POLICY SPOTLIGHT: Energy and Mining Prospects in Kosovo

About the Policy Spotlight

The Policy Spotlight is a publication of the American Chamber of Commerce in Kosovo (AmCham Kosovo) which aims to bring attention on different public policies affecting economic development of the country. This spotlight places the focus on Energy and Mining sector potentials in Kosovo, by analyzing the existing situation and providing insight on the types of ores and resources available which can be used for facilitating an accelerated economic development. This spotlight looks at two key documents that serve as a framework for the sectors, namely (1) the Mining Strategy of the Republic of Kosovo 2012-2025 and (2) the Energy Strategy of the Republic of Kosovo 2017-2026.

Background

Energy and Mining have long been hyped as sectors with great potentials for the Republic of Kosovo. Kosovo has substantial natural resources which can provide a great hand in attracting new investments, creating new jobs and improving the wellbeing of its citizens. However, it’s safe to say that currently the country is failing to make the best use of its natural resources, and a new (and more dynamic) approach is needed to reverse the trend, as will be argued throughout the document.

There have been numerous studies trying to analyze the impact of natural resource richness in the economic growth of a country. Results from these studies clearly point out that having an abundance of natural resources is not enough, and so far no consensus has been reached as to whether or not a resource-rich country has an advantage with regards to achieving a higher GDP growth rate. In fact, by analyzing trends of resource-rich countries, economists have coined a new term: the resource curse—a tendency of these countries to grow slower compared to resource-poor countries.\(^1\) This paradox goes to show the importance of adopting a good strategy and strong implementation practices for making the best use of the resources in place.

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall value of resources</th>
<th>GDP per Capita (WB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Russia</td>
<td>$ 75.7 trillion</td>
<td>$ 8,748</td>
</tr>
<tr>
<td>2 USA</td>
<td>$ 45 trillion</td>
<td>$ 57,467</td>
</tr>
<tr>
<td>3 S. Arabia</td>
<td>$ 34.4 trillion</td>
<td>$ 20,029</td>
</tr>
<tr>
<td>4 Canada</td>
<td>$ 33.2 trillion</td>
<td>$ 42,158</td>
</tr>
<tr>
<td>5 Iran</td>
<td>$ 27.3 trillion</td>
<td>$ 5,038</td>
</tr>
<tr>
<td>6 China</td>
<td>$ 23 trillion</td>
<td>$ 8,123</td>
</tr>
<tr>
<td>7 Brasil</td>
<td>$ 21.8 trillion</td>
<td>$ 8,650</td>
</tr>
<tr>
<td>8 Australia</td>
<td>$ 19.9 trillion</td>
<td>$ 49,928</td>
</tr>
<tr>
<td>9 Iraq</td>
<td>$ 15.9 trillion</td>
<td>$ 4,610</td>
</tr>
<tr>
<td>10 Venezuala</td>
<td>$ 14.3 trillion</td>
<td>$ 9,258</td>
</tr>
</tbody>
</table>

\(^{1}\) Sachs and Warner, Natural Resources and Economic Development: The curse of Natural Resources, 2011

As the table above clearly depicts, only 3 of the countries pertaining in the top 10 list in terms of resource abundance, have a GDP per capita of over $40,000, while the majority are below the $10,000. Kosovo has managed to establish a sound legislative framework on these sectors, and the degree to which institutions will be able to implement the key strategies in this field will be key to success.
Energy Sector
A sound and reliable energy supply is a precondition to economic development of any given country. All economic sectors, be it manufacturing, trade or services, need electricity as an input for creating an added value for their offerings. For a large period of time after the war, but also after the declaration of independence, electricity supply was among the key impediments to the growth of the private sector. Unannounced electricity cuts, low quality of supply and many other factors have greatly reduced the capacities of many manufacturing companies in Kosovo. As a result, in the majority of cases, the private sector was forced to rely on other means in order to address these problems (e.g. investing in generators and other energy supply solutions). Electricity supply has improved considerably over the last few years; however, more needs to be done to tackle this phenomenon, especially in more remote locations. That being said, having a look at the current situation in the energy sector is crucial in determining the steps ahead for further developing this sector.

