

Framing the Just Transition in Kosovo

LEKË BATALLI



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Author:

Lekë Batalli

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1

p.09

Research Design Overview

2

p.11

Decarbonization
in Kosovo

3

p.17

Achieving a Just
Energy Transition in Kosovo:
Perspectives and Attitudes

4

p.29

Conclusion and
Recommendations

Introduction

In 2023, the Parliament of Kosovo adopted the Energy Strategy for 2022-2031 (hereafter: the Strategy). The Strategy, drafted by the Ministry of Economy and endorsed by the Government, is the highest policy-setting document of the energy sector. The Strategy is unique insofar as it rejects the possibility of new coal-based generation capacities and focuses on the deployment of clean energy sources and cutting greenhouse gas emissions.

The objectives of the Strategy are aligned with the larger political commitments in the international sphere that the country's political leadership has accepted through the Sofia Declaration, by virtue of membership in the Energy Community, and the European Union integration process. This coordination is evidenced in the adoption of the 2050 deadline for coal phase-out as well as through accepting that carbon pricing mechanisms will be implemented in the future.

The approval of this document is significant because the energy sector in the Republic of Kosovo is one of the most coal-reliant in the region. Security of electricity supply depends on a fleet of aged coal-fired power plants built between the 1960s and 1980s owned and operated by

the Kosovo Energy Corporation, one of the biggest public enterprises in the country. The uptake of renewables has been slow with a limited number of support measures in the last decade.

The implementation of the Strategy and its objectives will therefore require a drastic transformation of the energy sector, unparalleled in policymaking processes in Kosovo. This raises questions about the concrete steps that will be taken to deliver the decarbonization agenda in the country, especially regarding the impact of the policies on society at large.

The energy transition is at the core of this agenda. In its most simplified form, the transition means the shift from one energy production system to another (in this case from fossil-based sources to clean ones, such as wind and solar), however, it produces changes that surpass the energy sector and its workers, and affect the lives of all citizens and the natural habitat. Similar to other wide-ranging societal changes, certain groups, communities, and regions are more likely to be negatively affected.

In turn, there has been an increased focus on the socio-economic aspects to ensure

that the transition is fair and equitable to everyone involved. Justice has entered the transition-related discourse and is being promoted as one of its foundational bases. This is attested by both the policymakers, who have used the just transition as a preemptive measure against the potential backlash, and on a grassroots advocacy level through various groups and movements.

Nonetheless, countries have different characteristics, from geographical to social or level of industrialization, that make them less or more prone to the sensitivities of the energy transition and, by that, to the justice requirements. At the country level, in the Republic of Kosovo the transition will look different from Albania which relies on hydro sources to ensure its electricity, similarly, regionally, the Western Balkans will fare differently from EU countries that have fully liberalized electricity markets and are stronger economically.

In Kosovo, there is a consensus that the only path for the energy sector in the country is toward decarbonization. Political parties that are not part of the Government criticized the Strategy for not being sufficiently ambitious or comprehensive, without questioning the overall policy direction it promotes. Regardless, the Strategy provides more general objectives and guidelines. It is the implementation of the policies and the manner in which the vulnerabilities that emerge are going to be addressed that will determine whether the transition delivers justice.

This policy paper aims to provide a general outlook of the perceptions and attitudes of some of the main institutional and organizational actors toward the just transition in Kosovo. Considering that the energy sector is at an early stage of decarbonization, the paper explores how the stakeholders, comprising the Government, media, civil society organizations, the business community, and local governments, envision decarbonization and assesses their perceptions regarding the effects of these policies and the manner how they should be addressed.

Ultimately, the objective of the paper is to position the anticipated decarbonization policies in Kosovo within the broader frame of the just transition and recommend measures that integrate best practices and national features. To do so, the second section provides a summary of the defining characteristics of the energy sector in Kosovo and locates them in the background of the international obligations to decarbonize, followed by an explanation of the policies that have been utilized to that end including the most recent Strategy. Afterward, the paper elaborates on the framework of the just transition that is later used to analyze the findings of the interviews and come up with common themes and divergences. Qualitative methods of inquiry with interviews as the main data collection tools were used to explore the attitudes and perceptions of the institutional and organizational representatives. Lastly, the implications of the findings of the interviews to have a just transition in Kosovo are discussed and recommendations are provided.

