



These comments were created and submitted jointly to the Energy Community Secretariat by the three Macedonian partners in the project: Analytica, [Eko-svest](#) and [Front 21/42](#)

**Public Consultation - Regarding the process of identifying Projects of Energy Community Interest (PECIs)**

**You are invited to provide your general comments in this section:**

General comments:

It is our view that the proposed PECIs:

- Do not promote integration of the region into the EU energy system;
- Will not contribute to the integration of the region into EU markets;
- Do not enhance investment in modern transmission infrastructure which would be in line with EU practices and targets;
- Undermine EU accession of the countries of the region and diminishes their chances of reaching EU targets in terms of energy generation from renewables, achieving energy efficiency and reducing GHG emissions;
- Contribute to “ghetto-ising” of the region and locking us into outdated and non-viable practices;
- Promote generation, instead of focusing on energy efficiency and energy saving first, which would decrease the demand for energy generation. According to Peter Johansen, a Senior Energy Specialist at World Bank, “one euro invested in energy efficiency helps avoid an investment of 2,2 euro in generation”. Some Macedonian experts hold the opinion that by using the right energy efficiency measures Macedonia could save as much energy as one block of TPP Bitola produces;
- Promote and plan for exports without prior solving of the in-country demand for energy.

General comments on PECE projects nominated by Macedonian government:

- The generation projects which are nominated are based on an unstable and unpredictable energy source (hydro). The available data regarding the hydrology is outdated, and also, the influence of climate change on the hydrology is not taken into account. According to the Second National Communication on Climate Change “the overall water availability in the country for the year 2100 is expected to be reduced by 18% (estimate ranging from 13 to 23%.
- The proposed projects focus only on using the hydro potential for electricity generation, completely overlooking the possibilities that Macedonia has in generation from solar power and wind power.

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Comments for facilitation measures for PECIs – In your opinion what would be the most efficient regulatory, legal/policy and other measures that would help the implementation of priority project?

*In case you wish to comment on a project that is already included in the list please use this sheet.*

<b>Project 1</b>	
Project number (ID and code) as indicated in the list:	ET008, Sub-project Code: ET008-2
OHL 400kV Kosovo B (KS) – Skopje (MK)	
Comments on the project:	
<p>The project would support coal based infrastructure, thus locking the region in carbon intensive energy production which in turn will result in not achieving the EU 2020 targets for reduction of emissions.</p> <p>Aside of this general comment, based on the criteria for PECE listed in the Strategy document on pages 22-23, the project is not compliant with the following criteria:</p> <ul style="list-style-type: none"><li>• III. Security of supply - By using the lowest cost of available resources, while taking into account all externalities</li></ul> <p>The project supports coal-generated electricity which has an extremely high cost in externalities in terms of health costs, number of deaths and social costs.</p> <ul style="list-style-type: none"><li>• IV. Contribution to sustainable energy development – Facilitation of the development of renewable energy sources</li></ul> <p>As the project will connect Skopje to a new coal-fired thermal power plant in Kosovo, this project is non-eligible based on this criterion, since it supports new coal-generated energy, and coal is not and cannot be viewed as a renewable source of energy.</p> <ul style="list-style-type: none"><li>• IV. Contribution to sustainable energy development – Facilitation of replacing old and low efficient technologies</li></ul> <p>Instead of facilitating new renewables and new technologies, thus promoting the gradual phasing-out of old and low efficient technologies, this project favours generation from coal, which is usually based on old and low efficient technologies and locks the energy sector of the country into coal for the life-duration of a thermal power plant</p>	

which is usually approx. 40 years.

- IV. Contribution to sustainable energy development – Facilitation of reaching national carbon targets and reducing GHG emissions

As this project favours coal – generated electricity, not only will it not facilitate the reaching of national carbon targets and reducing GHG emissions, but will increase them and thus reduce the chance of reaching national carbon targets and reducing GHG emissions, and consequently, will reduce or seriously harm the chance of reaching EU 2020 goals.

- IV. Contribution to sustainable energy development – Contribution to economic development

Viewed in the short term this project will contribute to economic development. However, in the long term, it has a very negative economic impact due to it promoting coal-generated electricity and promoting locking-in of carbon emissions for the life-duration of the thermal power plant. The lock-in of emissions will cause high cost for buying carbon emissions after EU accession, thus seriously decreasing the economic viability of the project.

