

## The gasification of Macedonia – the worst energy policy or a future success-story?

The gasification of Macedonia is undoubtedly one of the most expected energy projects in the last 20 years. However, this project has not been realized so far and nowadays it is still in its project preparing phase. It would sound as a comfort that in regional terms Macedonia is considered a partly gasified country leaving behind the ungasified Kosovo and Albania. Then again, after having analyzed the national energy policy in the long term, it is to be concluded that the gasification process in Macedonia progresses slowly, hampered again and again by the well known challenges.

The first issue which needs to be clarified when talking about gasification is how natural gas would change the energy market in Macedonia. Natural gas is an environmentally friendly source of energy and can be used both for electricity generation and for heating. Electricity is widely used for heating in Macedonia, partly due to lack of substitutes for heating and mostly due to the cost-ineffective price of electricity. This is both inefficient and undesirable from an environmental point of view in comparison to the use of natural gas. Natural gas will replace electricity as a source of energy for heating. Experts claim that natural gas will also enable diversification of the sources of energy in the country and the integration of Macedonia in the regional gas pipelines will contribute to security of supply.

Secondly, the gas distribution network in Macedonia is under-developed and there is no gas distribution company. Many experts highlight the fact that connecting Macedonia to a regional transmission pipeline would not mean anything for the potential gas consumers if the distribution network is missing. International policy reports state that the best solution for the distribution network is a private company, preferably a foreign investor which should be found via an international tender. Privatized distribution has shown to be a good model in the electricity distribution network in Macedonia, which is owned by the Austrian EVN. This underlines the importance of the country to be able to attract foreign investors. The latter is closely connected to the complete set of institutional capacity starting from the transparency of the tenders, over the legal certainty to the independence and the effectiveness of the judiciary.

Having mentioned the case of an effective and independent judiciary, it seems that Macedonia is yet to prove itself in this area. One of the major challenges which poses a problem for the gasification process is the unsolved long-lasting legal

dispute over the ownership of the existing gas transmission network between the two owners of the gas transmission operator GA-MA, the private company Makpetrol and the Government. Up until today, there is no final outcome of the dispute. The Government has however founded the state owned joint stock company responsible for gas transmission MACEDONIAGAS in order to be in charge for the upcoming connection to the regional gas pipeline, the Russian South Stream. This however only bypasses and does not solve the ownership problem.

Last but not least is the issue of having slow progress and a non-consistent gasification policy. It is to be admitted that the process of gasification is highly capital-intensive in which the state has to invest heavily and adding to that the project preparation phase which needs to be worked into the smallest detail, the gasification process is not an instant project which could be completed within one government's mandate. Therefore, the gasification project has to be considered as a high national interest and a priority backed up by all political parties and energy stakeholders in the country. In this line, the international policy reports on Macedonia as well as the European Commission's progress reports have the practice to repeat consequently for several years in a row the same and well known key issues mentioned above. That sends a clear message that the country has to put more effort in dealing with these challenges.

The project preparing activities in Macedonia regarding the gasification process are underway. They are implementing the obligations under the Energy Community Treaty and the Gas Ring concept, the latter a regional study on gasification which aims at connecting ungasified regions with gas markets, facilitating the supply diversity as well as providing security of supply. Regarding the connection to the regional gas pipelines, Macedonia is likely to become part of the South Stream. There is a hope that this ongoing gasification project will be completed, but the mentioned issues are clearly slowing down the process. These challenges are at the same time a test for the country's institutional capacity and an answer to the question whether the political will goes beyond one won mandate. Since South Stream is knocking on our doors, it is of utter importance that the country faces these pressing challenges and by showing strong political and institutional determination finally brings natural gas to Macedonia.

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