

# ENERGY TRANSITION CONFERENCE

## CHALLENGES AND OPPORTUNITIES IN KOSOVO AND THE REGION

31 October 2018  
Prishtina, Kosovo



## Conference Summary

This summary captures a one-day program of panel discussions and interactive dialogue at the conference on *“Leading the way towards an Energy Transition in Kosovo”* which took place on 31 October 2018 in Pristina.

The high-level conference was organized by Balkan Green Foundation and Germanwatch, which focused on challenges and opportunities of energy transition in Kosovo and the region. This event brought together around 200 representatives from local and foreign institutions, civil society, national and international experts, professors and students, who contributed with concrete discussions in addressing issues of common interest in the path of Kosovo for the development and transition of energy. Additionally, discussions at the conference emphasized that since Western Balkans region is highly reliant on fossil fuels, it is imperative that energy development agendas prioritize diversification of energy sources with sustainability, reliability, and affordability as the cornerstone of their energy policies. This conference provided a valuable networking opportunity and set the stage for further cooperation between different stakeholders in the energy sector.

During the opening remarks, Mr. Visar Azemi, the Executive Director of Balkan Green Foundation, stated that energy transition is a global phenomenon against which Kosovo is not isolated. *“We have acquired the energy transition model from our German friends who affirmed that the energy transition is possible, thus now we are working together to explore the opportunities that Kosovo has in this field. Kosovo has great potential for solar and wind power, therefore, investments in renewable resources need to be accelerated”*, said Mr. Azemi.

## Keynote Speakers

The conference continued with short speeches from the Minister of Economic Development, Mr. Valdrin Lluka, Ambassador of the Federal Republic of Germany to Kosovo, Mr. Christian Heldt, and the Head of Political Section at the European Union Office in Kosovo/EUSR, Mr. Riccardo Serri.

Mr. Lluka, Minister of Economic Development, noted that energy is a very important sector of Kosovo's economic development as well as a challenger at the same time. *“Our decision-making in relation to the policies of this sector is based on five objectives: security of energy supply, affordable prices for citizens, protection of the environment, increase in private investment, and creation of new jobs”*, said Minister Lluka.

Mr. Lluka presented the policies and decisions that the ministry has implemented, announcing plans to expand central heating to large municipalities through funds from the European Union. In his view, Mr. Lluka believes Kosovo will reach the 2020 goal of producing 25% of the energy from renewable sources such as water, wind, and solar technologies. The Minister also informed that the Ministry was also waiting for the approval of the Law on Energy Efficiency (*which is now already approved by the Parliament of Kosovo in November 2018*). This law sets the legal basis for the functioning of the Energy Efficiency Fund as a very important instrument for the application of efficiency measures benefiting not just the energy sector but also the construction, banking, and industrial sectors.

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The energy sector is the largest polluter in Kosovo with an unreliable energy supply. Kosovo needs to diversify its energy mix, boost energy efficiency, mitigate the environmental impact of energy production and consumption, and improve regional interconnection. The process of sustainable energy integration should be sped up and implemented quickly so that future generations won't have to bear the consequences. At a time of falling solar and wind prices, Kosovo has considerable solar potential with an average of 278 sunny days and 2000 hours of sun per year.

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The German Ambassador, Mr. Christian Heldt, alluded to Kosovo's environmental degradation which directly affects people in the country and called for everyone to work together in the implementation of sustainable energy integration in Kosovo. *"The process should be sped up and implemented quickly so that future generations won't have to bear the consequences in this country"*, stated Mr. Heldt. During his speech, he reaffirmed strongly Germany's continued support to Kosovo in the energy sector through KfW (Kreditanstalt für Wiederaufbau) and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and referred to the enormous potential Kosovo has in phasing in renewables. At a time of falling solar and wind prices, Kosovo has considerable solar potential with an average of 278 sunny days and 2000 hours of sun per year.