- V. Maturity of the project - length of project realisation

The project is not in the same phase in the two countries, which would inevitably lead to locking-in of financial resources in either of the countries which begins operations on this project first. While in Kosovo the planned date of commission for this project is year 2023, in Macedonia the project is listed as long-term, leading us to believe that the commission date will be in the more distant future than year 2023.

- V. Maturity of the project - Support from governments/local communities

Although the project itself is not subject to opposition, the coal-fired thermal power plants that it would connect to is very strongly opposed by the population of Kosovo due to a very high cost in externalities (health, environmental, and social impact), low economic viability and locking-in of carbon emissions.

- VI. Commercial strength of the project – Level of public funding needed

According to current plans, the project on the Macedonian side will be funded by a combination of MEPSO's funds and a credit line/bank loan, all of which would be public money, since MEPSO is a state owned company.

*In case you wish to comment on a project that is already included in the list please use this sheet.*

## **Project 2**

Project number (ID and code) as indicated in the list: ET001, Sub-project Code: ET001-2

400Kv OHL SS Bitola (MK) – SS Elbasan (AL)

Comments on the project:

The project would support coal based infrastructure, thus locking the region in carbon intensive energy production which in turn will result in not achieving the EU 2020 targets for reduction of emissions.

Aside of this general comment, based on the criteria for PECl listed in the Strategy document on pages 22-23, the project is not compliant with the following criteria:

- III. Security of supply - By using the lowest cost of available resources, while taking into account all externalities

The project supports coal-generated electricity which has an extremely high cost in externalities in terms of health costs, number of deaths and social costs.

- IV. Contribution to sustainable energy development – Facilitation of the development of renewable energy sources

As the project will connect to the Bitola thermal power plant, this project is non-eligible based on this criterion, since it supports coal-dependency in Macedonia and the region, and coal is not and cannot be viewed as a renewable source of energy.

- IV. Contribution to sustainable energy development – Facilitation of replacing old and low efficient technologies

Instead of facilitating new renewables and new technologies, thus promoting the gradual phasing-out of old and low efficient technologies, this project favours generation from coal, which is usually based on old and low efficient technologies and locks the energy sector of the country into coal for as long as the Bitola thermal power plant is operational.

- IV. Contribution to sustainable energy development – Facilitation of reaching national carbon targets and reducing GHG emissions

As this project favours coal – generated electricity, not only will it not facilitate the reaching of national carbon targets and reducing GHG emissions, but will increase them and thus reduce the chance of reaching national carbon targets and reducing GHG emissions, and consequently, will reduce or seriously harm the chance of reaching EU 2020 goals, possibly resulting in very high cost for purchasing carbon allowances.

- IV. Contribution to sustainable energy development – Contribution to economic development

Viewed in the short term this project will contribute to economic development. However, in the long term, it has a very negative economic impact due to it promoting coal-generated electricity and promoting locking-in of carbon emissions for the life-duration of the thermal power plant. The lock-in of emissions will cause high cost for buying carbon allowances after EU accession, thus seriously decreasing the economic viability of the project.

- V. Maturity of the project – Progress in realisation (feasibility study, EIA, FID, permits and licences)

The project is not in the same phase in Macedonian and in Albania. While in Macedonia it is already in the phase of preparation of EIA study, it is only in feasibility study phase in Albania. Unless this project is jointly developed and is given the same priority in both countries, it will result in locking in finances until the other country reaches the same maturity of the project. Unless both countries find this project a priority and are working on its development seriously and jointly, it should not be put as PEI.

- VI. Commercial strength of the project – Level of public funding needed

According to current plans, the project on the Macedonian side will be funded by a combination of MEPSO's funds and a credit line/bank loan, all of which would be public money, since MEPSO is a state owned company.

