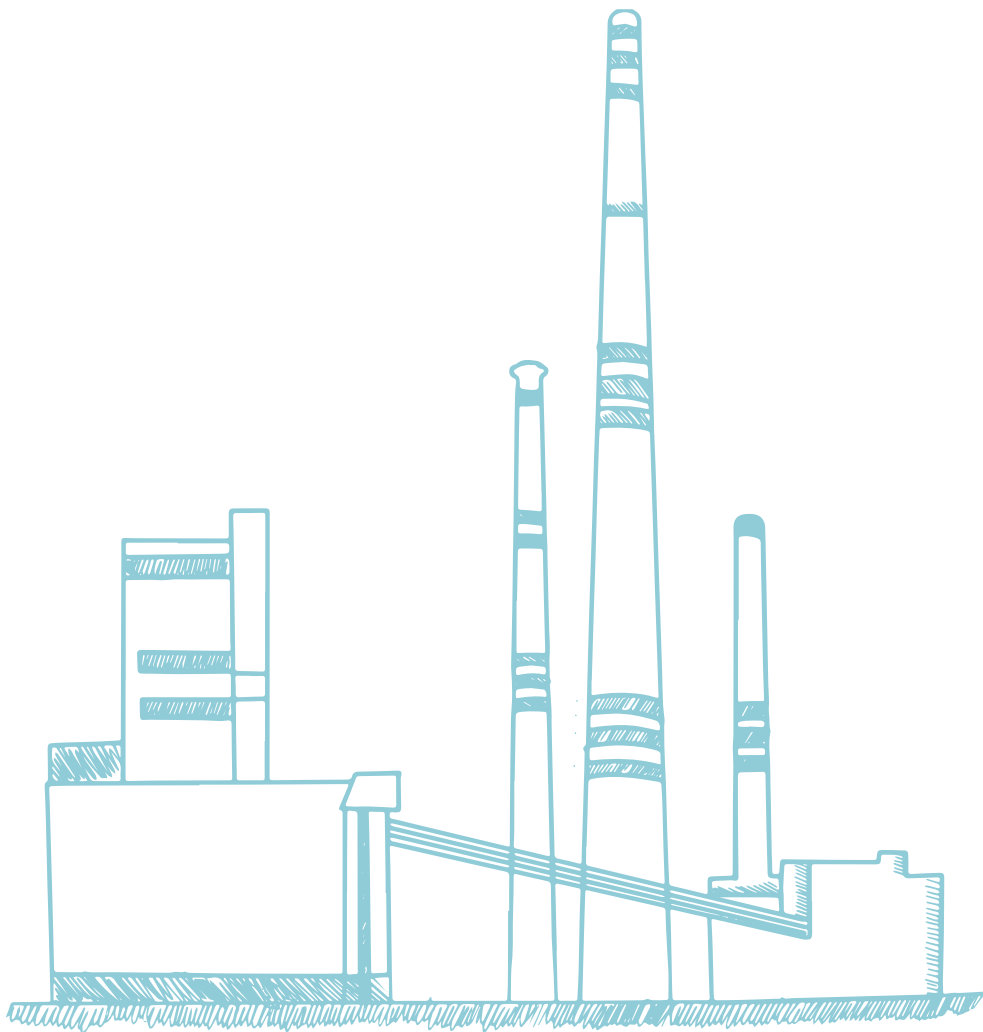


# Kosovo\*

## Annual Implementation Report











1 November 2023





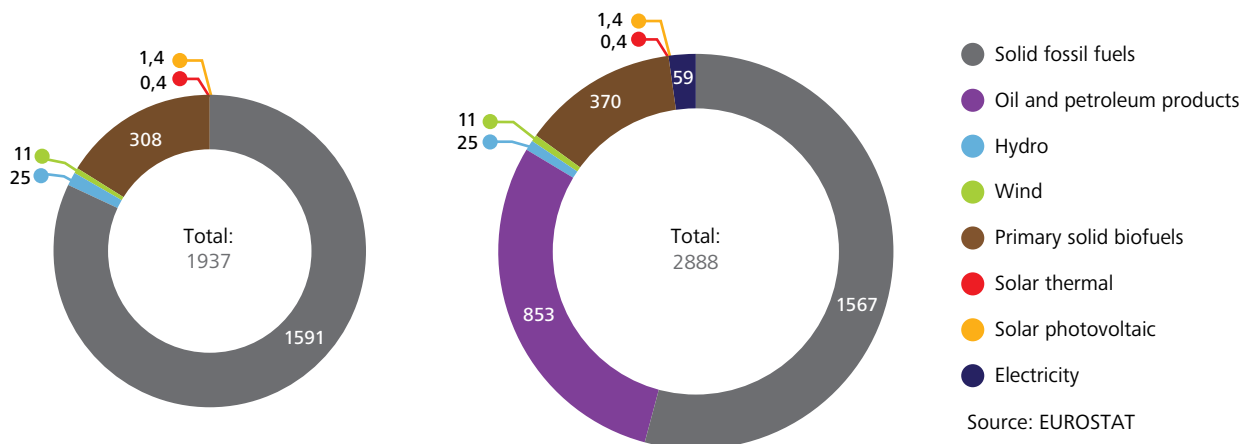
# Kosovo\*

## IMPLEMENTATION OVERVIEW

CLUSTER	IMPLEMENTATION STATUS	2023 HIGHLIGHTS AND NEXT STEPS
 <b>Markets and integration</b>	 <b>76%</b>	Opening of the day-ahead electricity market and its coupling with Albania is delayed. Kosovo* should proceed with the market coupling of Albania – Kosovo*, as well as with the adoption of the laws transposing the Electricity Integration Package.
 <b>Decarbonising the energy sector</b>	 <b>49%</b>	During the reporting period, Kosovo* submitted to the Secretariat its draft NECP and launched its inaugural solar PV auctions. Kosovo* should adopt the long-term building renovation strategy and adopt of the Renewable Energy Law in line with the acquis.
 <b>Ensuring energy security</b>	 <b>39%</b>	Significant unintentional deviations of the control area of Kosovo* and delayed payment for the costs incurred continue to represent a risk to the operational security in the synchronous area. The Law on Security of Networks and Information systems was adopted in February 2023. Kosovo* should transpose Regulation (EU) 2019/941 on Risk-preparedness in the Electricity Sector and start its implementation with the designation of a competent authority.
 <b>Improving the environment</b>	 <b>45%</b>	The implementation status in the area of environment remains at a low level. The long-standing breach of non-compliance with the National Emission Reduction Plan ceilings remains unaddressed. Emission abatement measures must be taken immediately to address this.
 <b>Performance of authorities</b>	 <b>68%</b>	By approving a set of rules governing the power exchange operation and appointing the NEMO, ERO created one of the prerequisites for further market integration in line with the Electricity Integration Package. The State Aid Commission remains inoperational due to the failure to appoint its members. The establishment of an operational State aid authority constitutes a priority.

2021 Fuel mix in primary production of energy (in ktoe)

2021 Gross available energy per product (in ktoe)



Overall number of cases: **1**

Procedure under Article **91** EnCT

ECS-5/22 Environment