1 Research Design Overview

The first step in conducting this research was through research of reports on the state of the energy sector in Kosovo as well as a review of the current and forthcoming EU energy policies that will be binding for the sector. Qualitative methods of inquiry have then been utilized to assess the perspectives and attitudes on the just transition in Kosovo. Based on the framework of a just energy transition explained in the previous section, the main stakeholders were identified and categorized into two groups using a power of influence and level of interest diagram. The first round of interviews was conducted with the representatives of the private sector, non-governmental organizations, the media, and the management of the Kosovo Energy Corporation (KEK). All representatives have been involved in the energy sector from their respective roles for approximately two decades. This group was identified as holding high interest but low power, considering that they do not directly impact the policies that will implement a just energy transition. KEK can be considered as holding a middle ground in this diagram because it represents one of the biggest enterprises in Kosovo, as well as the main electricity provider in the

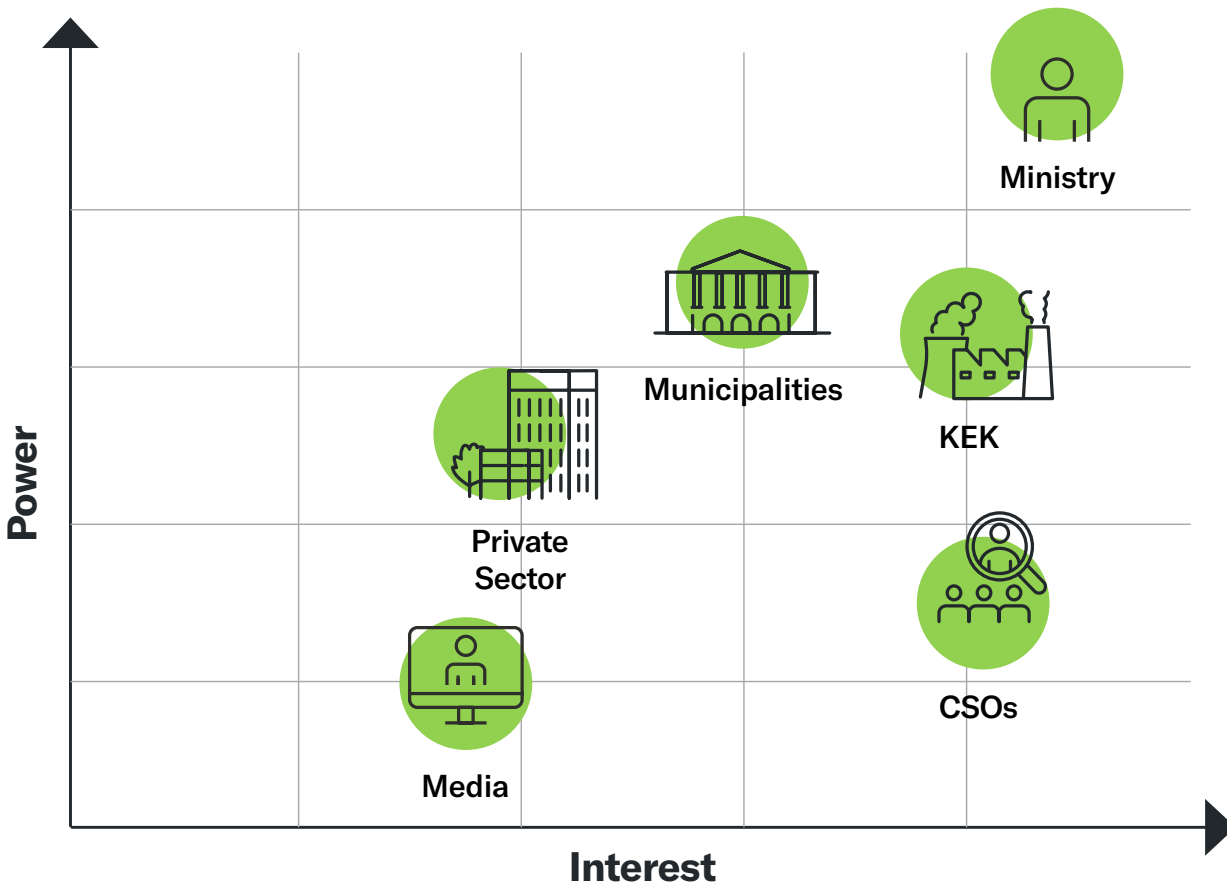
country, therefore, the way it is going to adapt to Government policies, will have an impact in the overall just energy transition. The reason why KEK was nonetheless part of the first group is that it is owned 100 percent by the Government of Kosovo, which also appoints the Board Members that oversee the long-term Strategy of the Enterprise. In that sense, KEK's management is confined by the decisions of its Board of Directors.

