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CHAOS IN ENERGY. THE LATEST DEVELOPMENTS IN THE ENERGY SECTOR IN MACEDONIA

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commentary

□ENERGY, as is stated over and over again, is the most vital thing for functioning not only of us humans but our societies and modern states as well. Hence careful planning and investing is crucial for one's country stable, secure and reliable energy flow. This however is rarely the case in the Balkans. Many times it has been written about the issues present in the energy sector in South East Europe (SEE) ranging from old infrastructure, pollution, social unrests due to high prices to corruptive behavior, shady investments etc. One recent paper sums up the situation:

"A seasoned observer has described the Balkan system as the political control of the sources of economic wealth. Each of the steps in an energy project can be used for personal or partisan advantage. The tender can produce bribes; construction firms connected to party leaders and their allies can be employed; the plant creates executive posts where surplus party leaders may be parked and lower level jobs for supporters; operating revenues fill government coffers; and finally the energy generated can be marketed below rates to favour other politically important concerns. 'For a host of historical and current reasons,' argues a scholar of the issue, 'the rule of law and the quality of public administration are very weak.'" (from [Winners and Losers - Who benefits from high-level corruption in the South East Europe energy sector?](#))

The latest developments in Macedonia related to energy policies unfortunately continue to show worrisome trends of poorly planned ideas on how to develop the sector, where to invest and in what, while at the same time creating legal uncertainties for those investors, as well as, citizens themselves. Three new developments are "in" this autumn, which however are mostly going unnoticed in the public due to the on-going political crisis in the country related to the illegal wiretapping scandal.

NEW LAW ON GASIFICATION

Most recent development is the proposed Law for bor-

rowing from two commercial banks - Deutsche Bank and Erste Bank for finishing the long overdue gasification of the country (from Block gas station 5 to Negotino and Bitola and from Skopje through Tetovo to Gostivar) in the sum of 90 million Euros. The plan is to borrow 60 million EUR from Deutsche Bank and 30 from Erste in 7 installments to build 204 km of gas network, and with the 'Klirinshki dolg'¹ from Russia in the amount of 75 million EUR to build 60 km of the gas network (from Klechovce to Stip).²

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.

The 'catch' in the proposed Law on borrowing on the other hand, is that there is a clause which enables that money to be used for budget support (meaning they can be redistributed for something else and not used for the purpose they are taken). 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. The explanation from the Government was that even though the World Bank has shown interest, there has not been any concrete implementation and therefore the Government decided to ask the German banks for the money. No explanations from the World Bank itself on whether this is true or not or what is their view on the whole matter. The Government fur-

¹ Former USSR owed Former Yugoslavia 1.3 billion of so called 'klirinshki' dollars which later was redistributed to the countries that succeeded Yugoslavia in the following order: 38% of the money for Serbia and Montenegro, 23% for Croatia, 16% for Slovenia, 15.5% for BiH and 7.5% for Macedonia. Macedonia is still trying to get that money and mostly the talks have been about the Russians building the gas network i.e. pipeline although that has not happen yet.

² See more at at Faktor – link in Macedonian.

thermore, reassures that the banks have tight controls and will not allow any wrongdoings, which somehow makes the article of redistributing the money if needed obsolete and gives no explanation why it is added in the Law in the first place.

Analytica already raised the issue with these kinds of laws that the Government is producing and the Parliament is only voting for, passing them through shortened procedure. This is a worrying practice that does not seem to stop even though we are talking about money that tax payers will need to return one day. The comment for a similar Law adopted for MEPSO (borrowing from the EBRD) was that although there is nothing illegal here, since it is a loan that will have to be paid back by the taxpayers, it is of interest for it to be adopted through the standard procedure, where multiple stakeholders can participate in the debate. This practice of adopting laws in shortened procedures when it comes to taking up credits/loans etc. is observed in other cases as well, which shows lack of transparency on the side of the authorities when it comes to including other stakeholders in the debate, even if those are only the MPs in a plenary session." (see more: [The road to financial transparency and accountability of the institutions and companies in the energy sector in the Republic of Macedonia](#))

FREQUENT CHANGES IN THE LAW ON ENERGY

This is also a reoccurring issue, having in mind several previous Analytica's analyses on the changes of this Law whether it was about unusually high fines for municipalities which will fail to report on their energy consumption (Анализа на последниот предлог за изменување и дополнување на Законот за енергетика од јули 2012³) or the centralization of the gasification of the country (Анализа на Законот за изменување и дополнување на Законот за енергетика од мај 2013⁴). In all instances what is no-

³ Text is in Macedonian.

