate.

The prospect of this is to enable the MoE and the Government of Albania to make available financial resources for the NEA to manage the permitting process to implement the law.

As assumed above, this is a simple method where industries are charged with a fee where the fee in principle will be used to cover the factual cost of the services of the responsible institutions such as the National Environment Agency and the Inspectorate of Environment involved.

Since such a system of payment of administrative costs is not yet established, it will be necessary that funds are provided from the MoE or from financial resources of the state budget.

If this payment for tariffs will go back to the Ministry of Finance and not in the budget of the Ministry of Environment the situation will remain the same.

The government may decide that only a portion of the costs are to be covered by the state budget and the rest by the industry. Another alternative could be that for a period of time the costs are covered by the state budget and then gradually to be covered by Industry.

Under all circumstances the calculations developed by this study will important.

4 COST ESTIMATION

4.1 Level of precision

To achieve the two main objectives, the assessments must meet different requirements in terms of accuracy.

In principle to have a more effective system of prices, the costs should be calculated and assessed for each individual installation. For practical reasons the analysis of costs are done for sectors as the prices do not change too much and thus sector specific values will suffice.

The level of accuracy in estimates is determined by the demand for effective prices that will be required. This requires individual assessment at the sector level, and to introduce some sub-sectors sectors in order to allow for differences in size and complexity within the sector.

The main concern in the calculation of administrative costs for permits is an exercise which has not been undertaken earlier in Albania. For this reason, the estimated cost will be based on a simple method of evaluating the projected time required and compared with some international experience. The result is an estimate of the time consumed to administer a standard permit.

4.2 Number of installations

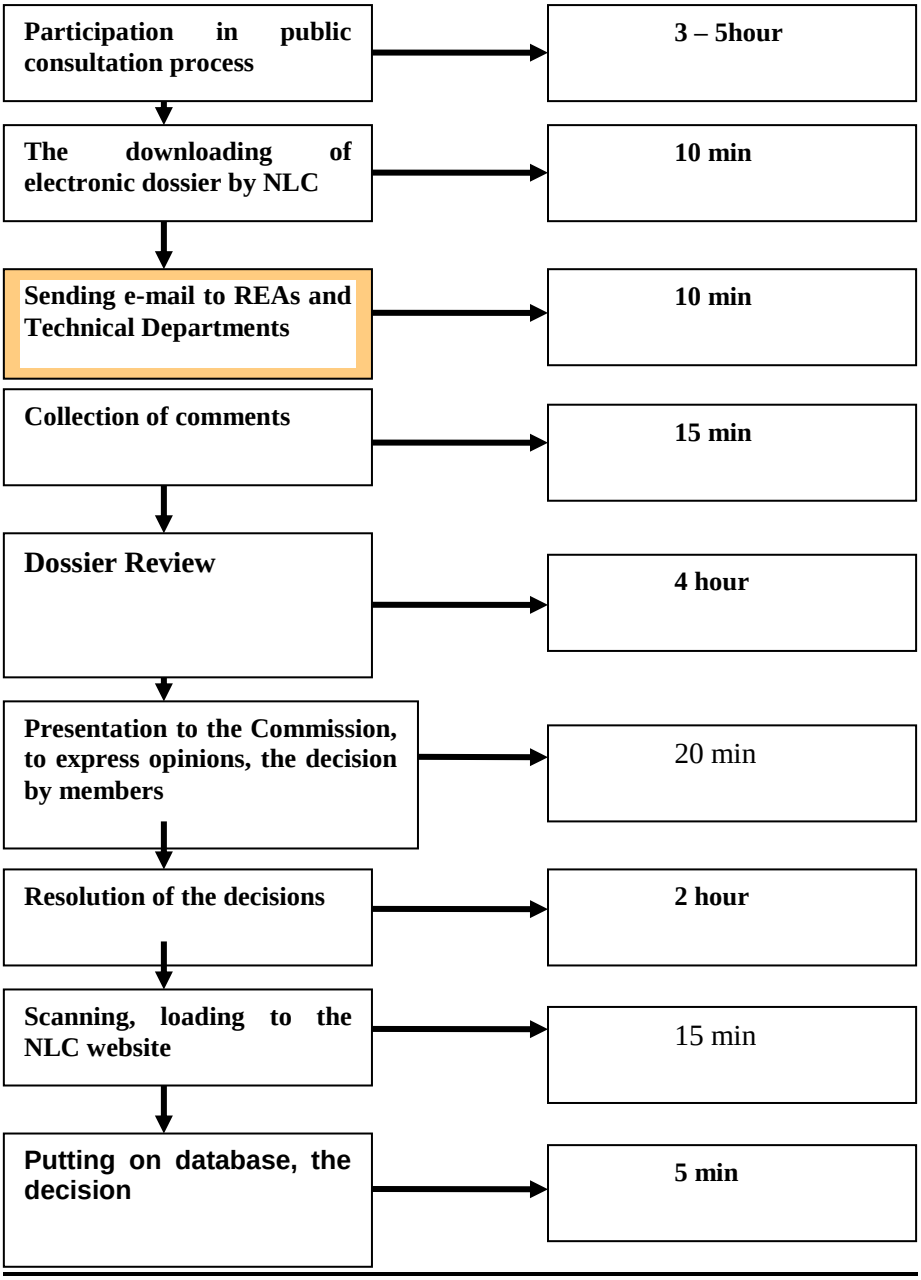
The table below shows the number of installations. Source of information are the NEA, the Environmental Inspectorate and SELEA project.