Thermal power plants
Kosovo heavily relies on its lignite-based power plants for satisfying the vast majority of energy needs in the country. The two power plants currently in use, which account for 97% of domestic production of electricity (namely Kosovo “A” and Kosovo “B”) were built in the period between 1962-1984, and as such, they are at the end of their lifetime. No substantial energy production capacities have been built since, entailing that the entire country is reliant on two old power plants to satisfy the majority of its electricity consumption needs. The two power plants have a combined capacity of over 1400 MW, but due to their age, their current operational capacity is no more than 950 MW. Furthermore, environmental emissions from these power plants (particularly Kosovo “B”), greatly exceed the limits and criteria set by the European Commission.

“In the last 30 years there has been no adequate new electricity generation capacities constructed to follow growing demand and to ensure the security of supply. Currently, most power plants’ units are at the end of their lifetime….Clearly, there is an urgent need for new generation capacities.”
Kosovo Energy Strategy 2017-2026

Electricity production has shown a growth trend in the years after the war; however, this trend is not sustainable without constructing new energy generation capacities. Kosovo continues to import roughly 10-14% of electricity for satisfying the domestic demand, particularly during peak hours. The level of consumption of electricity varies drastically in different periods of the day (and in different seasons), meaning that the current generation capacities cannot satisfy the demand for electricity during peak hours, while on the other hand, there is a significant energy surplus during the night. Due to technical characteristics of the existing plants, the level of production cannot be decreased to reflect the lower demand in night shifts. Despite the fact that the electricity tariff schedules are aimed at encouraging the use of electricity during the night, the policy has not created the desired effects among consumers. It must be noted that there are specific cooperation plans with the Republic of Albania in finding a solution for covering peak-hour electricity demand through a secondary reserve capacity of 25 MW from Hydro Power Plants in Albania.

Considering all this, the need to build new energy generation capacities is imminent. While investing in renewables is highly desired and advisable, particularly in view of reaching EU targets, the bulk of production capacities should necessarily continue to be from lignite-based power plants. Kosovo has the fifth largest lignite reserves in the world, and it should seek to make the best use out of it. The plans for constructing Kosova e Re power plant are already in advanced stages, and the Government along with other stakeholders need to make sure that the plans are implemented accordingly. Otherwise, continuing with the existing power plants is not feasible, considering the age of the plants and the growing demand for electricity. Additionally, the rehabilitation project of Kosovo “B” should also be implemented in terms of investing in environmental components and production components (after Kosova e Re is commissioned).

Another important element in the electricity system is the distribution and supply component. This is an area which has been a cause of concern for many years, considering the significant technical and commercial losses incurred in the system (roughly 32%). In 2013, the electricity distribution and supply was privatized, while in 2014 the process of legal unbundling of distribution system operator and Supply Company was completed. After the privatization process, there has been a positive trend in lowering losses in the system, especially in terms of billing and collection. However, a major cause for concern remains the North of Kosovo, whereby approximately 5% of electricity goes unbilled.

On the other hand, the Kosovo Energy Strategy has identified electricity transmission as the strongest link in the energy system in Kosovo, whereby Kosovo Transmission System and Market Operator is mentioned as an example for neighboring countries, despite their difficulties in becoming part of international mechanisms due to political reasons.

The Energy Regulatory Office is the key institution in place for developing policies for the functioning of the energy market in Kosovo. ERO is in charge of publishing electricity prices in an annual basis for domestic, commercial and industrial consumers. Starting from April 1, 2017, ERO has amended the electricity tariff structure, in order to remove price variations during the summer and winter seasons. Additionally, ERO has published a number of regulations paving the way for market liberalization in this sector. Three operators have already been licensed pursuant to the legislation in place, but are still passive in the market. Another concern which businesses have addressed to ERO, is the cross-subsidizing of electricity tariffs between individual and business consumers, an issue which certainly harms businesses and decreases their competitiveness.

Summary of challenges in TPP electricity generation:

- Very old existing TPP
- Delays of investments in new electricity generation capacities
- Large non-technical losses
- Slow-developing liberalization
- Cross-subsidization of electricity price
- Inefficient use of electricity (for heating purposes)
- Large variations of consumption in a 24-hour cycle
- Over-reliance on imports to cover peak-hour consumption due to lack of alternative power generation

Recently we have been witness of difficulties that Kosovo Energy Corporation had in accessing lignite for production purposes (due to delays in expropriation procedures),
whereby there was a genuine risk for having electricity shortages. Considering the vast reserves of lignite in the country, the issue seems paradoxical to say the least. Government institutions should make sure such situations are not repeated in the future. Furthermore, there is a need to open new lignite mines by 2024, given that the reserves of existing mines are expected to be depleted by then.