The protocol for the first round of interviews was designed in a way that tried not to forejudge the mode of implementing the energy transition, but rather, to evaluate how the measures of each participant overlap with one another to arrive at the main denominators. Therefore, they were initially asked what they found to be the most important measures to achieve the energy transition. Although the transition is expected to happen, Kosovo lacks a clear sequence of clear measures that will be necessary to achieve decarbonization by 2050, which will ultimately inform the just component. By understanding each participant's viewpoint of the measures, additional follow-up questions were raised with regard to the implications of each

measure, and whether they were reflected in the legal and policy framework for the time being. Lastly, they were asked about the role of each stakeholder, including theirs, to address these consequences, their current level of involvement, and expectations for their role in the future. Each interview provided insights originally not foreseen that were then incorporated into the next interview.

The analysis of the data gathered in the first round of interviews informed the protocol for the second round of interviews wherein two representatives of stakeholders holding high power and high interest,

namely, representatives from the Ministry of Economy responsible for energy and the Association of Kosovo Municipalities. The representatives of this group were asked about their approach to the just transition initially with regard to the current measures, as foreseen in the legislation and in the National Energy Strategy, as well as on other measures identified in the first round. The recommendations of the first group were used to assess the willingness of policymakers to use similar methods to achieve a just transition. Lastly, they were asked about the participation and cooperation of other stakeholders and how they foresee their role.





Decarbonization in Kosovo

This section provides an overview of Kosovo's energy sector, including its responsibilities as a member of the Energy Community and due to its relationship with the European Union. For over a decade, public institutions in Kosovo have implemented measures that have aimed to diversify the energy mix through promoting the integration of more renewable energy sources. The most significant contribution to decarbonization, however, is the recently approved Energy Strategy. In addition to the legal analysis of the international treaties that Kosovo is part of, the section also uses the Regulator's annual report and the legal and regulatory framework that continues to remain in power to give an account of the decarbonization policies.

2.1. Kosovo's Energy Sector Profile

Kosovo is a net importer of electricity whose majority of national generation capacities rely on coal. Despite its small geographical size, the third largest coal re-

serves known in Europe are situated in the country. The abundance of this fossil fuel has for decades guided the policy outlook of the sector that has evolved around lignite-fired power plants.

In 2021, when the last official Report of the Regulator was published, over 90% of the national generational output came from Power Plant Kosovo A and Power Plant Kosovo B, or 5,770 GWh out of the total production of 6207 GWh.¹ Both plants are part of the Kosovo Energy Corporation that also owns and operates the mines located in Kastriot (Obiliq) 8 kilometres away from the capital city of Prishtina.

Kosovo A, built between 1962 and 1975, has five units, out of which only three are operational, namely, A3, A4, and A5, with a combined installed capacity of 610 MW. Kosovo B was built between 1983-4 and has two units, both of which continue to be operational and each with an installed capacity of 339 MW. KEK is owned 100% by the Government of Kosovo and has 3436 employees. Electricity generation represents its main business, while its

¹ ERO Report 2021, Page 9

dominance in the sector has made it one of the most profitable state-owned enterprises in Kosovo.

