

## ENERGY SECTOR REFORM IN MACEDONIA – WHERE WILL THE FUNDING COME FROM?

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**M**acedonia, is in the midst of negotiations with the European Commission regarding the new Instrument for Pre-Accession (IPA) for the period of 2014-2020. The civil society organisations (CSOs) took active part in contributing with their own proposals for this Instrument. At the moment the Macedonian government with the EC is preparing the Country Strategy Paper (CSP) which will be the main guiding document for all projects that will come in the following years. On behalf of both parties Mac-

edonian CSOs were invited to give their contributions to this document.

Several CSOs working on environment and energy related areas invited by the CSO Eko-Svest from Skopje two years prior to this process began to think about what needs to be changed in the programming and financing from EU's funds. As it was concluded, in the previous IPA 2007-2013 the areas energy and environment were hardly present, thus CSOs especially had hard time getting funds related to these areas. Fast forward during the consultation process

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in this 2013, the initially developed Priority Area of IPA programming Period 2014-2020 called Energy and Transport was cut to just Transport.<sup>1</sup> As one might suppose there was no interest from Macedonian side to have particular financing just for energy related issues even though the energy system is in a dire need of reform with the increase of social issues and the divergence between implementing reforms and ability to pay for those reforms.

Analytica as part of the network of several CSOs<sup>2</sup> which have been in the consultation process from its beginning continues to advocate for including energy related issues in the CSP. Making energy eligible for funding for the next 6 years will help enormously Macedonia in general, as mostly the problems are either not having enough funds or they being not properly set for addressing issues such as: implementation of energy efficiency measures in residential build-

<sup>1</sup> Environment as such is a separate Priority Area.

<sup>2</sup> More info about this initiative and their proposal here: [http://analyticamk.org/images/stories/files/Stavovi\\_MK\\_site.pdf](http://analyticamk.org/images/stories/files/Stavovi_MK_site.pdf)

ings; making renewable energy sources affordable for broader group of businesses and individual households; etc. Providing funds for energy sector reform will assist the state as well, in achieving its targets and goals set in its strategic documents and will enable broader inclusion of all non-state actors in managing the implementation of those reforms.

In the next part are some of the recommendations that were sent to the EU Delegation as priorities for funding under the IPA II (2014-2020):

The overall objective should be: sustainable economic development.

For now this is not probable as the funds/incentives/measures provided by the government and its institutions for implementing more vigorously energy efficiency measures or increasing the usage of renewable energy sources are too small.

The aforementioned issues and problems are the main reasons why there is an increased need for EU financing in this sector. The measures foreseen to achieve the target set in Macedonia's energy strategy to reduce energy consumption by 21% are not sufficient to achieve the goal... The main point is to use European funds to achieve the objectives of the EU-20/20/20 policy in Macedonia, prioritize the use of solar, geothermal and wind energy, as well as the sustainable use of biomass on the lo-

cal level, improve energy efficiency in public and residential buildings, as well as the efficiency of district heating, all of which are currently severely under-financed by the state.

Thus, energy efficiency of public and residential buildings as well as improvement of the district heating are of great importance. EU funds should be spent on investments which otherwise could not obtain finances from commercial banks or from limited national resources.

Geothermal, solar, sustainable local biomass (residues from agricultural production) need to be prioritized in order to provide sustainable and environmentally friendly heating for the whole country. In the case of biomass use, the most efficient cogeneration from biomass technology for electricity and heat production should be prioritized.

There is a need to invest in local sustainable production, processing and distribution of biomass for combined heat and power. The support should be provided for local and regional projects with regular sources of biomass outside the region of the City of Skopje and especially in rural regions across Macedonia where there is a shortage of available alternative heating solu-

tions but at the same time production of agricultural residues exists. Sustainability criteria for biomass cultivation and use should be designed to avoid harmful environmental effects and inefficient use of biomass.

The main priorities for financing the CSOs proposed are as follows:

Priority 1:

Energy efficiency measures in district heating and private and public buildings

Priority 2:

Heat production from renewable energy sources

Priority 3:

Technical infrastructure - "smart grids"

Priority 4:

Strengthening the capacities of local and central administrations

Whether the Commission will recognize the problems in the energy sector in Macedonia remains to be seen. Analytica will continue to work on energy related issues and to press for their broader inclusion in the funding schemes of all donors not just the EC.

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