# Kosovo\*

## Markets and integration

### ELECTRICITY

76%



#### UNBUNDLING

100%

The transmission system operator KOSTT is unbundled and certified.

The distribution system operator KEDS is unbundled and a compliance programme was established. The compliance report for 2022 was published by the compliance officer.

#### ACCESS TO THE SYSTEM

90%

Grid codes, approved by the regulator, and tariffs calculated based on applicable methodologies for the use of the network define the access to the transmission and distribution system. As of April 2023, new distribution and transmission tariffs are applicable.

The Connection Codes are transposed and are implemented through the grid codes.

The Transparency Regulation is partially implemented. KOSTT publishes information on generation, however data on consumption and transmission are not fully covered. KOSTT fails to publish data on balancing.

#### WHOLESALE MARKET

67%

The go-live of the day-ahead and intraday market to be operated by the Albanian power exchange ALPEX, as well as market coupling of Albania – Kosovo\*, is expected to take place at the end of 2023 or the beginning of 2024. The rules for the day-ahead market have been approved.

The bulk supply agreement between the incumbent producer Kosovo Energy Corporation (KEK) and the universal supplier KESCO is still in place. It impedes the further development of the wholesale market. Furthermore, electricity produced by KEK is offered to network operators to cover losses, while the remaining demand is covered by imports.

A balancing market is established and operates under regulated prices approved by the regulator. Such regulated prices will need to be reassessed under the new Electricity Integration Package which requires free price formation.

KOSTT failed to resolve the problem of unintentional deviations in its control area, and to ensure compliance with its obligations under the Connection Agreement with ENTSO-E.

The REMIT Regulation is transposed and implemented.

#### RETAIL MARKET

50%

Although free to choose their supplier, all customers except those on high voltage were supplied at regulated prices. The block tariff structure with a consumption threshold of 800 kWh per month to incentivise household customers to reduce demand, introduced during the energy crisis, is still in place.

