

Kosovo:



'Coal superpower' seeking a sustainable way out of energy crisis

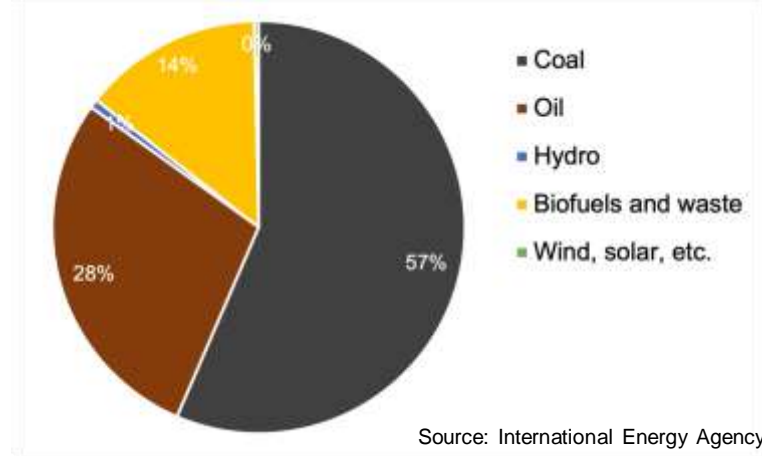
Fifteen years after its unilateral declaration of independence, Kosovo, a small landlocked state with a population of 2 million, is still struggling with incomplete recognition of its statehood due to an ongoing **dispute with Serbia**. In addition to its fragile international position, the country faces a variety of **economic, social and environmental challenges** that are closely linked to its massive yet obsolete energy sector.

Kosovo's energy system is entirely **dependent on mining and processing of coal**, which has historically been the backbone of an otherwise underdeveloped economy. Kosovo has significant lignite reserves, even on a global scale, which are massively exploited for domestic energy needs. The two **outdated thermal power plants**, which provide 96% of electricity generation, are at the end of their lifetime and represent a **huge environmental burden**. The environmental impact is compounded by the location of coal mining, processing and combustion in the vicinity of the capital, Prishtina. Although the **project to build a new coal-fired power plant was halted in 2020**, extending the service of the existing units will be inevitable given the energy instability.

Despite the use of coal, Kosovo **imports electricity** due to the unreliability of outdated capacities and little diversification of energy sources. Domestic production does not cover rapidly growing consumption and the government recently resorted to widespread **distribution outages**, which have only been solved by importing power from hydroelectric plants in neighbouring Albania.

Renewables, which have the potential to contribute to solving the energy crisis, so far represent only a **marginal share** of the energy mix. A few small hydropower plants produce 3% of electricity. However, the potential for greater use of hydropower is small compared to the rest of the region and limited to mountainous areas where the construction of power plants has significant environmental impacts. The development of **solar and wind power plants** as the main sustainable alternative is at an early stage. The first smaller wind and solar parks have recently been commissioned and other larger projects are planned. There is **potential for biomass processing**, which is so far mainly used for local non-ecological wood heating, but could significantly lighten the environmental load if used in regional heating plants.

Total energy supply by source, 2019 (%)



Key challenges for the energy transition

- **Breaking out of the carbon lock-in:** finding a long-term, economically, energetically and environmentally sustainable replacement for the obsolete coal-fired sources.
- Finding a medium-term **replacement for ageing coal-fired units while taking into account climate targets** and the need to stabilise the energy system.
- Urgently **addressing the environmental impacts of coal power and the long-term socio-economic impacts of its decline**.
- **Exploiting the RES potential** while maintaining economic viability and environmental sustainability.
- **Ensuring stability of energy supply** by diversifying production capacities and regional market and distribution integration.
- **Minimising large losses** in electricity distribution and consumption.
- The **economic and geopolitical dilemma related to gasification** as a 'transitional' replacement for coal combustion.