As a representative of the EU Office in Kosovo, Mr. Riccardo Serri emphasized that the EU is constantly working on the energy policy issue in Kosovo, given that it is a top priority and plays a very important role for the European path of Kosovo. The EU Office in Kosovo supports the integration of Kosovo in the European energy market, however, there are still areas for improvement. As such, for Kosovo to be more in line with what the EU does, Mr. Serri mentioned the importance of (1) improving the diversification in the energy mix; (2) boosting energy efficiency; (3) mitigating the environmental impact of energy production and consumption; (4) ensuring the functioning of energy companies and markets in line with the EU acquis on internal energy markets; and (5) improving regional interconnection. Mr. Serri mentioned that the EU has invested close to €500 million through different projects in Kosovo, with clean air remaining a priority for them. In his final remarks, Mr. Serri stated that the EU Office in Kosovo supports the investment in filters for the Kosovo B Power Station and the decommissioning of unfunctional parts of the Kosovo A Power Station.

## Conclusions of Kosovo Sustainable Development Week (KSDW)

The Energy Transition Conference also discussed the conclusions and the successes achieved during the Kosovo Sustainable Development Week, which was held in June 2018. The KSDW addressed key environmental challenges in the country such as energy, solid waste, water, and climate change.

Ms. Leartha Hollaj from INDEP/KOSID started the discussion by presenting KSDW's summary of the energy sector. Ms. Hollaj noted that almost from every panel or discussion during KSDW, a joint conclusion was made - *"there is a lack of inter-institutional coordination in drafting integrated policies to contribute to a sustainable energy sector"*. The argument that there is a lack of inter-institutional coordination (not only in the energy sector) is also supported by Balkan Green Foundation's policy paper ["Sustainable Development in Kosovo: A Local Perspective"](#) which includes document analysis and information gained through public debates that gathered citizens, activists, experts, representatives of national and municipal assembly and representatives of the private sector.

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[Kosovo Sustainable Development Week \(KSDW\)](#) was organized for the first time in Kosovo during June 2018. The five-day event with panels, discussions, and interviews, gathered local and international stakeholders, governmental officials, and civil society to examine key environmental challenges in the country such as energy, solid waste, water, and climate change. One of the highlights of the event was the [video](#) produced with the assistance of KFOR, portraying environmental degradation in Kosovo.

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In terms of energy transition and proceeding forward, participants during KSDW emphasized the importance renewable energy sources and energy efficiency, namely the functionalization of the Energy Efficiency Fund and the need to review energy efficiency targets. In terms of renewable energy sources, a concept initially met with criticism, a changing discourse among KSDW participants was noted with displayed motivation to push forward the research agenda on assessing Kosovo's capacity in phasing in renewables.

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[Berkley University](#) assessed that “a low-carbon path exists for Kosovo that integrates aggressive energy efficiency deployment, power transmission and distribution grid upgrades, use of both large and small-scale hydropower, solar, biomass and extensive use of wind energy while reducing human and ecological impact of energy generation. This path whilst delivering 34% of the energy demand through renewable resources also provides over 60% more jobs than a business as usual path and it does so at an estimated cost savings of 5-50% relative to a base-case scenario that includes a new coal power plant.”

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Continuing further, Ms. Alexandra Linden from GIZ unveiled the findings in unlocking the potential for energy efficiency. Ms. Linden said that many discussions found that increasing energy efficiency offers a high potential for job creation, development of new products, and unlocking domestic investments. One of the examples often mentioned was the construction sector in Kosovo which contributes to around 40% of the energy used. Ms. Linden believes there is a lot of room for savings in this sector. Balkan Green Foundation and Germanwatch also believe improving energy efficiency is pivotal in achieving a prosperous and sustainable energy transition in Kosovo, as presented in our study [“Phasing in Renewables”](#).

During the discussion, Mr. Leutrim Sahiti from the Ministry of Environment and Spatial Planning focused on tackling issues concerning air pollution, which is considered a serious threat to citizens’ health because of fuel combustion in households. He informed that this year there was a greater mobilization of all actors to work on reducing air pollution to address the concerns that this pollutant has caused.