KESCO continues to act as universal service supplier for another year as from 1 April 2023. KEK was appointed as supplier of last resort for a period of three years starting from 31 July 2022. This appointment by the regulator ERO followed two unsuccessful tenders.

As of 24 June 2022, the electricity supply company Elektrosever is licensed to supply customers in four municipalities in the north of Kosovo\* for a period of five years. KOSTT and Elektrosever have reached agreements for adherence to market rules, purchase and sale of electricity for renewable energy sources and balancing. A sub-contractor between KEDS and Elektrosever is still pending.

Primary legislation acknowledges the concept of vulnerable consumers. The Ministry of Labour and Social Welfare defines the criteria, and the Government determined subsidies to cover electricity prices of vulnerable customers.

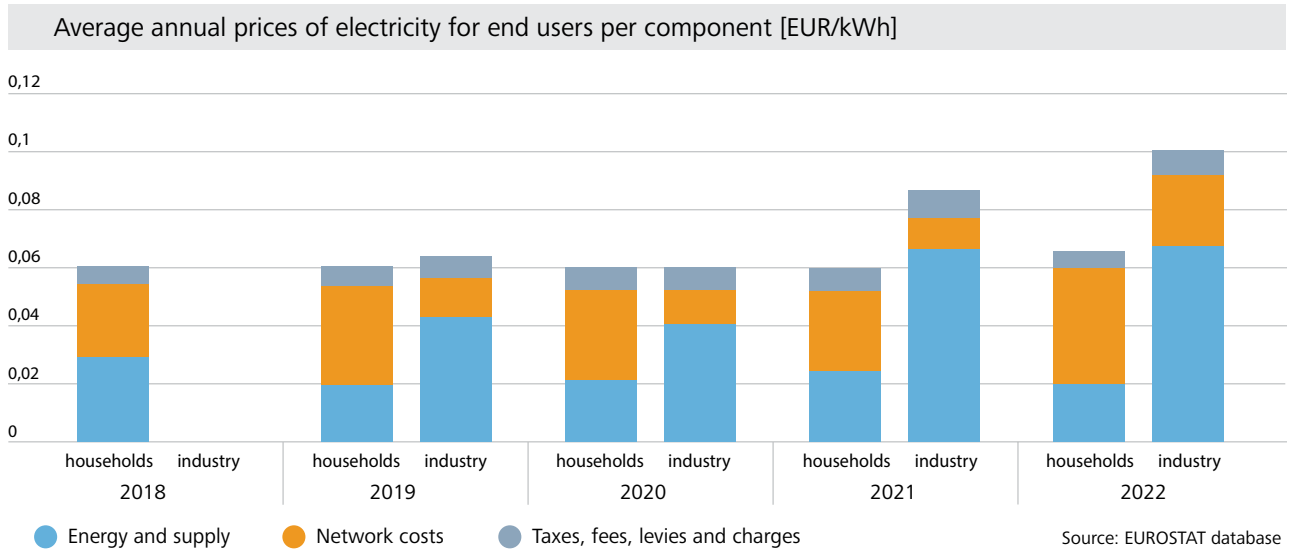
#### REGIONAL INTEGRATION

62%

The regional auction platform SEE CAO is used to allocate the majority of cross-border capacities. Only for the intraday time-frame is the allocation done bilaterally between the respective system operators. For the interconnection with Serbia, no allocation of capacities takes place and common rules have not been agreed.

The Albania – Kosovo\* control block cooperates on cross-border balancing, in particular by sharing secondary reserve based on a common agreement between KOSTT the incumbent Albanian generator.

Kosovo\* has transposed and implemented the TEN-E Regulation (EU) 347/2013. The national competent authority regularly informs the Secretariat on the development of PECI projects.



## GAS

n.a.



### UNBUNDLING

0%

Should Kosovo\* connect to the European gas networks, any future transmission system operator must apply the ownership unbundling model.

### ACCESS TO THE SYSTEM

0%

The rudimentary gas acquis requirements for unhindered access were transposed by the Law on Natural Gas.

### WHOLESALE MARKET

0%

Kosovo\* does not have a gas market, though it has a basic regulatory framework in place.

### RETAIL MARKET

0%

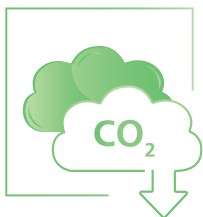
Kosovo\* transposed basic elements for the protection of customers.