**Thermal Energy**

The use of electricity for heating purposes has long been identified a major challenge in the energy sector in the country, one which overburdens the electricity grid in the country. Only 3-5% of spaces during winter are covered by the district heaters, while others have to rely on other means for heating their premises (be it residential or commercial). The limited capacities of district heating companies has also contributed to this situation, which should necessarily be addressed.

The project of co-generation of thermal energy supply from Kosovo “B”, has shown tremendous potential in improving the situation in this regard. This project has enabled a stable and predictable supply of thermal energy for the existing consumers in Prishtina, and has paved the way for connecting new consumers to the thermal energy network. Currently, ERO (which is also responsible for supervising this area) has established a policy for billing consumers based on the heating space area, as opposed to the actual use of the energy by consumers. Currently, the district heating companies report technical losses of roughly 18 percent on an annual basis.

In going forward, the Kosovo Energy Strategy 2017-2026 identifies a number of objectives for improving the situation regarding thermal energy in the country, some of which are outlined below:

- Expanding the Termokos network in the area of Prishtina and neighboring municipalities in order to make use of the co-generation project with TPPs.
- Construction of a new thermal energy generation power plant in Gjakova and updating its network.
- Updating thermal energy systems in Mitrovica and Zvecan.
- Reduction of technical losses to 8%.
- Laying the grounds for constructing 4 new plants for thermal energy generation in 4 large municipalities in Kosovo.

As explained, due to the tendency of consumers to use electricity for space heating purposes, any reforms in this sector will have positive effects also in the electricity sector. However, despite the early potentials shown by the co-generation project, the process for expanding the network in the region of Prishtina is moving slowly. A more dynamic approach in this direction would be required in order to make the best use of the co-generation project and to reduce the burden on the electricity sector. Furthermore, the rehabilitation of facilities in other municipalities that already have an existing network need to be prioritized.

**Natural Gas**

Despite having the legislation in place, which is in line with the EU Acquis, Kosovo has no natural gas infrastructure. Developing the infrastructure for this energy source, which is generally “cleaner” compared to lignite, represents a major challenge for the country. Kosovo along with Albania have applied for a joint natural gas project (ALGOKAP) for connecting to the Trans-Atlantic Pipeline. This pipeline is expected to be 260 km in length, with a supply capacity of 2 billion m³. This project is ranked 7th in the list of Projects of Energy Community Interest.
For the moment, Kosovo remains among the only countries which is not connected to the European natural gas network.

**Renewable Energy Sources**

Being a signatory party to the European Energy Community, Kosovo has acknowledged certain responsibilities with regards to the application of measures for energy efficiency, use of RES and environmental protection.

Kosovo has significant potentials for making use of renewable energy sources, particularly as a secondary source of energy in the country. This sector is unfortunately underdeveloped in the country, and as such, Kosovo continues to rely on the import of electricity to cover needs during particular times of the day. The country has faced many challenges in attracting and facilitating investments in this field, despite the existence of the necessary legal framework.

As a signatory to the Energy Community Treaty, Kosovo is obliged to reach the targets of the share of RES in total domestic consumption of energy up to 2020. The National Action Plan sets a target of 25% for Kosovo, while a domestic Administrative Instruction (AI 01/2013 of the Ministry of Economic Development) has set an even higher target at 29.47% (for the moment the actual share is around 20%). The total capacity of RES installed in Kosovo by the end of 2017 is expected to be 99.5 MW, while for 2026, the target is to have in place installed capacities of 401-470 MW.

Considering the trends in this sector over the years, the projections certainly seem very ambitious, given that an average annual growth rate of 20% in terms of RES generation capacities would be needed in order for the projections to be achieved.

To encourage the use of RES, Kosovo, through the Energy Regulatory Office, has developed a support scheme in terms of feed-in tariffs for hydropower, wind energy, photovoltaic energy and biomass.

**Applicable feed-in tariffs for RES:**

- Small Hydropower Plants: 67.47 €/MWh
- Wind Power Plants: 85.00 €/MWh
- Biomass Power Plants: 71.30 €/MWh
- Photovoltaics: 136.40 €/MWh

Furthermore, KOSTT and the distribution system operator is legally bound to give priority to RES generation, in line with the limits specified in the Grid Code. The market operator is also obliged to purchase the RES generated energy with the regulated feed in tariffs.

