



# Energy Monitor

## ENERGY MONITOR | #13

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## Security of Energy Supply in Kosovo

### Kosovo will depart from Serbia's energy block in 20 April 2020

The agreement signed between Kosovo's power transmission system operator KOSTT and Albanian system operator OST to set up a common energy market in the two neighboring countries will start implementing on April 20, 2020. So far KOSTT has been within the Serbian regulatory area (EMS) in the SMM bloc (Serbia, Montenegro and North Macedonia), and now, with the signing of the agreement and the start of its implementation, KOSTT will be definitely disconnected from Serbia's EMS regulatory area and become part of a regulatory bloc with Albania's TSO OST.

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### U.S. recommends liquefied natural gas to Kosovo and Albania

U.S. calls on Albania and Kosovo to look at healthier forms of electricity generation and recommend the use of U.S. liquefied natural gas (LNG). The recommendation came during an open discussion on LNG potentials in Central and Eastern Europe, held in Tirana. U.S. Ambassador in Albania, Yuri Kim, Assistant Secretary, Steven Winberg, and Minister of Infrastructure and Energy in Albania, Belinda Balluku, have reiterated the energetic and economic benefits of using LNG, as it provides a cleaner and healthier source of electricity generation, and supports energy diversification. Ambassador Kim stated that she believes that Kosovo also wants healthier and cleaner energy. The support to IAP and its extension to Kosovo were endorsed during the second meeting of the Council of Energy Ministers in Baku, Azerbaijan in February 2016.

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### Auditor's Office: Consumers are paying unfair tariffs for electricity, water and heating

The report "Tariff Setting System of Electricity, Thermal Energy and Water Supply" by the National Audit Office of Kosovo notes that the utility tariffs in Kosovo (water, electricity, and heating), do not reflect real costs and as such, are not accurate. Moreover, according to the National Audit Office, while setting tariffs, the independent responsible authorities have failed to provide sufficient transparency. According to the report, the Regulators have failed to regulate electricity consumption for social aid beneficiaries, who are excluded from full payment. Additionally, thermal and water consumption are invoiced without prior metering, the report notes. The National Audit Office has published a number of recommendations for public regulators to ensure that the tariffs are set properly.

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### **KEK seeks governmental support to provide for 40 years of energy stability**

KEK says it needs around 437 million euros for the next three-year period, to secure energy security and stability in Kosovo for the next 40 years. Representatives of KEK note that more than half of the funds will be invested in power plant Kosovo B, to bring the pollution levels to European parameters. The reconstruction of the boiler at the B2 unit will reduce the amounts of NOx and will extend the unit's lifespan for additional 25 years, thus enabling energy security. Moreover, additional funds will also be invested in expanding lignite mines of KEK, to secure the necessary lignite capacities for the existing power plants and the upcoming power plant "Kosova e Re". This project was also delivered to the previous Government three years ago, however, it is still pending an answer.

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### **KOSTT Joint Stock Company Signs Memorandum of Understanding with SwissGrid-Switzerland Transmission System Operator**

Chief executive officer of the Kosovo Transmission, System, and Market Operator (KOSTT), Ilir M. Shala has signed a memorandum of understanding with the Swiss Transmission System Operator. As an active member of the European Network of Transmission System Operators (ENTSO-E), both parties have signed the agreement in providing technical assistance and training to KOSTT's staff in the field of Frequency-Load Adjustment and implementation and the functioning of the regulatory block. Shala adds that this provides a great opportunity for the future operation of the independent regulatory unit of Kosovo and Albania which will be mutually beneficial in exchange for knowledge and the overall stability of the electricity transmission grid throughout Europe.

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### **The Government disburses 15 million euros to cover for unpaid electricity bills in the North of Kosovo**

Kosovo Government has decided to disburse 15 million euros to cover for electricity consumption in the Northern municipalities of Kosovo. Citizens of four municipalities in the North of Kosovo (North Mitrovica, Zubin Potok, Zvecan and Leposavic), have not paid electricity bills since the war ended. Starting from 1999 and until 2017, the electricity consumed in the North of Kosovo was integrated within the electricity tariffs as a commercial loss and was covered by other regular electricity consumers. After many complaints, the Court of Appeal had decided to cancel the practice, calling it unlawful.