### REGIONAL INTEGRATION

0%

Kosovo\* has transposed and implemented the TEN-E Regulation (EU) 347/2013.

There is currently no gas infrastructure in Kosovo\*. The Albania – Kosovo Gas Pipeline (ALKOGAP) is a PEI project, albeit not actively pursued. The North Macedonia – Kosovo\* interconnector is also a PEI project, the development of which has not been picked up during the reporting period.



# Kosovo\*

## Decarbonising the energy sector

### GOVERNANCE / CLIMATE IMPLEMENTATION

43%



#### NATIONAL ENERGY AND CLIMATE PLANS

33%

Kosovo\* has submitted its draft National Energy and Climate Plans (NECP) slightly after the legal deadline. The draft includes the 2030 climate and energy targets.

#### GREENHOUSE GAS 2030 TARGET

80%

Kosovo\* has not defined the 2030 climate target in its national legislation, but has defined it in the draft NECP. The target is in line with the 2030 targets set by the Energy Community.

#### NATIONAL SYSTEMS FOR CLIMATE REPORTING

68%

There is a legal basis for a national inventory system. Kosovo\* has made progress recently through the adoption of the Law on Climate Change by the Government, which provides the institutional framework for a national greenhouse gas emissions reporting system for inventories.

Kosovo\* has initiated reporting on national systems for policies and measures and projections, but has yet to submit a report in Reportnet.

#### NATIONAL GREENHOUSE GAS EMISSIONS POLICIES AND MEASURES / ADAPTATION

33%

Reporting obligations have been transposed in the legislation. Kosovo\* has nominated lead reporters for the Governance Regulation reporting activities. In the context of Reportnet system, reporting on policies and measures (PaMs), as well as on adaptation strategies and carbon revenues is pending.

#### LONG-TERM STRATEGY AND CLIMATE NEUTRALITY

0%

The legal basis for a long-term strategy has not been adopted. Kosovo\* has not yet adopted a long-term strategy with a 2050 climate neutrality objective. It remains unclear if and how such an objective will be reached.



**2030 RENEWABLE ENERGY TARGETS 60%**

The overall target of achieving a 32% share of renewable energy in the gross final energy consumption, as outlined in the draft NECP, is in line with the 2030 target set by the Energy Community. The overall 2030 renewable energy target is subdivided into sectorial targets for electricity (45%), transport (3,6%), and heating and cooling (49,6%). The 3,6% target for transport does not align with the minimum requirement of 7% mandated by the Renewable Energy Directive (REDII), nor is the target for renewable energy in heating and cooling of 49,6% aligned with Article 23 of REDII.

**QUALITY OF SUPPORT SCHEME 37%**

The Energy Law currently prescribes a support scheme based on administratively set feed-in tariffs. However, since December 2020, the allocation of feed-in tariffs has been suspended. In May 2023, the Government initiated Kosovo\*'s inaugural solar power auction for a 15-year power purchase agreement that will subsequently be transformed into a contract for difference. It remains of utmost importance to adopt a new Renewable Energy Law and establish a comprehensive legal framework for a market-based support scheme. The draft Renewable Energy Law has been finalized.

**SELF-CONSUMPTION AND ENERGY COMMUNITIES 50%**

Self-consumption is operating effectively in Kosovo\* through a net billing scheme for installations with an installed capacity of up to 100 kW. The adoption of the new Renewable Energy Law is crucial to facilitate the establishment of renewable energy communities in accordance with REDII requirements.

**GUARANTEES OF ORIGIN 25%**

Kosovo\* joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin (GOs) in Kosovo\* was created and can be utilized as soon as the energy regulator, as the designated issuing body, signs an agreement with the service provider. It is expected that the regulator will promptly conclude the agreement and initiate the utilization of the registry starting from January 2024. The existing legal framework governs the issuance of GOs solely for renewable electricity, without encompassing other energy carriers as specified in REDII.

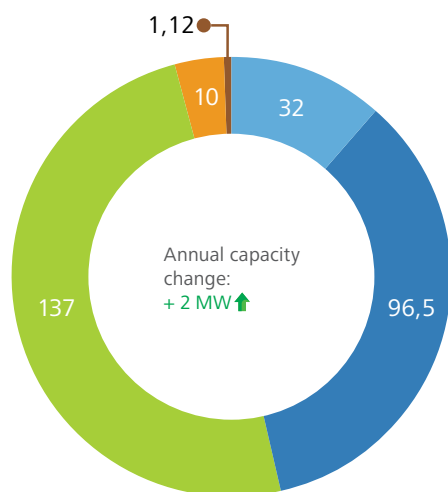
**SUSTAINABILITY CRITERIA FOR BIOFUELS, BIOLIQUIDS/BIOMASS FUELS 0%**

Provisions related to the sustainability and greenhouse gas emission saving criteria for biofuels, bioliquids, and biomass fuels are still not transposed and the legal framework remains completely non-compliant with REDII. It is crucial to adopt the new Renewable Energy Law that includes these provisions.