In order to come close to achieving the stated targets, institutions must necessarily increase their efforts. The existence of feed in tariffs is certainly an encouraging factor, but they will not enable the achievement of the desired results on their own. “Criteria for accessing the electricity grids, administrative procedures (contracts, licenses, uncoordinated multiple bureaucracies etc.)

**Table 2 RES capacity projections for 2017-2026 period**

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<tr>
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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Photovoltaic</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>10</td>
<td>11</td>
<td>12.5</td>
<td>15</td>
<td>18</td>
<td>22</td>
<td>26.5</td>
</tr>
<tr>
<td>Solid Biomass</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Wind</td>
<td>1.5</td>
<td>35</td>
<td>62</td>
<td>70</td>
<td>110</td>
<td>110</td>
<td>120</td>
<td>120</td>
<td>130</td>
<td>130</td>
</tr>
<tr>
<td>Existing small HPP</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
</tr>
<tr>
<td>New HPPs</td>
<td>20</td>
<td>91</td>
<td>100</td>
<td>107</td>
<td>110</td>
<td>110</td>
<td>120</td>
<td>120</td>
<td>140</td>
<td>160</td>
</tr>
<tr>
<td>Total</td>
<td>99.5</td>
<td>210</td>
<td>248</td>
<td>266</td>
<td>312</td>
<td>313.5</td>
<td>338</td>
<td>341</td>
<td>377</td>
<td>401.5</td>
</tr>
</tbody>
</table>


and the degree of stability of the supporting mechanism are also important.\textsuperscript{3}

For the moment there are four operating HPPs in the territory of Kosovo, three out of which connected to the distribution system (with a joint capacity of 2.76 MW), while one connected to the transmission system (with a capacity of 8.08 MW). In addition to these, HPP Ujmani also contributes to the electricity system in the country with an installed capacity of 35 MW, and an annual production of approximately 90 GWh. In 2015, a small HPP with a capacity of 3.89 was commissioned, while in 2016 two new HPP were constructed, one with a capacity of 9.2+8.4 MW, while the other one with a capacity of 4.3 MW. ERO has announced that it has issued final permits of authorization for capacities amounting to 76 MW, preliminary permits of authorizations for 89 MW, and is in the process of authorization for an additional 513 MW.

The first wind energy generators were installed in the country back in 2009, with a capacity of 1.35 MW, while in the meantime, ERO has announced that there have been additional requests from companies for the development of wind energy generation facilities in other locations in Kosovo. ERO has issued preliminary authorization permits for a capacity of 87.75 MW and is in the process of authorization for an additional 51 MW.

The strategy speaks very little about solar collectors and photovoltaic energy, despite the fact that there has been an increasing interest from businesses for investing in this area. However, it is estimated that the annual production potential for solar energy is approximately 1500-1650 kW/m\textsuperscript{2}.

Energy Efficiency and Environmental Protection

Kosovo has adopted a Law on Energy Efficiency in 2012, along with a number of sublegal acts addressing particular issues within this topic. Furthermore, the law has paved the way for the establishment of the Kosovo Agency for Energy Efficiency and the Certification Commission of Energy Auditors and Managers. This topic is addressed in detail in the Kosovo Energy Strategy in the framework of Kosovo’s commitments towards EU standards and criteria. However, in addition to that, it must be noted that energy efficiency has an important economic development component as well, particularly in terms of the efficient use of existing electricity generation capacities.

The Kosovo Energy Efficiency Action Plan for the period of 2010-2018 foresees savings of up to 9% or 92 Ktoe (kiloton of oil equivalent). Additionally, 27 municipalities in Kosovo have developed Energy Efficiency plans, which contribute to overall efforts for achieving stated energy efficiency targets. This area has received a particular attention from many donor organizations, be it in terms of providing technical expertise on particular topics, or by actually financing investments aimed at tackling energy efficiency. However, there is still plenty of room for raising the awareness on energy efficiency among businesses and private households. There are actually many projects in place (especially donor-driven), which can facilitate access to finance for Kosovo SMEs that have plans for investing in energy efficiency measures.

In achieving targets related to energy efficiency, the Energy Strategy of Kosovo also foresees the establishment of an Energy Efficiency Fund in consultation with the financial institutions and in line with best practices. This fund ideally would be used not only for financing activities for increasing the energy efficiency in public institutions, but also in SMEs and private households. It is worth noting that after 2018, new energy efficiency targets will be set by the Energy Community, and policies such as this can

\textsuperscript{3} Sefa and Rexha, \textit{Sfidat e padiskutuara për zhvillim të burimeve të ripërtëritshme të energjisë në Kosovë}, 2013
help in facilitating the achievements of the targets.