Furthermore, Mr. Sahiti mentioned the recently established Air Pollution Task Force which aims at improving air quality, investing in the expansion of the cogeneration network, changing power plant filters, controlling petroleum products, measuring gases released by vehicles, and creating a health information system. Undoubtedly, Mr. Sahiti agreed that both power plants are major pollutants to the capital city, surrounding cities, towns, and villages. Mr. Sahiti emphasized the need to change the filters for the Kosovo B Power Plant which haven’t been changed since 1985. An important initiative mentioned was the investment of a more sophisticated software that measures the air quality in real-time, supported by the European Union and Millenium Challenge Corporation (MCC).

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Ms. Annette M. Fath-Lihic from the EU Office in Kosovo stated that KSDW was a success since it convened government institutions, civil society, international donors, and various experts to discuss Kosovo’s sustainable development. According to her, in Kosovo, there are direct threats to the pollution of surface and underground waters which greatly affect the health of citizens. Ms. Fath-Lihic was also intrigued because climate change was brought up and discussed for the first time in Kosovo. *“The conference testified that there is a great desire in the country to increase the responsibility for keeping citizens informed on a complex matter that involves the coordination of different institutions and interests”*, said Ms. Fath-Lihic.

Kosovo Sustainable Development Week seeks to be an annual joint event of main actors in driving sustainable policy changes in Kosovo.

## Panel 1: The way forward towards an Energy Transition

The conference continued with the panel that discussed on “*The way forward towards an Energy Transition*”. This panel comprised of Mr. Adam Cwetsch from DG Energy, Mr. Halit Hoxhaj from the Ministry of Economic Development, Ms. Rinora Gojani from the Balkan Green Foundation, Mr. Arben Kllokoqi from the Energy Community Secretariat, and Mr. Avni Sfishta from GIZ.

Mr. Halit Hoxhaj from the Ministry of Economic Development focused on the priorities and challenges of the energy transition process, namely renewable energy sources and energy efficiency. Mr. Hoxhaj emphasized that the ministry considers security of supply and price stability as two main objectives which at the same time present challenges for Kosovo's economic development. The newly-adopted Kosovo Energy Strategy 2017-2026 focuses more on short-term objectives rather than long-term ones. According to Mr. Hoxhaj, long-term planning requires a thorough analysis of the energy sector in order to create objectives not based on assumptions but on concrete information. In terms of energy efficiency, Mr. Hoxhaj appreciated investments supported by international donors and financial institutions; however,

he emphasized the need of having a sophisticated monitoring mechanism as well as identifying sectors with the most potential in energy saving. Mr. Hoxhaj agreed with the representatives from the EU Office in Kosovo in that climate change doesn't recognize borders, therefore, suggesting that Kosovo moves forward within this context. Long-term planning for an energy transition in Kosovo should address the issue of new targets for renewable energy, energy efficiency, and CO<sub>2</sub> emissions, said Mr. Hoxhaj.

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Long-term planning for an energy transition in Kosovo should address the issue of new targets for renewable energy, energy efficiency, and CO<sub>2</sub> emissions. The main problem remains the integration of energy efficiency in the private sector as well as its regulation by law given that the biggest consumer of energy in Kosovo is the private sector.

In terms of market liberalization, the Western Balkans region is far from reaching the requirements set forth by the Energy Community - Kosovo still regulates end-user tariffs. Market liberalization and decarbonization are reinforcing mechanisms which allow for renewable energy sources to compete and be part of the energy mix at a time when we are seeing an emphasis on carbon pricing.

The panel continued with Mr. Adam Cwetsch of DG Energy who noted that the transition to energy does not only imply changing energy sources but also social transition and shifting a centralized energy system to where citizens and consumers are at the center of development energy. The EU is supporting the establishment of a Regional Electricity Market and has signed a Transport Community Treaty with

the region. Well-developed and connected transport and energy infrastructure are vital for regional cooperation, economic growth and attracting new investment. The EU pledged up to €1 billion for infrastructure in the Western Balkans and has set aside funds for related technical assistance. More than €500 million has already been committed to specific projects.