Table 1: Number of installations for 2013

	Number of Installations	A	B	C
Energy	27	11	15	1
Metallurgy	15		15	15
Minerals	134	1	132	1
Chemistry	6	1	5	
Waste	52	2	50	
Other	82	9	70	3
Total	316			

4.3 Task specification

The major part of the cost is the time required for administrative staff to manage a permit. The method applied to calculate the time required to administer a permit is given in the following procedure:



The Permit process is divided into a number of tasks. Direct Time (see above) has been allocated for specific detailed tasks which cover about half of the total time given for the permitting procedure. Half of the estimated remaining time is not specified tasks, which can be clearly determined. The consequence is the risk of an incorrect evaluation of the unspecified tasks compared with an estimate based on all duties for a single unit.

Installations belonging to different sectors and the time required to process a permit is different from sector to sector. Each sector is evaluated and the time required to process a permit is shown as a percentage of the time needed to issue a standard permit.

Time and tasks allocated on each task procedure presented in the following table. 3, “Time for specific sector”.

The results are:

- An indication of the effective number of days needed to process permits for all installations identified;
- An indication of the number of effective working days needed to process a permit of an installation.

4.4 Administration time required

Time spent by the administration of the National Environment Agency

From the data presented in the table above, the time required for a permit for an installation process is: 675 min, which means the effective working time, equal to 11.5 h = 1.4 working day For all installations that: 1.4 working days X 1303 = 1824.2 working day fixture

Time spent by the administration of the Environmental Inspectorate

Table 2:

Installations	Number of inspections
Industrial installation	750
Waste	1250
Other licenses including type B and C	5000
Total	7000

The study is from the year 2013 where inspection amounts to 7000 per year, assuming 200 working days effective, then the time required for a permit for an installation process is 35 working days. The number of installations is 1303 x 35 days = 45,605 days of work.

The total number of days spent will be called "direct time" needed to process a permit is therefore 1.4 + 35 = 36.4 working days.

Time required for specific sectors

The following table is presented the time spent by NEA and the Environmental Inspectorate, for specific sectors.
The evaluation includes an assessment of the size and complexity in selected sectors, including sectors and sub sectors of Energy and metallurgy (iron and steel) is expected for the current permit will be more complex than the standard permit. So in these two sectors is expected that the time required being twice the time that a permit standard and other sectors are expected to take time as a standard permit or less time than for a standard license.

The table also shows the number of establishments in each sector and calculate the total number of days required for a permit for each sector and the total number of days required completing the permit process.

Table 3: Time for Specific Sectors

Installation's sector and sub sectors	Percentage of the estimated time from the time of an average IPPC permit	Number of installations	Total sector days for administering
Energy 1	200 % i.e.(2.8+70) days	11	72.8*11=800.8 days
Energy 2	100 % i.e. (1.4+35) days	15	35.4*15=531 days
Total Energy	-	26	1332 days
Metallurgy 1	200 % i.e. 2.8 +70 days		
Metallurgy 2	100 % i.e. 1.4+35 days	15	35.4*15=531 days
Total Metallurgy	-	15	531 days
Minerals	80 % i.e. 28.32 days	134	28.35*134=3795 days
Chemistry	80 % i.e. 28.32 days	6	28.32*6=170 days
Solid Waste	40 % i.e. 14.16 days	52	14.16*52=736.32 days
Other	30 % i.e. 10.6 days	82	10.6*82=869.2 days
Total:	-	315	7433.4 days

4.5 Standard cost

An average salary for an expert in the NEA and the Environmental Inspectorate is 56,500 leke per month using the budget as a source. As the annual wage cost this corresponds to 56,500 x 12 = 678,000 ALL for an expert who has involved contributions for social contributions and health insurance and payroll taxes. Effectively assuming 200 working days per year, the cost for a day of work to process permits 3390 estimated the value ALL day.

4.6 Cost calculation

In Table 3 below all the estimates of time and cost have been indicated and used in the calculation of sector and total costs and for the calculation of charges.

Table 4: Cost and charge calculation

	No of installations	% of the average IPPC permit administrative time	Days permit	Total per sector	Cost per permit in Leke	Cost per sector in Leke	Cost per permit in EUR	Cost per sector in EUR
Energy 1	11	200	72.8	796	246,792	2, 714, 712	1,763	19, 391
Energy 2	15	100	36.4	546	123,396	1, 850, 940	881.4	13, 221
Metallurgy 1		200	72.8					
Metallurgy 2	15	100	36.4	546	123,396	1, 850,940	881.4	13, 221
Minerals	134	80	29.12	3902	98,717	13,228,051	705	94, 486
Chemistry		80	29.12	174.7	98,717	592, 301	705	4,230
Waste	52	40	14.6	757	49,494	2, 573, 688	354	18, 408
Others	82	30	11	902	37,290	3, 057, 780	266	21, 812
Total :	315	100		7683.7		25,868,412		184,769

5 IMPROVEMENT OF ASSESSMENTS

A more accurate assessment can be generated by specifying sub tasks for processing an application. It would not make sense if it did not have an initial number of installations granted permission in this way it would become possible assessment of the actual cost.

NEA should realize registration system for financial cost as well as time used by staff, in order to be able to make the evaluation. If you do not have this register will be updated or not, then any improvement of assessments or evaluation concept itself would have no meaning.