In terms of environmental impact of the current energy system in the country, it is worth looking at the emissions from the TPP in view of standards and criteria set by EU institutions, depicted in the table below (table 3). As seen, the emissions from the power plants (especially TPP Kosovo B) far exceed EU Criteria on this topic, further underlining the immediate need to invest in new electricity generation capacities, which would certainly produce more desirable environmental results.

Kosovo Energy Strategy also lists a number of activities to be undertaken by institutions in order to achieve objectives for reducing the environmental footprint from energy sector activities, namely:

- Completing the legislation in line with the EU Acquis, and ensuring its proper implementation
- Approving plans for reducing emissions
- Use of resources (such as lignite) in line with international commitments stemming from SAA and ECT.
- Adopting a master plan for rehabilitation of environment in coal mining areas etc.

**Mining Sector**

Many stakeholders identify investments in the mining sector as a foremost priority when discussing methods for accelerating economic development in Kosovo. This sector is believed to have tremendous potential, due to abundance of a number of mineral resources which can be exploited for achieving a higher rate of growth. The development of the mining sector in Kosovo has been closely linked with the functioning of Trepça Complex, a major backbone of the industry, which is now facing serious challenges underpinning its potential.

Natural resources refer to elements and substances such as minerals, woods, water resources and arable land, which are found in nature and which may be used for economic gains. However, in terms of the mining sector, we will be focusing our discussion in the exploration and exploitation of mineral resources.

The Ministry of Economic Development is the main institution mandated to formulate policies and strategies for developing the sector. Additionally, the Independent Commission on Mines and Minerals has also an important role, in terms of the provision of exploitation and exploration licenses to economic operators.

Similarly to the Energy sector, investments in the mining sector have failed to reach desired results.

As depicted, the overall contribution of mining and quarrying activities in Gross

<table>
<thead>
<tr>
<th>Power Plant</th>
<th>Dust (mg/Nm³)</th>
<th>SO₂ (mg/Nm³)</th>
<th>NOₓ (mg/Nm³)</th>
<th>CO₂ (mg/Nm³)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TPP Kosovo A</td>
<td>44</td>
<td>57</td>
<td>289</td>
<td>418</td>
</tr>
<tr>
<td>TPP Kosovo B</td>
<td>645</td>
<td>860</td>
<td>327</td>
<td>511</td>
</tr>
<tr>
<td>EU Criteria</td>
<td>50</td>
<td>40</td>
<td>500</td>
<td></td>
</tr>
</tbody>
</table>

*Table 3 Environmental footprint of the two existing TPP*
Domestic Product in Kosovo is relatively low\(^4\), with a tendency to drop even further. To the very least, this is an indicator that the country is failing to make the best use of the available natural resources. The revitalization of the Mining Industry is certainly not an easy task, and one which needs significant investments from the private sector. Thus, public policies should reflect this need, and should be developed in such a way that encourage investors to explore Kosovo as an option for their investments.

In this context, the private sector has raised a number of challenges related to the mining sectors which the relevant institutions should address to pave the way for increased investments:

- First and foremost, companies operating in this sector complain about extensive legislative and procedural bureaucracy, which hinders investments. In order to get a license for exploitation or exploration activities, companies need to submit documentation to a number of institutions separately and expect to get responses within time limits. A delay in one link of the process can cause delays in the entire process, and often investors complain about extensive procedures which cost them time and money. AmCham for several years has requested that ICMM should serve as a one-stop-shop for all investors in this field, as a sole contact point for applying for exploration or exploitation licenses. However, such a request has never materialized.

- In addition to the issue explained above, ICMM, as a key institution in this framework, for a prolonged time was not functional, due to delays in appointing board members. For the moment this problem has been resolved, but institutions should make sure that these problems are not repeated in the future.

- Extensive expropriation procedures remain an issue of concern for investors in this field. The law on Mining foresees that in cases when investors are unable to come to an agreement with the owner of the land, despite offering a fair market value compensation, ICMM can initiate expropriation procedures. However, there have been reports that this provision is rarely used and investors still struggle to find a common language with land owners.