**RENEWABLE ENERGY IN HEATING AND COOLING 33%**

In December 2022, a solar district heating project in Prishtina comprising a solar collector field of 58.000 square meters, seasonal heat storage of 410.000 cubic meters, and an absorption heat pump received a EUR 36 million grant. It is expected to be completed in 2028. While this is a significant step towards the decarbonization of heating, the adoption of the renewable energy law that creates a framework for further integration of renewable energy in heating and cooling is needed.

Total Capacities of Renewable Energy 2022 (MW)



- Large hydropower
- Small hydropower <10 MW
- Wind
- Solar
- Biomass

Total capacities of renewable energy (MW):

277

Source: Ministry of Economy

## ENERGY EFFICIENCY IMPLEMENTATION

69%



### 2030 ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

70%

The 2030 energy efficiency targets as outlined in the draft NECP are aligned with the 2030 targets set by the Energy Community. This is also true for specific targets related to the implementation of Article 5 and Article 7 of 2012 Energy Efficiency Directive (EED). The Energy Efficiency Law is still under the amendments process to reflect the more ambitious targets and policies under the Clean Energy Package. A 2022 - 2025 National Action Plan for Energy Efficiency was prepared to cover the gap until the NECP is adopted.

### ENERGY EFFICIENCY IN BUILDINGS

86%

Kosovo\* adopted the necessary by-laws to implement the Law on the Energy Performance of Buildings. Kosovo\* drafted amendments of the above Law to transpose Directive 2018/844/EC, which are currently in parliamentary procedure.

The Government is working on updating by-laws and the energy performance calculation software, the draft plan to boost nearly zero-energy buildings and a building renovation strategy. They have not been adopted.

### ENERGY EFFICIENCY SCHEME AND FINANCING

73%

The 2018 Law on Energy Efficiency defined an energy efficiency obligation and target. However, the Law is currently undergoing amendments to reflect the more ambitious energy efficiency targets set by the amended EED. The Energy Efficiency Fund continued public calls for improvement of energy efficiency on municipal level, while the Ministry introduced different subsidies to support citizens during the energy crisis. Rules on energy efficient public procurement, ESCOs and energy performance and supply contracts are in line with the acquis.

### ENERGY EFFICIENT PRODUCTS – LABELLING

53%

With the support of the Regional Energy Efficiency Programme, in the course of 2023, the Ministry drafted the first energy labelling and eco-design rulebooks covering lighting products. It also organized trainings for inspectorate staff and suppliers. However, Kosovo\* still fails to adopt and implement the Labelling Directive and other delegated regulations, as updated by the Ministerial Council in 2023.

