POLICY ANSWERS

The Future of Gas in Kosovo

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Table of contents

1	Introduction	6
2	Opportunities for gasification of the energy sector in Kosovo	6
3	Recommendations regarding the future of gas in Kosovo	9





1 Introduction

Natural gas in all its forms, after oil and coal, is one of the primary fossil energy sources today. In the vast majority of European countries, gas still remains one of the most important energy sources, whether for industrial or household needs. On the other hand, the European Union (EU) Green Deal foresees Europe becoming the first continent with net zero greenhouse gas emissions by 2050. This initiative implies the beginning of a significant reduction process in the use of fossil resources as energy sources. However, the recent energy crisis and escalation of the war in Ukraine have caused the EU to reclassify gas and nuclear energy as 'clean' resources for a transitional period, thus opening up financing opportunities for investments that use these two resources. The Western Balkans, including Kosovo*, has joined the global efforts for climate neutrality through the so-called Green Agenda of the Western Balkans agreement. This agreement consists of commitments from all the economies in the region to align their actions and policies with EU countries, in the global efforts towards climate neutrality by 2050. Given that the energy sector, specifically the production of electricity in Kosovo, is mainly based on fossil fuels (lignite power plants), the country needs an exit strategy that will free the market from non-clean energy sources in the next thirty years. Facing this situation and considering the still limited sources of renewable energy, gas could be considered an alternative that would address the energy demands for a transitional period until the complete termination of energy production from fossil sources. However, in the main strategic energy documents of the past, there was no vision regarding the possibilities of gasification in the energy sector (e.g., gas-fired power plants), or investments in networks for industrial and household needs. Similarly, the Draft Energy Strategy of the Republic of Kosovo for 2022-2031, does not foresee any possibilities for investments either in new generating capacities or other investments in the gas infrastructure. The main reasons related to the government's hesitation to invest in such projects, based on this document, are mainly related to the current geopolitical situation and uncertainties regarding Europe's gas supply as well as the high prices of this fossil fuel. However, it is worth noting that this strategy does not exclude the exploration of possibilities that could link Kosovo's market with the gas supply network, either through North Macedonia or Albania.

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2 Opportunities for gasification of the energy sector in Kosovo

Considering the fact that Kosovo has one of the world's largest reserves of lignite, and also taking into account the increasingly strict restrictions on the use of lignite as a primary source for energy production, the prevailing view in discussions on this topic was that the issue of opportunities and conditions for lignite gasification should be addressed with a feasibility study in light of new technological developments. Although such an option is not addressed in the current strategic

^{*} This designation is without prejudice to positions on status, and is in line with UNSC 1244/1999 and the ICJ Opinion on the Kosovo Declaration of Independence

² In this panel discussion, special attention was paid to the issue of lignite gasification and the possibility of revitalising the gas supply network from North Macedonia. The panellists were Mr. Geri Selenica,

General Director of the Albanian Centre for Strategic Studies, Mr. Luan Shllaku, field expert and General Director of the Kosovo Foundation for Open Society (KFOS), and Mr. Sabit Restelica, Senior Consultant for Environmental Issues.





documents and is not seen as an alternative in the near future, recommendations from the 'Green Talks' debate series were that Kosovo should be prepared with studies that reflect potential opportunities and limitations from an economic, technological, and environmental perspective.

Despite investments and improvements in existing generating capacities and the network, unsustainable supply and increasing demand for electricity, show the immediate need for new capacity building and diversification of energy sources. Uncertainty of electricity supply can become a serious obstacle for economic development and growth. Therefore, in addition to creating prerequisites for investments in renewable resources, the opportunities for increasing baseload capacity using synthetic gas created from lignite should not be excluded a priori. It is worth noting that in the past, specifically during the 1970s and 1980s, Kosovo has produced significant amounts of synthetic gas³. Despite the fact that the capacities were not that big and now the technology is out-dated and cannot be used today, new technologies enable the entire process of synthetic gas production to be done in a clean way, while the pollution would be negligible and within the allowed parameters according to today's standards⁴. Furthermore, this process could also produce secondary products such as artificial fertilizers. Therefore, considering the current circumstances which have enabled gas to be treated as a 'clean' source of energy for a transitional period until 2050, Kosovo's lignite resources remain a great energy potential in the next three decades, whether for increasing new energy capacities or even thermal ones by supplying the heating systems with fuel. According to experts, the current reserves of lignite are sufficient to ensure the production of synthetic gas for the energy sector's needs during this transitional period, not only to meet domestic needs but also for export, either as a final product or in the form of electricity by using this source.