- Due to the large number of licenses and the large number of institutions involved, the possibilities for the occurrence of corruption are higher. This was in fact a finding elaborated in a UNDP report. However, institutions in this field have contested the findings.

With regards to the first challenge, it must be noted that in the beginning of 2017, the Assembly has approved the Law on Strategic Investments. Energy and Mining sector investments amounting to over €30 Million will benefit from this law. According to the law, some of the main services that strategic investors will benefit from are:

- assistance in administrative procedures for obtaining licenses, permits and authorizations at public institutions;

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\(^4\) Data extracted from the official website of Kosovo Agency of Statistics
• assistance in the performing of preparatory actions, preparation of documents necessary to initiate administrative procedures for obtaining licenses, permits and authorizations;
• an accelerated procedure for examining applications which relate to the preparation, implementation and realization of strategic project;\(^5\)

Thus, if the law is implemented properly and appropriate implementation mechanisms are created, it can go a long way in helping facilitate and encourage investments in the mining sector. However, institutions are still in the process of developing the secondary legislation, in order to enable its implementation. It remains to be seen if the law will reach its desired effects.

**Natural Resources in Kosovo**

As briefly mentioned in previous section of this document, the most important natural resource which Kosovo has in abundance is lignite, used for the production of 97% of electricity generation in the country. There are three main coal basins in the territory of Kosovo accounting for more than 12 billion tons of lignite. However, the geological preconditions in other regions of Kosovo suggest that lignite can be found in abundance in other parts of the country.

<table>
<thead>
<tr>
<th>Coal Basin</th>
<th>Quantity (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosova Basin</td>
<td>10.1 billion</td>
</tr>
<tr>
<td>Dukagjini Basin</td>
<td>2.2 billion</td>
</tr>
<tr>
<td>Drenica Basin</td>
<td>0.1 billion</td>
</tr>
<tr>
<td>Total</td>
<td>12.4 billion</td>
</tr>
</tbody>
</table>

*Table 6 Main Coal Basins in Kosovo*

According to a study conducted on the exploration of lignite in Kosovo, the average coal extraction costs vary between 7.8 and 11 €/ton, while from 2012, the applicable royalty fee for the exploitation of lignite is 3 €/ton. Based on the rate of exploitation of coal so far, it is easy to conclude that Kosovo has enough coal to supply the existing capacities of power generation for hundreds years.

In addition to their use for energy generation purposes through TPPs, there have been discussions for making use of the lignite in other projects (such as underground gasification). However, these projects have not materialized so far, highlighting the need for creating further facilitations in this sector.

In addition to lignite, Kosovo is rich in terms of a number of other mineral resources as well, particularly in terms of Zinc, Lead, Silver, Nickel, Chrome, Cobalt, Copper, Magnesium etc. However, difficulties that Trepça under the Administration of PAK has faced have seriously damaged Kosovo’s potential for valorizing these existing resources. Problems that this enterprise has faced on its operations, be it due to political reasons, or as a result of creditors’ claims, have seriously damaged its potentials. Trepça’s challenges alone are too complex and too broad to be elaborated in this edition of this publication. However, it is worth noting that facing a risk of liquidation and bankruptcy, in October 2016, the Assembly of the Republic of Kosovo passed a Law on Trepça, which transforms the enterprise from a socially-owned enterprise to a public enterprise, with the Government becoming the main shareholder of the company (80% of shares). Furthermore, in 2017, PAK submitted a feasibility study to the Government for the development of the enterprise. Despite this, the situation regarding Trepça continues to generate a lot of uncertainty.

In terms of lead, zinc, silver and other resources, it is difficult to estimate the exact presence in terms of quantity in the entire territory of Kosovo. However, there are data estimations available for a number of existing mines in the Metallogenic Trepça Strip, depicted in table 7. In addition to these

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\(^5\) Kosovo Assembly, Law No. 05/L-079 for Strategic Investments in the Republic of Kosovo, 2017
minerals, the ores also contain a number of other minerals in lower quantities, including: gold, selenium, bismuth etc. The applicable royalty rate for silver is 5% of the corporate income generated from sales of the ore, while the royalty rates for lead and zinc are 4.50%.

Nickel and cobalt are two other metallic minerals that can be found in the territory of Kosovo. In fact, the largest exporter in Kosovo, i.e. NewCo Ferronikeli has two open cast mines for the exploitation of Nickel. Assessed geological reserves in the two mines are around 13 Mt, with average Nickel content of 1.31% and Cobalt content 0.06%. The royalty fee for the exploitation of nickel or nickel-cobalt ores is 4.5%. Other important metallic minerals present in the territory of Kosovo are bauxites, iron-nickel ores, chrome, magnesium etc.