⁴ Text is in Macedonian.

ticeable is the lack of transparency and public debate for these changes which later results in laws that are mostly un-implementable. Another example of this is the following case:

In 2014 new amendments were adopted where each individual housing object, building, new or old, be it for public, private or commercial use, apartment or house will need to have an energy passport. However after many complaints the Law never actually got to be implemented and was returned to the table for additional changes in 2015. The latest on the ill-fated certificates on energy characteristics is that for old apartments, houses etc. will not be mandatory to have an energy passport until the country becomes an EU member state. Until then only newly built objects will have to have the certificate for energy characteristics on buildings and for all legal, and public bodies will have to be renewed on every 10 years instead of 3 as it was envisaged with the previous amendments of the law.

The impression is the most of the vital changes in the Law on energy are made without thoroughly examining the impact they will have on the ground. There is no trial period, nobody knows if any analyses are done on how certain changes will be implemented and what the consequences will be, which usually results with the Law being reworked and put for voting again. Frequent changes can be bad just as no changes at all. They create uncertainties (many people got certificates for their old apartments when the law became mandatory for all and then it was changed again) that

can have negative impacts on investments and reforms as well. Macedonia is lagging behind in implementing energy efficiency measures already and needs quality planned strategy on how to speed up the process not go back and forth with changes in the law. Focusing on creating the long overdue Energy Efficiency Fund or giving incentives to municipalities and housing councils to renovate will work much better than just imposing mandatory measures that most cannot afford anyhow.

CASES AGAINST MACEDONIA IN FRONT OF THE ENERGY COMMUNITY SECRETARIAT

Last but not least is the issue that the state has with the Energy Community. In 2014 the Macedonian Government i.e. the responsible Ministry of economy decided to postpone the liberalization of the electricity market for households up to 2020, saying it will go in stages as the consumers are not prepared for the rise in the prices this liberalization will bring. Despite calls from the civil society, experts' community and the Energy Community itself, Macedonia went forward with its plan and the liberalization was postponed.⁵ This of course is in

⁵ Analytica's researchers at that time wrote: Analytica states that Macedonia cannot avoid the liberalization of the electricity market and therefore the state must implement all necessary measures for lowering the consumption of electricity for heating due to which the price hike will hit the citizens most, and those measures are: improving the energy efficiency of the households, installing heat meters, heat pumps and efficient heaters that use biomass as well as gasification.

More at: http://analyticamk.org/images/Files/Odlozuvanje_na_liberalizacija-reakcija_na_Analitika_final_66256.pdf - link in Macedonian.

beach with the Treaty of the Energy Community which envisaged fully liberalized electricity market as of January 1st 2015. Now, there is a case against Macedonia in front of the Energy Community Secretariat, which outcome is uncertain. The latest from the Energy Community Secretariat itself is that if Macedonia speeds up the liberalization, the Energy Community will stop the procedure against the country. This was stated for Macedonian media by the Director of the Secretariat Mr. Janez Kopac. He also stated that in this way the fines against the country will be avoided (such as stopping of the EU funds and finances for energy projects). According to him, the electricity market can be opened fully before 2020 and that all is needed is a transitional period for that to happen sooner (see more at: [24Vesti](#) – link in Macedonian).

Macedonia cannot afford to lose money intended for the energy sector. The reforms go slow, the imports of electricity are steady at 40% of the total consumption, the energy intensity is still higher than the EU average, energy efficiency measures as mentioned need money urgently, renewables also need investments, the grid needs constant refurbishing etc., which leaves the country in a position where getting fined by the Energy Community is the least desirable outcome. The price for all this will at the end be paid by the consumers, through high bills, breathing polluted air, living in cold homes etc.□



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