One of the options for partial gasification of the energy sector that sparked debates and discussions within political circles as well as civil society was the possibility of connecting Kosovo to Liquefied Natural Gas (LNG) or Compressed Natural Gas (CNG) supply networks. Specifically, there are currently two options that Kosovo has; connection through the SKOPRI (Skopje-Prishtina) pipeline from North Macedonia, as well as the so-called ALKOGAP pipeline from Albania. It should be noted that there is already a connection to the SKOPRI pipeline despite the fact that the infrastructure may be out-dated and may not be adequate for gas transportation. Therefore, taking this fact into account, the so-called Compact Program for Kosovo, funded by the Millennium Challenge Corporation (MCC), had foreseen the possibility of directing the fund of around \$200 million towards investments for the gasification of Kosovo's energy sector. Specifically, this fund was proposed by the donor to be used partly for the rehabilitation of the SKOPRI pipeline or for the construction of a new gas-fired power plant, which would increase the existing base energy capacity and thus guarantee long-term energy security for Kosovo.

Rehabilitating the existing network through the SKOPRI pipeline would enable Kosovo to import liquefied gas from the port of Thessaloniki (Greece) through the territory of North Macedonia. In fact, a pre-feasibility study had been conducted by teams of experts engaged by the MCC^5 . This study, compared to other alternatives, predicted the revitalization of the existing network (SKOPRI) as a suitable solution for energy transition in Kosovo. However, the Kosovo government had rejected such a proposal, citing the high prices of gas as a result of the energy crisis and the uncertainties associated with this source of energy. As a counterproposal, the government had asked support from the donor in investments for storage capacities (batteries) of electricity that will be installed in the coming years. Therefore, despite the real possibilities for investments in the gasification of the energy sector in Kosovo, there has been no clear strategic vision regarding

³ The produced amount of synthetic gas was mainly used for supplying the fuel to the heating system of the city of Prishtina 'Termokos', as well as for some industrial capacities (9 Trepça, Ferronikeli, and Hekurana in Skopje).

⁴ The production of synthetic gas releases 50% less carbon dioxide compared to burning coal.

⁵ The pre-feasibility study was prepared by the consortium of Black & Veatch, Abkons, and Navita, for the US Army Corps of Engineers, Europe District.





gas from different governments since 2008. Currently, the Ministry of Economy (MoE) is drafting a master plan for gas which is expected to provide detailed information on investments in infrastructure as well as opportunities for gas use. However, there are no indications whether the same master plan also includes investments in gas-generating capacities, especially considering the fact that this is not foreseen in the new Energy Strategy.





3 Recommendations regarding the future of gas in Kosovo

Below are some of the necessary suggestions and recommendations that arise from the evaluation of strategic documents as well as investment opportunities in light of geostrategic changes and the new approach of EU-27 regarding gas and its use for energy sector needs:

- The draft energy strategy in its final version should carefully address the possibilities for building a natural gas-based system in Kosovo. Such an analysis, according to the draft strategy, is being carried out in the Gas Master Plan and in the feasibility study for the gas interconnection pipeline between North Macedonia and Kosovo, however the same should be reflected in the strategy.
- Opportunities should be reviewed for joint investments with various donors or International Financial Institutions for the rehabilitation of the existing SKOPRI pipeline network, which could serve the needs of industry and households in the future.
- Considering the technological developments that significantly reduce pollution during the lignite gasification process, the new draft strategy should not overlook the possibility of lignite gasification for the transitional energy period in the country.
- The government of Kosovo should initiate drafting a feasibility study related to the potential opportunities and limitations of developing modern lignite gasification industries in Kosovo, in light of current and expected technological developments.





ABOUT POLICY ANSWERS

POLICY ANSWERS (R&I POLICY making, implementation ANd Support in the WEsteRn BalkanS) supports policy coordination in the Western Balkans and with the EC and the EU. 14 partner organisations, representing network nodes in the region and EU expert organisations, support policy dialogue through formal meetings (such as ministerial and steering platform and ad-hoc policy meetings), monitoring and agenda setting, capacity building and implementation of the EU's Western Balkan Agenda, as well as the alignment of thematic priorities. The project implements regional pilot activities and offers an information hub based on the westernbalkans-infohub.eu online information platform. The partners provide analytical evidence via monitoring and mapping activities of the stakeholder ecosystem, of the implementation of the Western Balkans Agenda and of the Western Balkans' integration into the European Research Area as well as via strategic foresight. POLICY ANSWERS also allows for tailored and targeted capacity building activities in the Western Balkans as well as regional alignment of priorities in relation to the digital transformation, the green agenda and towards healthy societies. Pilot activities provide learning opportunities on policy and programme level and reach out to final beneficiaries related to improved academia-industry cooperation, researcher mobility, inclusion of youth in policy processes, promotion of research infrastructures and increased innovation skills in all areas.



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