Position of domestic actors

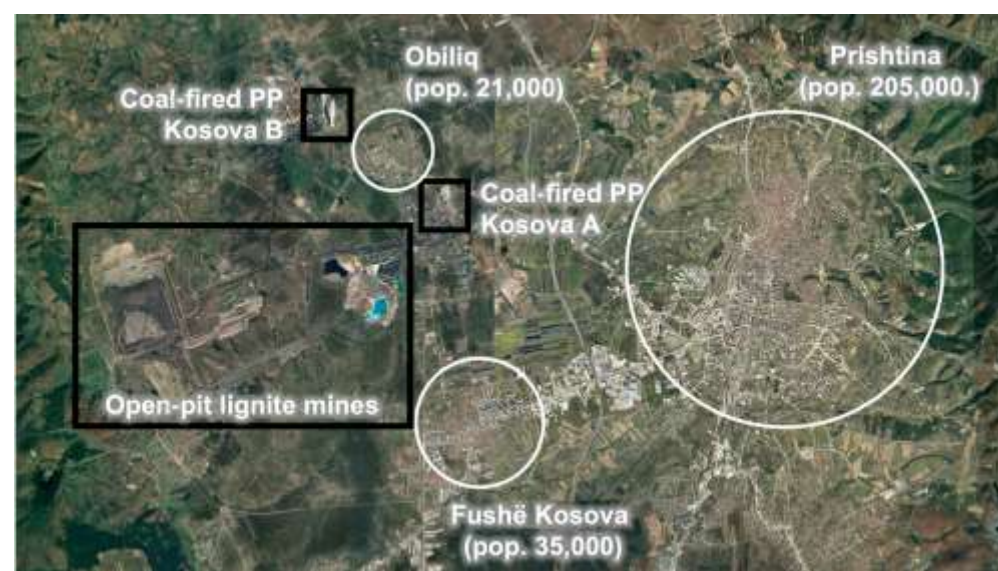
The current government, led by the leftist Vetëvendosje movement since 2020, places significant **emphasis on energy transition** as opposed to previous conservative governments. Vetevendosje itself has historically been associated with an activist networks, but now it has to manoeuvre between its original ambitions and real possibilities. The government's stated desire to move away from traditional coal-fired power is thus running up against **economic and social limits and a deepening energy crisis**. While Prime Minister Kurti has clearly rejected the planned construction of a new coal-fired power plant, his government admits the **necessity to revitalise existing coal-fired units**.

The central state actor responsible for energy is the **Ministry of Economy**, led by the independent Artane Rizvanolli, who declares **energy transition as her priority**. In 2022, the ministry presented a draft of the new energy strategy that strongly accentuates decarbonisation. While the previous strategy from 2017 prioritized the renewal of coal-fired capacity and gasification, the new strategy emphasizes the **development of RES**, whose share in electricity generation is expected to **jump from the current 6% to 35% by 2031**. However, according to critics, the proposed strategy only vaguely defined targets in this regard and does not offer concrete tools to achieve them.

The **energy sector**, which is one of the largest employers in a country suffering from extreme unemployment, is an important **subject of domestic political struggle**. Therefore, in the case of a future change of government, an overhaul of energy policy cannot be ruled out. The conservative parties, which are now in opposition, have long supported the construction of a new coal-fired power plant and gas power generation.

The electricity sector was **partially privatised and liberalised** after independence. While the main electricity producer **KEK** and the infrastructure operator **KOSTT** remained under state control, the distribution company **KEDS** was controversially privatised into the hands of a Turkish consortium. The public Energy Regulatory Office sets the rules for the functioning of the market and also sets the **end-use energy prices, which are artificially kept well below market levels**.

The **energy sector in the north of the country**, predominantly populated by the Serb minority, **operates de facto independently** of Kosovo's structures, with electricity distribution provided by **Elektrosever**, a company controlled by Serbia.



Location of the coal industry within the agglomeration of Prishtina

International actors

Due to Kosovo's problematic international status, **only Western actors, together with Turkey**, are active in the energy field. In contrast, Russia and China, otherwise major energy players in the region, are distancing themselves from the Kosovo state and its economy.

Kosovo is not connected to the regional gas pipeline network, but the envisaged **gasification is strongly supported by the US**. Two gas supply options have been discussed, connecting to the Trans Adriatic Pipeline via North Macedonia and connecting to the planned LNG terminal in Albania, both with the participation of US companies and capital. However, gasification would require **high up-front costs**, which have caused the **current government to freeze the projects**. Kosovo is also not connected to the oil pipeline infrastructure and has no processing capacities, and therefore relies on imports of oil products from refineries in Greece and Albania through private distributors. Turkey is active in Kosovo's energy sector through private companies that develop RES projects in addition to operating the KEDS distribution company.

Kosovo places great emphasis on **regional energy integration**, which is however severely limited by an ongoing dispute with Serbia. Thus, **energy integration with Albania is a priority**, alleviating the instability of the energy system by linking Kosovo's coal capacity with Albania's hydropower.