### EFFICIENCY IN HEATING AND COOLING

62%

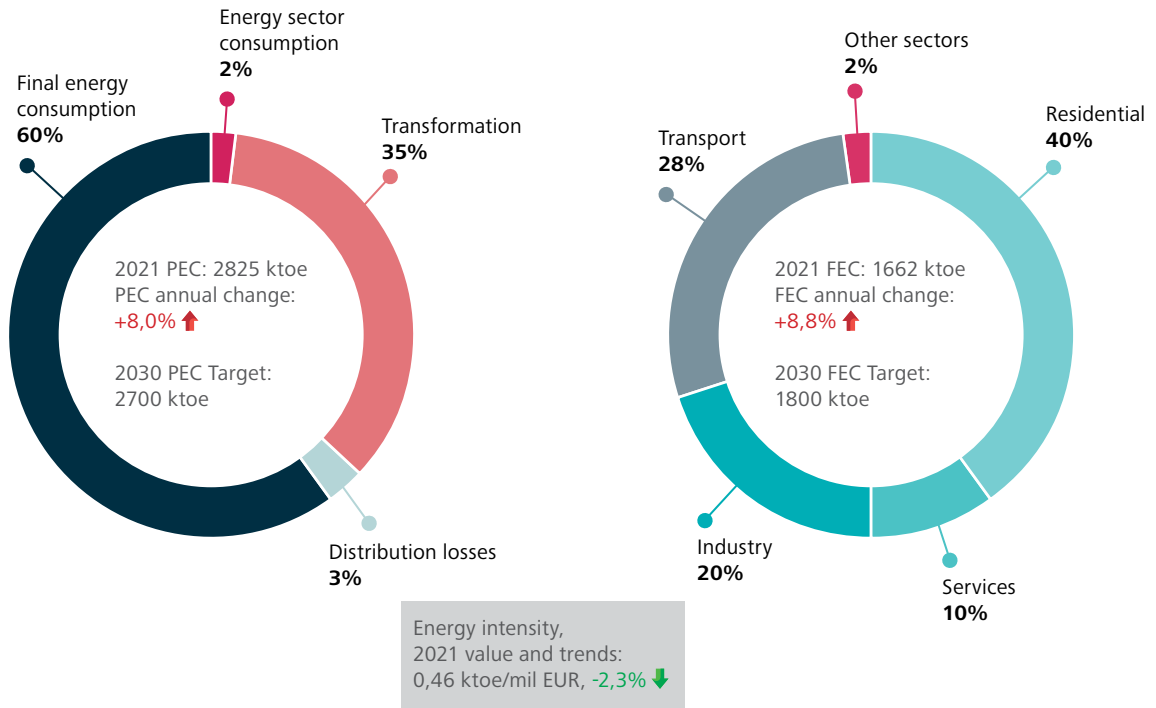
In 2023, Kosovo\* supported households with subsidies to purchase more efficient heating appliances, including heat pumps, wood, pellets, and briquette stoves. The preparatory work for implementing consumption-based billing in the district heating system in Prishtina is progressing and expected to be implemented this winter. The ongoing feasibility study for developing new district heating systems in eight cities should take into account Article 14 of EED on developing a comprehensive assessment.



## 2021 Energy Efficiency Indicators and Trends

### Primary Energy Consumption (PEC)

### Final Energy Consumption (FEC)



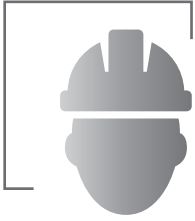
Source: EUROSTAT 2023 data, draft NECP and 2022 Ministerial Council Decision

### Status of transposition and implementation of energy efficiency acquis of the Clean Energy Package

Building Renovation Strategy	Central Government Buildings Renovation	Energy Efficiency Obligation Scheme	Alternative Policy Measures	Metering and Billing Information for District Heating
●	●	●	●	●

● In place ● In progress ● Not in place

Source: compiled by the Energy Community Secretariat



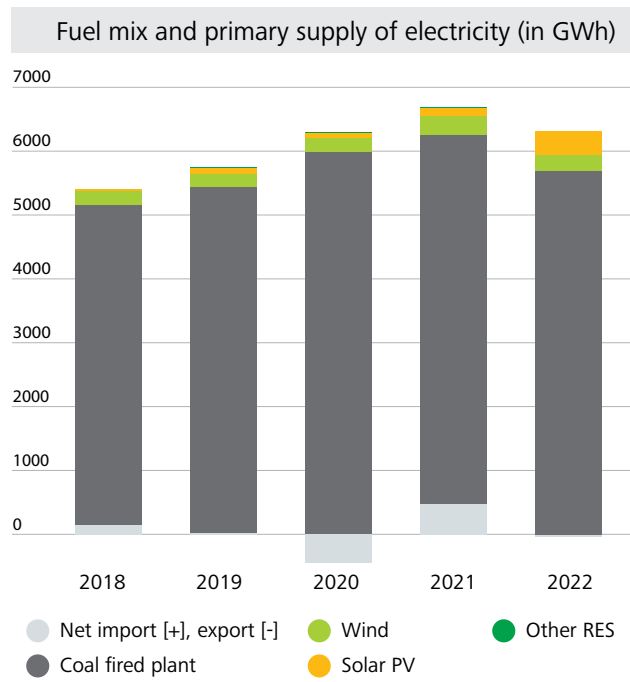
# Kosovo\*

## Ensuring energy security

### ELECTRICITY SECURITY OF SUPPLY 55%

Directive 2005/89/EC is transposed and implemented through secondary legislation. The Security of Supply Statements are regularly prepared. No load shedding occurred in the reporting period but significant unintentional deviations in 2023 have been creating a risk for the operational security of the whole synchronous area.

The regulator ERO has drafted a cybersecurity strategy for the energy sector 2023 - 2027. The Law on Security of Networks and Information Systems was adopted in February 2023. The Ministry of Economy is the leading implementing institution.