Ms. Rinora Gojani from Balkan Green Foundation mentioned that energy efficiency is one of few areas that the civil society and the government have commonly agreed on prioritizing. This is demonstrated by the amount of support received from international donors on promoting energy efficiency. According to Ms. Gojani, the main problem remains the integration of energy efficiency in the private sector as well as its regulations by law given that the biggest consumer of energy in Kosovo is the private sector. As civil society organizations, Ms. Gojani suggested the promotion of benefits that come from energy efficiency in order to incentivize the private sector as well as the residential one.

The energy saving target in the first National Action Plan for Energy Efficiency has been set at a fraction of the potential: 9% by 2018 - Kosovo is not even close to achieving that, said Ms. Gojani. In order to reach and overpass this target, she suggested involving the private sector as a catalyzer. In terms of renewable energy sources and reaching the

target of 25%, Ms. Gojani strongly opposed the use of hydropower plants as a way of artificially reaching the target at the cost of damaging the environment and the ecosystem. The other challenge Ms. Gojani mentioned was biomass, as it is a somewhat cleaner alternative for heat generation albeit at the expense of cutting down trees and causing deforestation. Ms. Gojani urged institutions to take concrete actions instead of symbolic initiatives in order to pick up the pace and address energy issues which Kosovo faces today.

Mr. Arben Kllokoqi from the Energy Community Secretariat talked about the main two pillars that characterize the energy transition process: market liberalization and decarbonization. In terms of market liberalization, the Western Balkans region is far from reaching the requirements set forth by the Energy Community - Kosovo still regulates end-user tariffs. On the issue of energy efficiency awareness, Mr. Kllokoqi suggested more progress is needed in introducing methods to incentivize customers on financially lowering or shifting their electricity use at peak times. Participants were also reminded of the Western Balkans Summits held in Paris (2016) and Trieste (2017) where WB6 countries pledged a political commitment towards energy efficiency and the development of renewable energy as a high priority on the reform policy agenda. According to Mr. Kllokoqi, market liberalization and decarbonization are reinforcing mechanisms which allow for renewable energy sources to compete and be part of the energy mix at a time when we are seeing an emphasis on carbon pricing. *“Energy can become part of the solution, not part of the problem”*, said Mr. Kllokoqi.

Mr. Avni Sfishta from GIZ added that besides the political will for an energy transition, it is also necessary to support other actors such as academia (universities and research on relevant areas) and experts from the private sector to raise discussions and provide relevant information on the issue at hand. In terms of energy intensity, a measure of the energy inefficiency of an economy calculated as units of energy per unit of GDP, Kosovo ranks in the bottom three in Europe, consuming €460 to produce €1,000 of GDP. In the EU, consumption averages €170 to produce €1,000 of GDP. According to Mr. Sfishta, Kosovo needs to identify inefficient sectors and ask itself why we are not seeing solar panels installed on roofs. Kosovo stagnates in the use of incentives for energy saving in comparison with countries in the region, by not fully implementing the law and the action plan on energy efficiency in the country. Mr. Sfishta said that Kosovo needs to push forward policies that support the implementation of energy efficiency projects as they contribute to the promotion of more robust and specific measures for the greener and more sustainable use of energy in Kosovo.

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Kosovo ranks in the bottom three in Europe, consuming €460 to produce €1,000 of GDP. In the EU, consumption averages €170 to produce €1,000 of GDP. Why are we not seeing solar panels installed on roofs?

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The discussion continued with a question and answer session with the audience emphasizing the importance of customers in the energy sector, namely in terms of well-being and tariffs as it relates to the New Kosovo Power Plant which is expected to cost around €1.3 billion<sup>1</sup>, a carbon lock-in project putting an unnecessary financial burden on its citizens. Furthermore, the audience also discussed the importance of inspecting the construction sector and enforcing requirements for developers to include energy efficient measures in buildings.