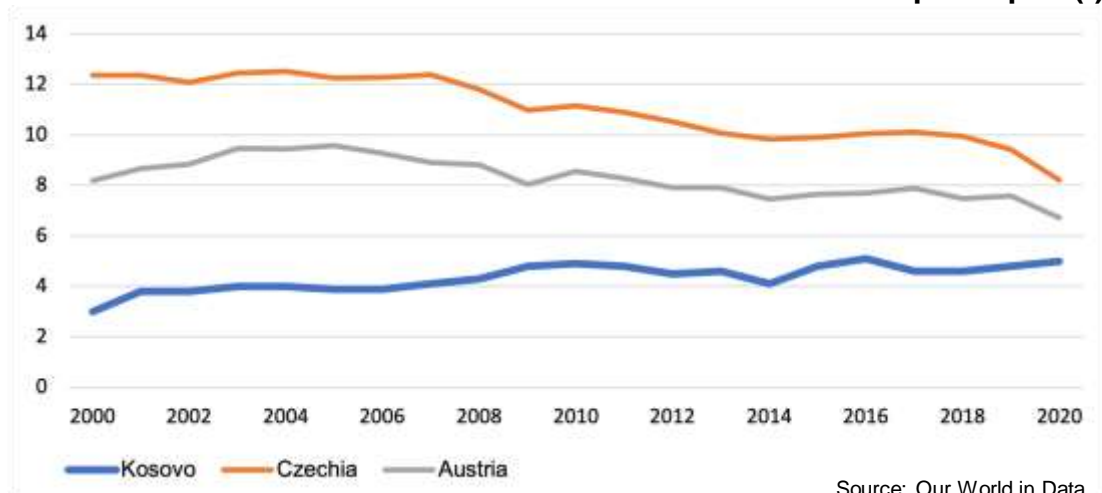
Role of the EU

European integration is a priority of Kosovo's foreign policy, but its implementation is hampered by its disputed international status, ongoing conflict with Serbia and incomplete recognition of Kosovo's statehood even within the EU. The declared efforts to **align Kosovo's energy policy with European requirements** have so far yielded only **partial results**. The reason for this is to be found not only in the inadequate structure of Kosovo's energy sector, which requires deep and costly reform, but also in the **reluctance of previous governments** to abandon their policy objectives in the coal-fired power sector.

Kosovo is a contracting party to the **Energy Community (EC)**, which is the main European actor seeking to integrate the energy market and align it with European standards and objectives. In Kosovo, the Community has long emphasised a **shift away from coal and the development of renewable energy** as a sustainable alternative. The EC has strongly opposed plans to build a new coal-fired power plant, but accepts the need to revitalise existing units and supports possible gasification. Overall, Kosovo ranks at the bottom of the regional assessment of the implementation of EC requirements, which is also due to the **structural set-up of the coal-oriented energy sector and the resulting difficult starting position** of the country in the transition process.

The **European Bank for Reconstruction and Development (EBRD)** is also an important European player, providing **financing for large infrastructure projects**, including a gas pipeline interconnection with Albania, in addition to systemic support for local energy saving and greening projects.

CO2 emissions per capita (t)



Source: Our World in Data

Relevance for Czechia

In the coming years, Kosovo will inevitably undergo an economically and politically **challenging process of structural energy transition** towards weaning itself off an absolute dependency on coal. The Czech Republic can contribute to this process in particular by **sharing its own experience** in dealing with the environmental, economic and social impacts of coal use and especially its expected phase out. Involvement in the energy transition can be an interesting **opportunity for Czech state, private and non-profit actors** who can offer Kosovo the necessary **know-how or technologies**.

The potential for participation of Czech companies lies in particular in the **development of sustainable RES, greening of the heating sector or optimisation of the distribution network**. However, the possible involvement of Czech exporters in the construction of new hydropower plants could be problematic due to their environmental impacts.

The **revitalisation of Kosovo's coal sector** offers significant economic opportunity for foreign players. However, from a climate policy perspective, the possible **involvement of Czech companies** in the extension of the lifetime of existing coal-fired units or even the construction of new ones (ČEZ was previously a favourite in the project to build a new coal power plant) **would be problematic**. In this lucrative area, a careful **balance** will have to be struck **between the necessary modernisation of coal capacities and deepening the carbon lock-in**.

Czech state institutions and the non-governmental sector should use their **experience in dealing with the economic, environmental and social impacts of the phase-out of the coal industry** and offer to share it with Kosovo's public and non-governmental actors.

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