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### **Kosovo aims to have 25% of electricity produced by renewable sources**

Despite a few renewable energy projects in Kosovo, their production output is still very limited, whereas a few projects, such as the mini-hydropower plants, are causing a lot of damages to the surrounding environment, notes Besfort Kosova from Balkan Green Foundation. Windmills in Golesh have only generated 17 megawatt-hours of electricity during 2018, which is way below meeting Kosovo's local demand for electricity. Data from KOSTT suggest that during the year, mini-hydro power plants have contributed to Kosovo's energy sector with 100 megawatt-hours of electricity, whereas Balkan Green Foundation adds that so-called mini-hydropower plants should not be considered as an option as they cause irreversible damages to the environment. Meanwhile, the new Kosovo Government aims to increase energy generation through renewable sources by 25%, which can only be achieved by burning wood, which is unsustainable as it contributes to air pollution, deforestation and it endangers several species.

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### **The Energy Regulatory Office states that there should be no electricity surge**

Regardless of requests by energy operators to increase energy tariffs, the Energy Regulatory Office has proposed that there should be no electricity surge during this year. This initial assessment is based on proposals submitted by regulated companies as well as decisions on Maximum Allowed Revenues for the 2018-2022 Regulatory Period. The Regulator notes that the maximum revenues for energy operators can also be collected at current electricity tariffs. ERO calls on all operators to submit their comments and remarks to the decision.

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## New Energy Investments

### **The project of EU and KEK begins implementation: Kosovo B will undergo change of electro filters**

Kosovo has signed a 'green agreement' with the European Union in order to rehabilitate Kosovo B. The EU-funded project aims to improve the environmental performance of Kosovo's largest thermal power plant, Kosovo's largest electricity generator. By replacing the Kosovo B power plant electro filters, the 76.4 million-euro project will significantly reduce emissions, contribute to reliable and clean energy supply and improve the health and well-being of the population. More specifically, this project will reduce air pollution in Kosovo by reducing harmful dust emissions by 35 times and nitrogen oxides by 4 times, bringing coal-fired electricity generation to Kosovo B power plant in line with EU standards.

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### **Municipality of Skenderaj and MCC sign an agreement to implement an energy-efficiency project**

Municipality of Skenderaj has become part of the 'SEEK - Energy Efficiency Subsidies in Kosovo' project, after its mayor, Bekim Jashari, signed a Memorandum of Understanding with project representative Marko Kosir from the Millennium Foundation Kosovo. As per the signed MoU, both parties will co-finance initiatives aimed at reducing electricity consumption at households. The project foresees the disbursement of a number of subsidies to private households that wish to invest in energy efficiency measures and renewable energy sources. Marko Kosir from Millennium Foundation Kosovo notes that in its first phase, the project will support 18 households at the Municipality of Skenderaj with numbers expected to increase significantly in the following phases.

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### **The costs of expropriating additional 120 hectares to expand lignite mines of KEK remain unknown**

The expropriation costs of additional 120 hectares to expand KEK lignite mines in the villages of Shipitulla, Hade, Sibovc, Vodice and Leskovic in Obilic are still unknown. Around 460 owners, subject to expropriation, have already been registered, with an additional 17 hesitating to register as they have ongoing agricultural activities at their properties. The KEK media office confirms that the expropriation process is currently ongoing registration phase. According to the latter, expropriation may be completed in 16 months, if there are no obstacles caused by the property owners.

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### **Shala: The 17 million euro project by Energy Efficiency Fund will begin implementation soon**

Thanks to the 10 million euro support by the EU Office and an additional 5 million euros by the World Bank, the assets of the Kosovo Energy Efficiency Fund have reached 17 million euros. Admir Shala, the Fund Executive, states that Kosovo Fund for Energy Efficiency is an important, independent, autonomous and stable entity, that provides incentives for energy-saving and cleaner energy in Kosovo. Shala explains that the Fund will start implementing activities after having completed all the necessary preparations. During the launching event of the fund, the EU Special Representative for Kosovo, Nataliya Apostolova, stated that Energy in Kosovo is a priority for the EU and this is the core of any reform in Kosovo and energy efficiency is important.