Source: Ministry of Economy, compiled by the Energy Community Secretariat

### GAS SECURITY OF SUPPLY n.a.

Kosovo\* is subject to a derogation from applying the Gas Security of Supply and Storage Regulations. Security of supply rules are in place.

### OIL SECURITY OF SUPPLY 0%

In Kosovo\*, the oil sector's primary law is the Oil Market Law, as amended. The draft Law on Compulsory Oil Stockholding was expected to be adopted in the fourth quarter of 2022 or the first quarter of 2023. It is still pending.

No data are reported.

No progress was achieved during this reporting period. Kosovo\* is non-compliant with the oil acquis.

There are no procedures in place to release emergency oil stocks.



# Kosovo\*

## Improving the environment

### ENVIRONMENTAL ASSESSMENTS **43%**

Kosovo\* adopted a new Law on Environmental Impact Assessment (EIA). It falls short of full transposition of the EIA Directive. The incorporation of the Directive's provisions on public participation and EIA expert examination into secondary legislation is still missing. The existing institutional capacity, which remains unchanged and insufficient, to effectively fulfill the obligations stemming from the new legislation, hinders Kosovo\*'s ability to timely and efficiently examine EIA. Nonetheless, Kosovo\* reported that it screened over 40 photovoltaic power plant projects, all of which were subsequently subjected to an EIA. An investor-State dispute linked to approved hydropower plants without a proper EIA process remained unaddressed at the governmental level. The adoption of an administrative instruction designed to enhance access to environmental information and promote increased public involvement in the decision-making processes is still awaiting approval.

The new draft Law on Strategic Environmental Assessment (SEA) was approved by the Government. It introduces mandatory scoping and addresses issues related to the SEA report content and NATURA 2000 networks. The revision of the secondary legislation related to the consultation process in the SEA is yet to commence. The procedure for drafting the NECP was initiated, but the SEA procedure for the plan has not started.

### LARGE COMBUSTION PLANTS **47%**

Kosovo\* complied with its emissions reporting obligations for the reporting year 2022 in March 2023, and submitted corrections to its emissions data in September 2023. As the significant breach of the NERP ceilings in the case of all three pollutants remains unaddressed, the Secretariat referred the matter to the Ministerial Council. In 2022, emissions of all three pollutants decreased slightly. This however does not address the non-compliance, especially when taking into account the decrease in the NERP ceilings from 2023 onwards.

### SULPHUR IN FUELS **92%**

Transposition of the Sulphur in Fuels Directive's provisions was achieved via the Administrative Instruction on the Technical Requirements for Import, Storage, Wholesale and Retail Sale of Petroleum Fuels. Quality control of the fuels falling under the scope of the Directive as well as their sampling and analysis is carried out by the customs authorities at border crossing points. The marine fuels provisions do not apply in the case of Kosovo\*.

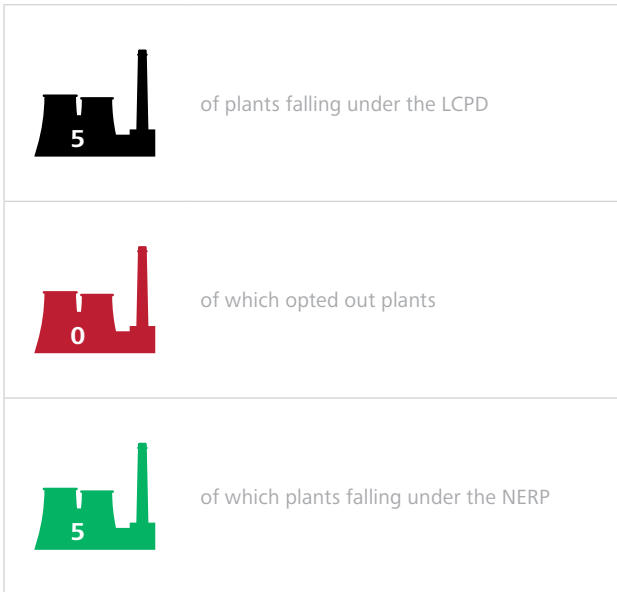
### NATURE PROTECTION **27%**

No draft has been formulated to address the deficiencies of the Law on Nature Protection, which remains unaligned with the updated EIA and SEA procedures. Kosovo\* continues to lack the necessary inventory of wetlands required for the legal protection of Ramsar sites. No efforts have been made to draft a management plan for the artificial Special Protection Area (SPA) for birds "Henc". Managing the Monuments of Nature continues to be a challenge due to the lack of finance. There have been no new designations for protection, and the problem of hydropower development within nature-protected areas remains unaddressed.