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<sup>1</sup> Financing the construction of the power plant was foreseen to be made with a financial structure where 70% of the cost is expected to be covered by loan financing and 30% from the investment through the private company Contour Global, as an investor determined to fulfill this obligation. With such a financing facility, €910 million will be financed through credit and €390 million will be financed through private investment.

## Panel 2: Challenges and Investment Opportunities in the Energy Sector

The conference continued with a technical panel discussing the topic "*Challenges and Investment Opportunities in the Energy Sector*". The panel comprised of Mr. Ilir Shala from KOSTT, Mr. Fidan Isufi from Kosovo Energy Regulatory Office, Ms. Eva Schmidt from Germanwatch, Mr. Christian Redl from Agora Energiewende, Mr. Arsim Kuliqi from Kosovo Agency for Energy Efficiency, and Mr. Guri Shkodra from SOWI Kosovo, moderated by Mr. Simon Ilse from Heinrich Böll Foundation.

Mr. Ilir Shala from KOSTT spoke about the work they have done since the establishment in 2006 and the main challenge they face: membership in the European Network of Transmission System Operators for Electricity (ENTSO-E). KOSTT plays an important role in the energy sector in Kosovo. As a market operator, it is responsible for the organization and administration of trades in electricity and the management of the settlement process.

Mr. Fidan Isufi from the Kosovo Energy Regulatory Office started off by promoting the decision of ERO which approved new tariffs with a discount of 5% for commercial customers. Mr. Isufi added that this discount comes as a steady stream of savings and measures that the regulator has set for energy efficiency during a five-year period. Mr. Isufi stressed the very same challenge Mr. Ilir Shala from KOSTT mentioned with regards to the energy sector in Kosovo, a challenge affecting market liberalization as well as regional and international integration.

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Energy transition was made possible in Germany through:

- (1) renewable feed-in tariffs;
  - (2) liberalized market and free access;
  - (3) obligation for grid operators to connect renewables; and
  - (4) priority fees for renewables.
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The panel discussion continued with Ms. Eva Schmidt from the co-organizer of this conference – Germanwatch, an organization focusing on energy and climate. Ms. Schmidt brought the perspective of the German side in regards to energy transition, focusing on what worked in Germany and how that can be scaled up in Kosovo. According to her, energy transition was made possible in Germany because of four reasons: (1) renewable feed-in tariffs; (2) liberalized market and free access; (3) obligation for grid operators to

connect renewables; and (4) priority fees for renewables. Ms. Schmidt informed that due to the feed-in tariff system in Germany which minimized investment risk, half of the installed capacity comes from individuals, farmers, community projects, cooperatives, or other types of organizations.

Mr. Christian Redl of Agora Energiewende emphasized the increasing share of renewable energy sources on a global scale in the last five years where renewables have become cost-competitive. Given its potential, stated Mr. Redl, Kosovo has the opportunity to phase in renewables at a time when after 10-15 years most fossil fuel power plants in Europe will have to be decommissioned because of their age. When we look at countries where renewables are booming, stated Mr. Redl, we really see record-low prices. For example, the lowest price for a PV project is now in Kuwait with \$25 per MW/hour, followed by Morocco with \$30 per MW/hour, and Germany with \$50 per MW/hour. To invest in renewable energy and make this possible, there are some conditions that need to be met such as a stable regulatory environment and new financial instruments to take out risk for investment in renewables, stated Mr. Redl.

Mr. Guri Shkodra from SOWI Kosovo, a joint Kosovo and Germany venture that serves as a platform of local and international experts in the field of renewable energy and business development, argued that despite the challenges faced in the energy sector in Kosovo, SOWI Kosovo is a success story with 3 permits for wind farms in the village of Bajgora with an installed capacity of 105 MW. The main challenges for SOWI Kosovo were technical ones, specifically

the terrain and the climate in Bajgora. In May 2018, KOSTT and SOWI Kosovo signed the Connection Agreement of the Wind Park Selaci 1, 2 and 3 to the transmission system of Kosovo. The general capacities of 105 MW installed represent the largest energy generator from renewable energy sources connected to the high-voltage network of 110 kV, which is quite well developed and disseminated throughout the entire territory of the Republic of Kosovo.