*In case you wish to comment on a project that is already included in the list please use this sheet.*

**Project 3**

Project number (ID and code) as indicated in the list: EG007

Hydro Power Plants on Crna River – HPP Cebren and HPP Galiste

Comments on the project:

Based on the criteria for PEI listed in the Strategy document on pages 22-23, the project is not compliant with the following criteria:

- I. Contribution to the implementation of Regional Energy Strategy's objectives – Involves, and/or is developed with, the cooperation of at least two Contracting parties, or between a Contracting Party and an EU Member State

The project does not involve two contracting parties. It was tendered several times, and although some EU based companies did apply, they didn't follow through. Chinese actors also expressed interest in the projects.

- I. Contribution to the implementation of Regional Energy Strategy's objectives – Cross-border infrastructures

The projects would include infrastructure that is only relevant to Macedonia and therefore does not comply with this criterion.

- III. Security of supply – Through diversification of supply sources, supplying counterparts and routes

The part about diversification of sources in this criterion is met, because it is a difference from the usual case where coal is the main energy source. The part where this criterion is not met is these two hydro power plants being very old projects which are based on hydrology data which are not relevant anymore, therefore the security of supply they would give is very questionable.

- IV. Contribution to sustainable energy development – Facilitation of the development of renewable energy sources

These two hydro power plants fall into the category of large hydro power plants, the status of which as renewable energy sources is being under review at present by the European Commission. It is our view that they do not facilitate development of renewable energy sources.

- IV. Contribution to sustainable energy development – Facilitation of replacing old and low efficient technologies

The project is facilitating the replacement of old and low efficient technologies, especially those related to coal-based generation, but the fact that the project is being benched for approx. 30 years makes it alarmingly out-dated (the first project for Cebren dates from 1963 and the first feasibility study from 1973-74, while for Galiste the project dates from 1989-90, and a feasibility study dates from 2003).

- IV. Contribution to sustainable energy development – Contribution to economic development

In our view, the project does not comply with this criterion for several reasons.

First of all, it does not contribute to economic development because of its economical non-viability (It would take approx. 50 years for achieving return on investment, according to some calculations even more (a speculation is 100 years of operation), which is why the investor who would take on this project is granted operation rights of a fully operational hydro power plant (HPP Tikves) to cover the losses).

Second, the cumulative generation capacity would be at least 500MW, amounting to 2/3 of the largest capacity in Macedonia (which is TPP Bitola of 675MW). In that case, if giving this project to a foreign investor, Macedonia could be exposed to vulnerability in terms of price of the generated electricity.

Third, although the hydro power plants would solve the problem of energy imports if the hydrology is good, the fact that these projects are based on out-dated hydrology data remains and, in the very likely case that the hydrology is not as good as foreseen in the project documentation, might result in locking in of finance for building these power plants, and still needing energy imports.

- IV. Contribution to sustainable energy development – Economic, social and environmental viability

The project does not comply with this criterion due to the fact that it is economically not viable (It would take approx. 50 years for achieving return on investment, according to some calculations even more (a speculation is 100 years of operation), which is why the investor who would take on this project is granted operation rights of a fully operational hydro power plant (HPP Tikves) to cover the losses).

The project would also have a severe impact on the micro-climate in the Mariovo region, which is home to several endemic species and is an Emerald site.

- V. Maturity of the project – progress in realisation (feasibility study, EIA, FID, permits and licences)

The project for these two hydro power plants is very old – the project for HPP Cebren was first made in 1963 with a feasibility study made 10 years later (1973-74), while the project for HPP Galiste was made in 1989/90 with a feasibility study made in 2003. The two projects have been tendered 6 times and although there were interested investors from EU countries, as well as from China, they opted out of the investment.

- V. Maturity of the project – Length of project realisation

The date for commission of HPP Cebren is set for year 2020 in the list of nominated PECEI on the Energy Community website. This is highly unrealistic and unachievable since according to project documentation the construction phase is 7 years and the tender procedure in 2013 fell through. Therefore, the date of commission listed in the PECEI table on the Energy Community website is no longer relevant since it cannot be achieved.

- VI. Commercial strength of the project – Bankability

The project would take too long a time for starting profit generation, causing the state to be forced to grant the future operator rights to operate a fully operational HPP Tikves for a period of 52 years in order to cover the losses.