### ENVIRONMENTAL LIABILITY **0%**

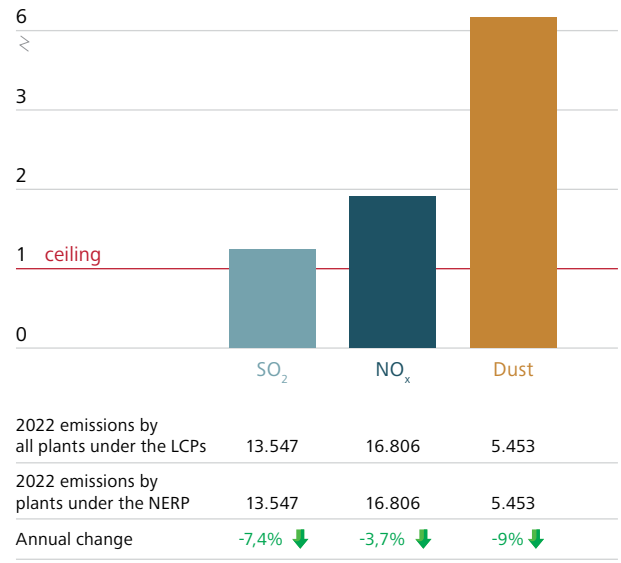
The Environmental Liability Directive has not yet been transposed into national legislation. To address the issue, the Secretariat referred a case to the Ministerial Council in July 2023.

### Installations under the Large Combustion Plants Directive



Source: compiled by the Energy Community Secretariat

### 2022 emissions versus NERP ceilings





## Kosovo\*

### Performance of authorities



#### REGULATORY AUTHORITY

87%

To a great extent, the legal setup of the Energy Regulatory Office (ERO) is in line with the Energy Community acquis. However, the reasons for dismissal are not limited to cases of criminal offence or in compliance with independence.

In the reporting period, ERO, jointly with ERE (Albania), approved the electricity market rules, appointed ALPEX to be the NEMO, and adopted the fees for ALPEX within the Kosovo\* bidding zone and the methodology for congestion revenue

allocation between Albania and Kosovo\*. Rules for closed distribution systems were also adopted. The regulator continued to be active in promoting self-consumption of customers by approving the rules for self-consumers from renewable sources. ERO also carried out performance audits of licensees and issued decisions on fines. On the other hand, ERO delays the retail market opening since 2018, namely for customers connected to 35 and 10 kV networks. For certain customer categories, prices do not fully reflect costs.



#### COMPETITION AUTHORITY

55%

The Kosovo Competition Authority has not yet finalised its investigation into the abuse of dominance by KEDS and KESCO by creating barriers to entry into the market of electricity supply which it initiated in December 2020. The conclusion of this investigation should be a priority for the Kosovo Competition

Authority. In the reporting period, the Kosovo Competition Authority did not investigate any other anti-competitive conduct in the energy sector. Active enforcement of the competition acquis is required in order for Kosovo\* to comply with its obligations under the Treaty.



#### STATE AID AUTHORITY

35%

Due to the delay in recruiting new members, the State Aid Commission remains inoperational since the expiration of the mandate of the previous members at the beginning of 2022. The

establishment of a functioning State aid authority is paramount to Kosovo\*'s compliance with its obligations under the Treaty.



#### STATISTICAL AUTHORITY

74%

The Kosovo Agency for Statistics (KAS) is responsible for energy statistics. The five annual questionnaires for 2021 were submitted to and published by EUROSTAT, some with delays and slow response, as well as the breakdown of energy consumption of households and the questionnaire on renewables share. Preliminary questionnaires with 2022 data were prepared and transmitted on time.

The quality reported was not updated in the 2022 reporting cycle.

In accordance with the programme of official statistics 2018 - 2022, KAS developed a methodology and started data

collection and dissemination of monthly statistics in accordance with Energy Statistics Regulation. Monthly statistics on coal, electricity and natural gas have been transmitted from 2022 onward. Monthly oil statistics are still missing, including the new set of data on oil stocks and crude oil import. Electricity prices per consumption band broken down by taxation level are submitted to and subsequently published by EUROSTAT. Price components for industrial end-users are reported in accordance with the acquis. The quality report on electricity price statistics, due in 2022, has not been provided yet.