Kosovo initially planned to develop new generation capacities, competitively contracting a private company to build and operate a lignite-fired power plant. However, the contract was terminated at the height of the COVID-19 pandemic. The other generation capacities in Kosovo come from hydropower plants while renewables are less represented in the energy mix although their representation has been rising in the last decade. Currently, Kosovo has 137 MW installed wind capacity and 10 MW installed solar capacities. These capacities were built as part of a wider support scheme and they benefit from Feed-in Tariff, in the form of power purchase agreements between the owner of the renewable plant, and the market operator, whereby the market operator is obliged to purchase the electricity generated from the plant at a price over a period of 12 years. The Energy Regulatory Office (ERO) has also issued 50 final authorizations for the construction of generators for self-consumption, with a total installed capacity of 1919.8 kW.²

In 2016, Kosovo transposed the European Union (EU) energy market legislation known as the Third Energy Package into national legislation. This legal framework stipulated the liberalization of the electricity market both at the wholesale and retail market as well as unbundling, nonetheless, only unbundling was implemented successfully. The distribution and supply

functions were unbundled from KEK and then privatized in a competitive procedure by the Calik Limak consortium.

Only three electricity customers connected to the high voltage grid have to buy electricity in the open market, whereas the deregulation of other customers has been postponed for over three years now.³ Only one supplier is active in the retail market, the Kosovo Electricity Supply Company (KESCO), with an absolute dominance of the market. This dominance is maintained by the fact that KESCO was imposed the Public Supply Obligation to cover the demand for customers in the Universal Service Supply category. However, with the majority of customers in the energy sector currently participating in this category and due to the KESCO contract to receive KEK's capacities for the public supply functions, other suppliers are not able to penetrate the market.

Traditionally, KEK's power plants, in conjunction with hydropower plants, have covered the demand during the warmer months, whereas during the colder months, Kosovo depended on imports to ensure security of supply.⁴ The bulk of the additional electricity demand during the cold season, spanning from October to March, comes from the widespread use of electricity for heating purposes.⁵

Collective heat in Kosovo is at an early stage of development. District heating is confined to four cities only, the capital of Prishtina, Gjakova, Zvecan and South Mi-

² ERO Report 2021, Page 34

³ Ibid. Page 38

⁴ Ibid. p.110

⁵ Ibid. p.46

trovica.⁶ In Prishtina, the District Heating is based on co-generation from KEK's plants, whereas in Gjakova the biomass plant has two units for the production of heat and one unit used for cogeneration. In both cities, the DH companies provide services for a part of the customers only. Expansion of District Heating in Prishtina is ongoing and the EU is supporting the construction of solar plants that will be used by this company.⁷ In parallel, more elaborate planning for the national expansion of district heating is currently being funded by the donor community.

The electrification of the transport sector has stagnated, with a representation of 0,05% of electrical vehicles with the absolute majority of the vehicles being traditional combustion engine ones.⁸

2.2 Obligation to Decarbonize

The policies in the energy sector are tied to Kosovo's foreign affairs agenda. In 2022, the Government of Kosovo submitted its application to become a European Union member. This was only the last step in a long process that has been ongoing for many Western Balkan countries. The 2016 Stabilization Association Agreement 2016, a condition for EU accession, aims to align the policies of the contracting country with those of the EU with the ultimate goal of

easing integration into their organization. The SAA's purview extends to the energy and other related sectors, such as competition and state aid policies.⁹

Kosovo is also a contracting party to the Energy Community Treaty. The mission of the Energy Community is to create an integrated energy market that is pan-European, and that will bring together the European Union and the contracting parties of this organization.¹⁰ Consequently, membership in this treaty foresees, among others, that countries have to align their legal and regulatory framework with that of the EU. The highest political body of the Energy Community, the Ministerial Council, votes on the obligation to adopt the EU legal framework, or the Acqui Communautaire, in the contracting parties by a certain deadline.