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## Other Relevant picks

### **KEDS informs students over the best energy saving practices**

KEDS / KESCO have organized an information session with students from the University of Prishtina on best energy saving alternatives and practices. The event was organized under the framework of 'Big Energy Saving Week', organized by KEDS / KESCO and Venture UP. Big Energy Saving Week, is a week dedicated to energy saving options and opportunities. During the week, KEDS and KESCO will organize a number of activities to increase awareness on different ways of saving electricity.

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### **Bad air quality remains the highest public concern at few Municipalities in Kosovo**

During winter season, air pollution becomes the biggest concern for the citizens of Kosovo. Citizens of Prishtina, Peja, Prizren and Drenas are mostly impacted by the high values of air pollution. The Mayor of Prishtina, Shpend Ahmeti, has published detailed reports on air pollution for the city of Prishtina. As per the reports, the most polluted neighborhood is Dardania, where during December 2019, the level of hydrogen sulfur has reached an average of 165.61 ug/m<sup>3</sup>. A similar value has been noted in January as well.

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### **200 women to benefit from MFK's 'Women in Energy Internship Program'**

Millennium Foundation Kosovo (MFK) has launched the second project of Women in Energy Program, which aims to boost women's potential for employment in the energy sector by providing them on-the-job experience through paid internships in major energy sector institutions and private firms. 200 young women will benefit from this opportunity, as MFK has invited private companies, government agencies and other public entities in the energy sector, to express their interest to provide them with practical experience in the energy sector. The program is funded by MCC, aiming to increase women's awareness of opportunities in the energy sector.

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### **KEDS to invest in 70 projects in the municipality of Drenas**

KEDS officials have discussed with officials of the municipality of Drenas on the continuation of 2020 investment projects in this municipality.

According to the press release KEDS has applied for permission in the municipality for another 70 investment projects that it will implement in Drenas. KEDS' Investment Director, Hasan Oz, stated that they are ready to start work in March. The municipality of Drenas is the first municipality where KEDS has transformed the 10kV grid voltage to 20 KV and has completely changed the power structure that will significantly improve the voltage in these areas. Municipal officials, on the other hand, promised excellent support and cooperation with KEDS structures.

KEDS has completed 30 investment projects in 2019 within the city and many villages in the area.

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### **The 8.5 million euro 'favor' of Energy Regulatory Office to KEDS**

Citizens of Kosovo have paid more than 8 million euros bad debt through regular electricity bills during 2018, thanks to the Energy Regulatory Office. Bad debt is calculated as a reasonable percentage of enterprise income to the value of bills from the sale of services by considering that some of it cannot be obtained objectively. But, in their last report "Tariff Setting System of Electricity, Thermal Energy and Water Supply", the National Audit Office concludes that the tariff set by ERO is unjustified and not based on regulation or law, as ERO has no regulation on classification of receivables or on identification of bad debts. Moreover, the Auditor concludes that the bad debt at a level of 4% to KESCO was set with no detailed analysis which prove that the level applied in tariffs was justified'.

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## **Energy Distribution**

### **The illegal Serb-owned electricity supply operator cuts out electricity supply for an Albanian neighborhood in the North of Kosovo**

The very few residents of the so-called "Lagjja e Doktoreve" in the North of Mitrovica in Kosovo complain over very frequent electricity cuts, caused by the removal of fuses by the illegal Serb-owned electricity supply and distribution operator in the North of the country. Residents claim that the illegal operator is constantly removing fuses due to network overload, in order to avoid any possible damages and fires to the electricity distribution network. KEDS (distribution operator) and KESCO (market and transmission operator) both claim they are not responsible in solving the issue, as they don't have access to the North of the country due to political issues. In absence of control over the electricity network and the supply activities in the North, Kosovo had signed a political agreement with Serbia on energy issues, as part of the EU facilitated dialogue between the two countries, however this agreement has not been implemented.