*In case you wish to comment on a project that is already included in the list please use this sheet.*

**Project 4**

Project number (ID and code) as indicated in the list: EG008

Hydro Power Plants on River Vardar – 12HPPs

Comments on the project:

Based on the criteria for PECEI listed in the Strategy document on pages 22-23, the project is not compliant with the following criteria:

- I. Contribution to the implementation of Regional Energy Strategy’s objectives – Involves, and/or is developed with, the cooperation of at least two Contracting parties, or between a Contracting Party and an EU Member State

The project does not comply with this criterion because it does not involve two contracting parties. There is a potential interest from the Chinese Corporation for water and energy (CWE) through a credit line obtained from the Chinese Investment Bank, but that still does not help meet this criterion.

- I. Contribution to the implementation of Regional Energy Strategy’s objectives – Cross-border infrastructures

The project does not comply with this criterion because all 12 HPPs in the project would be infrastructures that are only relevant to Macedonia.

- III. Security of supply – Through diversification of supply sources, supplying counterparts and routes

The part about diversification of sources in this criterion is met, because it is a difference from the usual case where coal is the main energy source. The part where this criterion is not met is the project for these 12 hydro power plants is a very old one which is based on a hydrology which is not relevant anymore, therefore the security of supply it would give is very questionable.

- IV. Contribution to sustainable energy development – Facilitation of the development of renewable energy sources

The joint generation capacity of the project puts it in the category of large hydro power plants, the status of which as renewable energy sources is being under review at present by the European Commission. It is our view that this project does not facilitate development of renewable energy sources.

- IV. Contribution to sustainable energy development – Facilitation of replacing old and low efficient technologies

The project is facilitating the replacement of old and low efficient technologies, especially those related to coal-

based generation, but the fact that the project is present since year 1932 and is repeatedly being benched ever since then, makes it alarmingly out-dated (the first project for the Vardarska Dolina system dates from 1932, and was revised in 1964. It is currently in the phase of prefeasibility study).

- IV. Contribution to sustainable energy development – Contribution to economic development

The project does not comply with this criterion for more than one reason.

First of all, it does not contribute to economic development because of its questionable economic viability and cost-benefit ratio - It would cost 1,2 billion euro to build, would require changing the route of the railway in a certain part, would cause extreme environmental, as well as social damage and the joint capacity of all 12 hydro power plants would be only 350MW. It is our opinion that the pre-feasibility study for this project must be completely finished before even considering putting this project on the list of PECl.

Second, although the hydro power plants would help with the problem of energy imports if the hydrology is good, the fact that these projects are based on out-dated hydrology data remains and, in the very likely case that the hydrology is not as good as foreseen in the project documentation, might result in locking in of finance for building these power plants, and still needing energy imports.

- IV. Contribution to sustainable energy development – Economic, social and environmental viability

The project does not comply with this criterion due to the fact that it has severe environmental impact on the river Vardar (the largest river in Macedonia) and on the surrounding area. It will also damage the Important Bird Area (IBA) and Emerald site in Demir Kapija, which would mean compromising an Emerald site and a future Natura 2000 area.

The railway passing through the town of Veles would have to be relocated, causing problems with connectivity for the citizens of Veles and exposing the project to severe opposition from local population.

The economic viability of the project is also questionable due to the fact that it is based on very old hydrology data which is not relevant at present. The economic viability can be more realistically predicted only once the pre-feasibility study is completed. It is our opinion that until such a time, this project should not be considered as a candidate for PECl.

- V. Maturity of the project – progress in realisation (feasibility study, EIA, FID, permits and licences)

The project for these 12 hydro power plants is very old – the basic project originates from year 1932 when it was discarded by the Committee of the League of Nations because it's construction was neither economically, nor technically viable. The project was revised in 1964. Since then, there was some interest for its construction, but all investors have opted out due to non-rentability of the project. Currently it is at the stage of pre-feasibility study, which puts it at very low maturity, although it has been present for more than 70 years.

- V. Maturity of the project – Length of project realisation

The date for commission of the first two largest hydro power plants in the project (HPP Veles and HPP Gradec) is set for year 2021 at the earliest, which is neither very realistic, nor achievable since the project is still at a very early phase – pre-feasibility study. Therefore, it's presence on the PECl list is questionable, especially when considering the fact that the funds of 1.2 billion euro can be used for some other projects that would give faster results, such as solar power plants.