The legal and regulatory framework in Kosovo was amended in 2016 to incorporate the provisions of the body of the EU legal acts that are known as the Third Energy Package. Although the reforms promoted in this package represented the letter of law for over six years, some of the most sensitive ones were not implemented in practice.¹¹ Recently, the Ministerial Council has adopted a decision obliging the contracting parties to once more change the legal basis in order to make it compliant with the Clean Energy for all Europeans Package.¹²

6 Ibid. p.126

7 [Kosovo, the first in the region to use solar energy for district heating | EEAS Website \(europa.eu\)](#)

8 Energy Strategy 2022-2031

9 [EUR-Lex - 4314927 - EN - EUR-Lex \(europa.eu\)](#)

10 Treaty Establishing the Energy Community, Article 2, paragraph 1

11 Energy Community Secretariat, Kosovo Annual Report

12 Decision of the Ministerial Council of the Energy Community D/2022/03/MC-EnC

This body of legislation was approved at the EU level in 2019 in order to decarbonize the energy systems in accordance with the objectives of the European Green Deal, the main one being to achieve net-zero emissions by 2050 or to become the first climate-neutral continent by that time. The EGD is unique in the sense that it encapsulates an objective that expands beyond the borders of the EU member countries to include the entirety of the continent.

In parallel to these processes, the leaders of the Western Balkan countries, including Kosovo's, expressed their willingness to meaningfully contribute to an ambitious Green Agenda, to concur with the leading efforts of the European Union in fighting climate change. Specifically, through the Sofia Declarations these countries committed to aligning their legal framework with the EU Climate Law and set forward-looking energy and climate targets that will cement their decarbonization path.

By virtue of these commitments but also due to Kosovo's main foreign relations objective to join the EU in the future, it will have to have achieved – or undertaken measures that would ensure – it can meet the net-zero emissions objective in parallel with the EU.

2.3 Decarbonization in National Policies

Decarbonization's end goal is to reduce or remove carbon gases from being released into the atmosphere. Achievement of this

goal will vary significantly between – and within – countries, depending on various factors ranging from their natural resources and socioeconomic factors to the location of their power plants.

Countries that are the most dependent on fossil fuels to ensure the security of electricity supply, like Kosovo, will be impacted more dramatically by this, however, even internally certain regions will be more impacted.

The responsibility to achieve decarbonization is shared between a number of central governmental and local institutions in Kosovo. The Ministry of Economy, as the Ministry responsible for energy, is the main policymaking institution and sponsor of the legislation in the energy sphere. Most of the competences related to decarbonization and net-zero rest with this ministry, as it is responsible for energy, including renewables, and energy efficiency. Energy efficiency policies are implemented through the Agency for Energy Efficiency an independent body operating within the Ministry with the responsibility to make recommendations regarding efficiency measures, preparation of the national efficiency plan, and collecting data regarding the efficiency standards.

Moreover, ME oversees the Boards of Public Enterprises and, by that, also discharges that competence over KEK's Board and their decisions.

Kosovo's system is also characterized by a strong role of the Energy Regulator, the Office of the Energy Regulator (ERO). Beyond its traditional competences linked to ensuring the functioning of energy markets

and issuing tariff calculations, the ERO has until now also had competence related to the authorization of new energy capacities, including from renewables, and has overseen the implementation of renewable support mechanisms. The role of ERO is also crucial due to the way the electricity market is set up in Kosovo. The energy market is liberalized only in name, with the majority of consumers being supplied through regulated tariffs that are approved by the Regulator.

Other institutions, like the Ministry responsible for environment and spatial planning, have a complementary role with regard to certain measures, such as permits, approval of zonal maps, etc. These competencies are then replicated on a local level for municipalities.

2.4 Strategic Outlook

The main policymaking document in the energy sector in Kosovo is the Energy Strategy (hereafter: the Strategy). The Strategy is drafted by the Ministry of Economy, covers a period of ten years and has to identify the main challenges that the sector faces and outline the policies to develop the sector.

According to the law on Energy, the Strategy has a range of purposes that may, at times, be at odds with one another in the context of Kosovo. For example, the Strategy has the purpose to ensure reasonable use of energy resources available in Kosovo, in line with the principles of sustainable development. The use of lignite is also promoted but through clean technologies that protect the environment. Other objectives

of the Strategy are the security of electricity supply, promotion of renewables, improving efficiency, supporting private investments, and so forth.