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### **KEDS: Due to the storm, 100 thousand energy consumers remain without electricity**

Strong winds and continuous storms have caused many damages in Kosovo's electricity distribution network. Electricity distribution operator KEDS informs that due to damages, more than 100,000 consumers in Kosovo remained without electricity. Cities in Dukagjini region have been mostly affected by the damages, while issues have been reported in the vicinity of Prishtina and Mitrovica as well. KEDS has informed that it has increased the number of emergency teams in the field and urges citizens to report any issues and avoid contact with any of the electricity distribution assets.

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### **KEK hits with a record in energy production**

Kosovo's Energy Corporation has reached a record in energy electricity generation, reaching 900 Megawatt in an hour like never before. According to the statistics from 'Front Online,' it is seen that KEK has planned and is producing around 870 megawatts of electricity per hour. Whereas, according to the statistics it is seen that they plan to produce 900 Megawatt per hour. [Click here to read the full article in Albanian.](#)

### **Over 200 thousand citizens benefited from KEDS investments during 2019**

Over 200 thousand citizens have directly benefited from KEDS investments made during 2019. Which marks the year with the highest realization of investment projects in Kosovo since the start of the company. The investment focus was on localities where the inherited condition of the distribution network was in worse shape. Specifically, the largest number of projects were implemented in Podujeva, Drenas, Prishtina, Ferizaj, Deçan, Fushe Kosova and Gjakova. The total cost of implementing these projects amounts to € 16.6 million, of which over € 11 million are for low voltage and over € 5.5 million for medium voltage. This amount has extended to over 1200 kilometers of new network of all types of distribution network, including placing about 400 traffic. KEDS has invested 146 million euros for 6 years and has pledged to invest 300 million euros for 15 years.

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## **Regional & International Picks**

### **EU coal output falls 24% in 2019**

According to the report “The European Power Sector in 2019”, published by Agora Energiewende (GE) and Sandbag (UK), the power sector is playing a leading role in the decarbonization of Europe, so it is critical to track the progress of the electricity transition as accurately and timely as possible. Coal generation collapsed by 24% in the EU in 2019. Hard coal generation dropped by 32%, while lignite decreased by 16%. This development is driven by CO<sub>2</sub> price increases and deployment of renewables. Gas replaced around half of the coal, whereas solar and wind replaced the other half. The fall in coal means CO<sub>2</sub> emissions in Europe’s power sector fell by a record 120 Mt, or 12% in 2019. This is likely to be the largest ever fall. Renewables rose to a new record supplying 35% of EU electricity. For the first time, wind and solar combined provided more electricity than coal, contributing 18% of EU electricity in 2019. This is more than a doubling of market share since 2013. The rest of eastern Europe is significantly lagging behind. In the Western Balkans, lignite-fired power plants constitute 97% of electricity generation in Kosovo, 70% in Serbia and Bosnia, more than half in North Macedonia, around half in Montenegro and 28% in Ukraine, according to an analysis by the Energy Community Secretariat (September 2019).

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### **German cabinet passes coal exit law**

The German government approved a coal exit law, setting closure dates for 18 GW of lignite and measures to close 21 GW of hard coal capacity by 2038. Hard coal plant operators meanwhile will compete for closure compensation in two auctions, one this year and one in 2021. In a second wave to 2030, hard coal plants take the brunt of closures, with at least 7 GW set to close via four more auctions to 2023. After 2027 no more hard coal closures will be compensated, while coal-to-gas switching support for combined heat and power operators is extended to 2030.

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### **EU countries increasingly importing ‘tax-free electricity’ from outside the Union**

A new report by the UK think-tank Sandbag investigates how coal power plants just outside European borders are supplying electricity to the EU while avoiding the carbon price. Allowing this carbon leakage to continue will undermine EU emissions cuts, as well as incentivizing further use of coal in neighboring countries. The solution is to apply a carbon price on electricity imports – also known as a border carbon adjustment (BCA). The European Commission are now investigating the idea. All the imports are from countries that have zero or near-zero carbon pricing. While not all of this is coal power, it is on average more carbon intensive than EU generation. The main exporters to the EU are Russia, Ukraine, Turkey, and the Western Balkans. The Western Balkans (WB) exported 6.3 TWh to the EU in 2019, ranking it third – as a group - behind Russia and Ukraine. Over the same period, 6.9TWh was imported from EU neighbors, making WB a net importer overall.

