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# COMMENTARY



Gas wars. While the elites fight,  
the citizens lose

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**A**fter more than 20 years the gasification of Macedonia is slowly unwinding. With money from the USSSR debt in clearing currency to Macedonia until 2020 we should have a gas pipeline built across the country. Currently, the first phase was completed, the pipeline Klechovce Stip that began last year is finished and from August 2016 will start the construction of the pipeline Stip-Kavadarci, the construction of the pipeline Stip – Negotino has started, with the construction of the main gas pipeline from Negotino to Bitola and the one from Skopje to Tetovo and Gostivar to follow through in the future. Krste Miladinov, the director of Macedonian energy recourses says that both the economy and households will benefit from the project and it will also protect the environment. - For the realization of the project we cooperate with “Stroj Transgaz” from Moscow - said Miladinov. ([Nova Makedonija](#) – link in Macedonian)

The gasification in Macedonia did not develop or go smoothly. The dispute with Makpetrol has not been resolved yet, and since 2013 the Energy Law was amended which effectively centralized gasification in the country, hence the findings of Analytica were that: increasing the powers of the government in the sector natural gas could put into question the

gasification projects planned on local level and greater independence of local-self governments in managing local issues is highly required. Therefore, a review of the Articles 166a and 166b from the law is needed with the aim of defining and/or amending them with the end goal - giving greater autonomy to local government units in the area of construction and operation of plants and installations running on natural gas<sup>1</sup> ([Analysis of the Law on Amendments of the Law on energy from May 2013](#) – link in Macedonian). These changes were made before the long-awaited connection to the South Stream which construction at the end failed. Since then, the state is the main driver of gasification in Macedonia.

Two years later, with the Russian money began the construction of the gas network in Macedonia, as it was mentioned above. It remains to be seen whether it will meet the deadline in 2020. As for the gasification of the households i.e. construction of the distribution network, here things are not so straight forward. Recently

<sup>1</sup> Currently only Strumica and Kumanovo municipalities have their own distribution gas network.

the Government adopted a decision to publish a call for public private partnerships for building a distribution network of natural gas that will cover all three regions. There was no specific dead-line given when exactly the call for these public private partnerships can be expected, to which can be added the fact that the pipeline is just at the beginning of the construction. The energy advisor to the Prime Minister Emil Dimitrievski, Mr. Hristijan Mickoski clarified that the Government adopted a decision for 30 new actions, including increasing the period of the concession agreements for the utilization of the distribution network from the initial 20 to 30 years and lowering the cost of the connection for households from 100 to 80 Euros, with the proposal that the rest of the price will be subsidized by the government, as well as the fact that with the gasification all the municipalities will be covered and that the natural gas will be available to all citizens. He added that it was decided to give a guarantee for more intense dynamics of the construction ([Denar.mk](#) – link in Macedonian). Analytica maintains the position that gasification should take

place together with the municipalities, especially when the distribution network is in question which passes through their territory because they are most familiar with the local needs and problems. The trend through the world right now is to move towards decentralization of energy systems and Macedonia should follow this trend in order to deal successfully with its future energy demand.

As for the particular activities regarding the construction, Analytica in 2015 wrote specifically for this issue. “One raised issue is that the money needed for the kilometers of built gas pipeline are: around 450 thousand EUR per kilometer from the loan and around 1.2 million EUR per kilometer from the Russians. There is no explanation why there is such a big difference in the funds needed to build the one and the other part of the pipeline, which leads to having doubts as how this whole business was arranged with the Russians. Another issue is why the state is borrowing from commercial banks which have more unfavorable lending conditions instead of the World Bank which was also interested in financing the gasification. ([Chaos in energy. The latest developments in the energy sector in Macedonia](#)).

Of course these programs and plans of the government do not pass without criticism of the opposition

party that primarily has objections to the cost of the entire gasification project. According to SDSM, in 2014 the then Minister of Transport and Communications Mile Janakieski announced 150 million Euros investment in the distribution network of over 650 kilometers. Last year the government took a loan of 90 million Euros for the gasification section Stip-Negotino-Bitola (127 kilometers) and the section Skopje-Tetovo-Gostivar (76 kilometers). According to the statement of the Government's Spokesman the only section completed is the Klechovce Stip one, while the others are still in the early stages (24 News – link in Macedonian).

With the announced early elections for 11th of December 2016 there is a risk that if the political crisis is delayed i.e. there is a new political crisis that this project will be prolonged like many earlier ones were due to various reasons (some of them were politically motivated<sup>2</sup>). The energy sector as well as the issues within it was set aside in Macedonia during the political crisis due to the wiretapping scandal. For example, the new amended Energy Strategy up to 2035 is still not adopted, with a delay of perhaps more than a year. Such ac-

tions, as well as the postponement of the liberalization of the electricity market and the cases against Macedonia in front of the Energy Community Secretariat do not give hope that the institutions and political elites in the country are especially concerned about what kind of energy future we are leaving to the future generations. Hence, the criticism towards this project cannot be ignored and watchdogs should seriously follow its construction, especially the distribution network and the connection of the households in the future.

However, less than 5 years for construction of the gas pipeline is not a long period, which if respected will allow the state to finally catch up to date with the energy developments in Europe, although the trends are moving in the direction of phasing out the conventional fuels (this includes gas) and moving towards renewable energy, including biomass. Although Macedonia is far behind any European standard on utilizing RES, still according to the report [Contribution of SEE SEP programme to EU Progress Reports 2016: South East Europe Energy Watchdog Report 2016](#), in 2014 Macedonia generated 14 GWh

of solar energy, thus becoming the leader in the region; however this is negligible compared to the potential that it has. Nevertheless most EU states already have a gas network and use it, which can and should serve Macedonia as a transit fuel to a sustainable, green energy system. The gradual abandonment of coal/lignite will be facilitated by this gasification hence, the faster this process is completed the better for the whole energy system of Macedonia. However, the concerns regarding the construction of the distribution network remain due to its more complicated nature. Connection of the households may not go as planned, as good preparation is needed especially since most households themselves will be using gas for the first time, furthermore the price of the gas would need to be competitive with the biomass or electricity which is currently used for heating, cooling, hot water and cooking. ●

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<sup>2</sup> Bild.mk, South Stream fell apart, where will Macedonia get its gas from? <http://www.build.mk/?p=41332>, link in Macedonian, accessed on 19.09.2016.