The most recent Energy Strategy was approved by the Government in December 2022 and then voted in Parliament in March 2023. The Strategy covers the period from 2022 to 2031. Dependence on old lignite-fired power plants is defined as the number one challenge, followed by high energy consumption, reliance on a household heating system that utilizes electricity and coal as well as wood burning, and, lastly, the high market concentration at both the wholesale and retail level.

The one-sentence vision of the Strategy is *“A sustainable energy sector integrated into the Pan-European market, ensuring energy security and affordability for citizens”*. The Strategy then defines the goals and five strategic objectives each measured against three or four targets. These strategic objectives are: 1) Improving system resilience; 2) Decarbonization and promoting renewable energy; 3) Increasing energy efficiency; 4) Strengthening regional cooperation and market functioning; and 5) Protecting and empowering consumers. In summary, the vision is the security of supply, sustainability and climate neutrality, competitiveness, and affordability. While the majority of objectives contribute to the energy transition, the most important ones are those related to decarbonization and renewables, efficiency, and protection and empowerment of consumers.

These objectives are foreseen to be achieved through the increase of renewables in the energy mix, mainly in the

form of utility-scale renewable projects from wind and solar as well as prosumers. Efficiency is mainly promoted through the introduction of minimum energy performance requirements for new buildings and those to be renovated, whereas the objective of protection and empowerment are supposed to be implemented through a new vulnerable consumer scheme and through the use of the right to choose and be informed promoted in liberalized markets. In parallel, the Strategy confirms that carbon emissions will be reduced through pricing mechanisms or an emission trading scheme with a minimum price increase.

2.5 Measures to Decarbonize

Until 2023, the energy sector has utilized only a limited number of measures to decrease the dependence on fossil fuels and support the deployment of renewables.

As mentioned in the overview of the energy sector, Kosovo's energy mix has a low share of renewables although formally it has achieved Energy Community targets for 2021. This was mainly due to the calculation used where the biggest share of renewables comes from the use of biomass for heating.

Renewable energy sources were promoted in Kosovo through the use of support mechanisms in the form of Feed-in Tariffs implemented by the ERO. The scheme was implemented administratively awarding Feed-in Tariffs on a 'first come, first serve' basis until the achievement of renewables targets. Each technology had a specific

capacity cap as well as price per MW. The support provided through the Feed-in Tariff per Megawatt was criticized as it was considerably higher than the market prices at that time leading to its eventual suspension.

In parallel, ERO supported self-consumption through the introduction of net-metering that allowed individual customers to install rooftop solar and benefit from lowering their consumption costs. This scheme was especially helpful for enterprises and households.

While efficiency measures that play an important role to constrain the electricity demand in Kosovo have been carried out through the Kosovo Energy Efficiency Fund, an independent entity that was established by the Law on Energy Efficiency and whose objective is to promote, support, and implement energy efficiency measures. The Fund has supported the implementation of such measures at the public institution level only.

Other initiatives that are currently in their planning phase include the Solar for Kosovo Project, which supports renewable investments for the capital's District Heating Company, Termokos. This project aims to make Termokos operations less reliant on co-generation from KEK's plants. KEK has also initiated a project for the development of solar capacities in its ash deposits, and is in talks with the German Development Bank to raise funding for that project, while the Millennium Challenge Corporation funding has been used to support efficiency interventions for small enterprises, households, and specific multiapartment buildings.



Achieving a Just Energy Transition in Kosovo: Perspectives and Attitudes

The just transition lens is important in Kosovo's policymaking considering the energy strategy objective for coal phase-out in tandem with net-zero for 2050. This section sheds light on the attitudes and perspectives of the main stakeholders in the energy sector by analyzing the interviews of their representatives and finding their shared visions and their differences based on a pre-defined framework of justice in the energy transition.

3.1. Framework of Justice Considerations in the Energy Transition

Overall, energy generation technologies using fossil fuels continue to dominate the energy production mix despite a stable growth of renewables. As a result, in the majority of decarbonization scenarios, countries will have to undergo an energy transition that will free them from their dependence on fossil fuels.