A number of materials used in the construction industry can also be found in the territory of Kosovo (royalty rates in brackets):

- Strong silicate rocks (1.00 €/m$^3$)
- Strong carbon rocks
- Gravel (1.25 €/m$^3$)
- Quartz sand (4.00%)
- Marlstone (0.60 €/m$^3$)
- Decorative and dimensional stones (3.20%) etc.

**Kosovo Mining Strategy 2012-2025**

The Kosovo Mining Strategy 2012-2025 is intended to serve as the key document providing the framework for the development of the sector.

The strategy first and foremost lists a number of institutions which have an important role to play in the Mining ecosystem in the country, and consequently addresses 4 key pillars that serve as the foundation upon which the strategy is built.

**KMS 2012-2025 pillars:**

1. Provision of favorable conditions for the economic valorization of mining resources, attraction of investments.
2. Enhancement of human and institutional capacities in the mining sector
3. Social considerations and community benefits
4. Environmental care

Each of these pillars have a number of stated objectives, and specific measures for achieving those objectives. In terms of the first pillar, objectives include completing the regulatory framework, drafting of sector development policies, developing investment-friendly fiscal policies (royalties), and the economic revaluation of the mining

<table>
<thead>
<tr>
<th>Location</th>
<th>Ore Ton</th>
<th>Lead (Pb)</th>
<th>Zinc (Zn)</th>
<th>Silver (Ag)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>ton</td>
<td>%</td>
<td>Ton</td>
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<tr>
<td>Stanterg</td>
<td>35,081,000</td>
<td>3.85</td>
<td>1,349,579</td>
<td>3.85</td>
</tr>
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<td>Cernac/BB/Gom</td>
<td>7,544,227</td>
<td>6.85</td>
<td>516,645</td>
<td>5.07</td>
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<td>Compl. Artane</td>
<td>16,037,227</td>
<td>4.67</td>
<td>749,354</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>58,662,569</strong></td>
<td><strong>4.46</strong></td>
<td><strong>2,615,578</strong></td>
<td><strong>4.28</strong></td>
</tr>
</tbody>
</table>

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potential. On the other hand, the second pillar contains objectives on building the supporting human and institutional capacities and the exploration of new mining potentials through the development of mining research programs and similar.

It should be noted that in order to facilitate the implementation of the strategy, MED has developed a Plan for the Implementation of Kosovo Mining Strategy for the period of 2015-2017 and has published Plans for the exploitation rate of mineral resources.

Conclusions

Energy and Mining sectors certainly have the potential to help Kosovo’s economic development objectives, but for the moment this potential is underutilized. As we have seen, the existence of natural resources in a country does not guarantee development, if a proper structure of policies is not built. Both of these sectors in Kosovo are in dire need of investments, be it for upgrading and rehabilitating existing facilities, or for the development of new ones. Investments in these fields have been difficult to come by, and a portion of the blame has always been attributed to rigid legislative requirements and bureaucratic procedures. Now, with the proper implementation of the Law on Strategic Investments, key institutions can develop a much more flexible approach in trying to stimulate investments in the sector.

As argued, in addition to generating investments in renewable energy sources, the process for constructing Kosova e Re should continue, as a primary source for a long-term energy supply solution. New technologies can enable a cleaner and more environmentally-friendly use of lignite, Kosovo’s biggest asset in terms of natural resources. That being said, measures for increasing energy efficiency should continue, in order to align Kosovo results with EU targets on this topic.

As far as mineral resources are concerned, the developments in this field remains to be seen, particularly with regards to Trepça. The Law on Strategic Investments, which in large parts was created with the aim to generate investments in these sectors, has opened a new window of opportunity for Kosovo, and hopefully, it will enable the achievement of better results in the energy and mining sectors in the near future.
List of Abbreviations
ERO  Energy Regulatory Office
EU    European Union
HPP   Hydro Power Plant
ICMM  Independent Commission on Mines and Minerals
KBRA  Kosovo Business Registration Agency
KMS   Kosovo Mining Strategy
KOSTT Kosovo Transmission System and Market Operator
MED   Ministry of Economic Development
MW    Megawatt
RES   Renewable Energy Sources
TPP   Thermal Power Plant

References