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### **Kantor, E3 to design carbon tax for Energy Community Contracting Parties**

The consortium made of Kantor Management Consultant SA and E3 modelling will be in charge of preparing a study on carbon pricing design in the Energy Community. The consortium was selected at a public call for the provision of consulting services published in October by the Energy Community Secretariat. The study's objective is to assess and propose the design of an effective carbon pricing mechanism conducive to the decarbonization of the Energy Community Contracting Parties' electricity sectors in a cost-effective and socially acceptable way, according to the Energy Community Secretariat website. The design of any future carbon pricing mechanism should allow for transitional carbon pricing by each Contracting Party (separately or as part of an Energy Community-wide design) and prepare the Contracting Parties for joining the EU ETS in the future. The Secretariat will ensure that experts from the Contracting Parties are actively involved in the process. The kick-off meeting with the consultants took place on January 20 in Vienna.

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### **The energy transition yet to come**

The European Union wants to abandon coal by 2050, but this will require significant help from European banks, which still finance 26 per cent of all coal power plants in the world. The European Commission recently presented its so-called "Green Deal", a package of initiatives aiming to neutralize the EU's impact on the climate by 2050. However, the path towards its application will be tortuous, given that some Eastern member states already vetoed the same target during the European Council summit last June. However, according to data from Europe Beyond Coal, complete transition is still a long way off: only 38 of the 287 active coal and electricity stations in Europe (the 27 EU member states, plus the Balkan countries and Turkey) officially plan to shut down in the near future. On the other hand, private and commercial banks, attracted by the growing profitability of renewable energy, have begun to provide ever increasing funding to the sector.

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### **U.S. Ambassador to Albania Announces U.S. Companies to Start Natural Gas Studies in Albania**

U.S. Ambassador Yuri Kim announced that soon U.S. companies will begin studies on natural gas in Albania. In a seminar on liquefied natural gas technology attended by Minister of Infrastructure and Energy Belinda Balluku, Ambassador Kim said that technological development in liquefied natural gas infrastructure could affect the development of Albania and the entire region. 'Natural gas emits less carbon dioxide than coal and emits negligible amounts of sulfur dioxide and nitrogen dioxide. If we can develop the relevant infrastructure, Albania can become a regional hub and this would bring benefits to the Albanian economy,' said Ambassador Kim.

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### **EU proposes slashing Poland's coal transition money to €1 billion**

Poland's share in the EU's just transition project – a plan to help the bloc end the use of coal as a source of energy – should be cut in half to €1 billion unless Warsaw signs up to the 2050 climate neutrality goal, President of the European Council Charles Michel proposed on February 17. The proposal opens a new front in Poland's battle with Brussels over climate policy. Poland is the only member state not to have agreed to the deadline for achieving climate neutrality in 2050. With nearly three-quarters of its electricity produced by burning emissions-intensive hard coal and lignite – the most in the EU – Poland wants a longer timeline and more support for the transition. Warsaw has long argued that it needs special treatment when it comes to climate policy because of a much less advantageous starting point. The EU plans to reinvigorate its climate policy in the coming years to remain global leader of the push to limit warming to below 2°C by 2100, compared to the pre-industrial era.

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### **North Macedonia first in the region to consider coal exit by 2030**

North Macedonia has become the first country in the Western Balkans region to consider coal phase-out by 2030, by adapting the new Energy Development Strategy until 2040 on February 24 announced the European network for preventing the environment and social harm impacts. With the new Energy Development Strategy, North Macedonia is the first to comply with the rules of National Energy and Climate Plans (NECPs) in line with the European Union energy five dimensions. From three possible scenarios, two entail a coal exit by 2025, while third delaying the closure of the Bitola lignite power plant until 2040. Lignite in North Macedonia has been responsible for around half of the country's electric generation. [Click here to read the full article in English.](#)