Mr. Arsim Kuliqi from the Kosovo Energy Efficiency Agency mentioned that Kosovo has not yet conducted nationwide monitoring to check whether energy efficiency targets have been reached, as last monitoring was done for 2010 - 2016 where Kosovo reached the 4.1% target. The monitoring results for 2016 & 2017 will be released in June 2019. On the topic of the Law on Energy Efficiency, Mr. Kuliqi explicitly stated that a crucial aspect of this law is the implementation rather than just the act of approving it. In general terms, local level institutions remain a challenge.

In 2014, KEEA and international donors developed Municipal Energy Efficiency Plans, most of which were not even implemented on the local level. According to Mr. Kuliqi, this implementation process is important because municipalities are the first point of contact with citizens. He mentioned another challenge which includes both the central and local level in relation to the Ministry of Finance which does not incentivize public institutions to save on energy given that it takes the amount of money saved and distributes that somewhere else. The final challenge, according to Mr. Kuliqi, concerns the Law on Public Procurement which does not foresee Energy Efficiency Standards in projects that involve energy efficient products – these standards can serve as criteria for contract awards.

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Kosovo has the opportunity to phase in renewables at a time when the increasing share of renewable energy sources on a global scale in the last five years has made renewables cost-competitive. This is advantageous because in 10-15 years after most fossil fuel power plants in Europe will have to be decommissioned because of their age.

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The panel was attended by a series of questions from the audience regarding the one-stop-shop for renewable energy sources (which would facilitate the investment process in the renewable energy sector in Kosovo) and the expected price increase for end-users with the investment in the New Kosovo Power Plant.



## Conclusion

This conference provided valuable insights into the challenges and opportunities for an energy transition in Kosovo and the region, as well as emphasized the need to phase in renewable energy sources and phase out lignite in Kosovo. It provided evidence and inspiration from other countries that have tackled some of these challenges already which Kosovo can learn a lot from.

In addition to the global benefit of reducing the greenhouse gas emissions that cause global warming, the [main benefits](#) of an energy transition based on sound policies in Kosovo would be:

- an increase in business start-ups and technical innovation
- an improved gross economic value added
- job creation
- new opportunities for parts of the Kosovar diaspora to return to their homeland
- stabilization of rural communities
- peace-building.

Kosovo has already aligned their legislation with EU rules and practices to a great deal. In terms of market liberalization and decarbonization, the Energy Community's assessment of the contractual framework adopted for the New Kosovo Power Plant raises concerns that it will seriously affect the development and opening of the market.

In terms of energy efficiency, Kosovo needs to:

- incentivize the private sector to become a catalyzer
- invest in sophisticated monitoring mechanisms
- introduce more methods to incentivize customers on financially lowering or shifting their electricity use at peak times
- identify inefficient sectors and assess why we are not seeing solar panels installed on roofs
- pressure municipalities to implement Municipal Energy Efficiency Plans
- foresee Energy Efficiency Standards through the Law on Public Procurement as a criterion for company selection.

An energy transition in Kosovo is possible, as shown in the case of Germany, a country which followed these four principles: (1) renewable feed-in tariffs; (2) liberalized market and free access; (3) obligation for grid operators to connect renewables; and (4) priority fees for renewables. An energy transition is a necessity in order to reduce CO<sub>2</sub> emissions, improve air quality and open up economic and social opportunities for Europe's youngest country. An energy transition is also technically possible in Kosovo, given the country's great potentials in wind and solar. Balkan Green Foundation will continue to actively advocate for an energy transition in cooperation with development organizations, ministries, business, NGOs and academia.

## Photos from the event



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