The just component has become indispensable in discussions about how to realize the energy transition. From a historical standpoint, the use of the term 'just transition' is connected to chemical union movements in the 1970 and 1990s in North America. The term was later revived with the globalization of the environmental agenda. The term has been taken up by many movements and international organizations that are advocating a decarbonization agenda, one of the most prominent being the European Union. In its European Green Deal, the EU pledges that it will "not leave anyone or any place behind."

Similarly, the Green New Deal congressional resolution of 2019, proposed both in the Senate and House of Representatives of the United States of America, explicitly requested the Federal Government "to achieve net-zero greenhouse gas emissions through a fair and just transition for all communities and workers".

Regardless of the general acceptance of the term, there are often clashing viewpoints regarding what a just transition constitutes or how it should be implemented within specific groups such as in international labor organizations.¹³ This is a result of the many factors that are more dominant in a given organization, establishment background, structure, and so forth.

Regardless of the many options and ideas on how to bring about justice in this transition, the techno-economic policy approach that is solely based on concepts such as competitiveness and efficiency and that does not incorporate a social and ecological lens is unlikely to lead to such a result.

Examples from other countries have shown that the sustainable alternatives that largely fit in net-zero scenarios do not necessarily lead to better outcomes for the citizens it is intended to. Various energy-related activities, for example in decentralized heating, have shown that their outcome can be to the detriment of the citizens if their social and economic background is not incorporated in the design of such policies and are based on a top-down only approach.¹⁴

Reviewing the implementation of policies aimed to tackle the effects of climate change, researchers have demonstrated the manifestation of environmental and other inequalities.¹⁵ These consequences

affect almost every policy. For example, the installation of solar rooftops has effects across the continents to the country where they are produced, usually with cheap labor and degrading the environment, while on a local level, this policy favors the ones who have the financial means to purchase them, whereas the associated costs of the policy like network development are shared equally between various customer groups.

Due to these inconsistencies of the just transition where, just as with previous societal changes, there are certain groups who stand to benefit more and others whose socio-economic inequalities be worsened. The point of this line of thinking is that the energy transition cannot be detached from the background it takes place, which includes both the prevailing economic paradigm of a capitalist society and the different forms of power and domination, such as gender injustices or colonialism.¹⁶

As a result, McCauley and Heffron have proposed the just transition as a new framework that links together climate, energy, and, environmental justice fields and can “provide a more comprehensive framework for analyzing and ultimately promoting fairness and equity throughout the transition away from fossil fuels.”¹⁷ The same authors propose three dimensions that underpin the three energy-related justice fields, namely, distributional justice, procedural justice, and restorative justice.

13 Damian White (2020) Just Transitions/Design for Transitions: Preliminary Notes on a Design Politics for a Green New Deal, *Capitalism Nature Socialism* p.25

14 Axon S., & Morrissey, J. (2020), Just energy transitions? Social, inequities, vulnerabilities and unintended consequences. *Building and Cities*, 1 (1) p.406

15 Byrne J., & Portanger Ch. (2014) Climate Change, Energy Policy and Justice: A Systematic Review, *Analyse & Kritik* pp.315-343

16 Bouzarovski S. (2022), Just Transitions: A Political Ecology Critique, *Antipode* Vol.54 No.4, pp.1006-7

17 McCauley, D., & Heffron, R. (2018), Just Transition: integrating climate, energy and environmental justice. *Energy Policy*, 119, p.2

Each of these dimensions has its practical application, involving, for example, how equity can be sought regarding measures that affect one group unequally or how the recognition of the various interests of groups is ensured.

3.2 Selection of Participants

The selection of the main representatives of the first group that was interviewed was done based on their level of involvement in their respective sectors based on their participation in various discussions regarding the energy transition. Considering the obvious limitations of such a study the objective was to interview participants that are also representatives of various associations in the energy or non-profit sector in Kosovo. For example, the media representative was awarded an international prize for his investigative journalism related to renewable support mechanisms in Kosovo. Similarly, the representative of the private sector that was selected is the managing director of one of the main solar equipment companies in Kosovo and chairman of the board of one of the renewable associations in Kosovo. The KEK representative, besides holding one of the main managing roles in the organization, has been involved closely in the policies of the corporation for the last two decades in Kosovo.

3.3 Data Collection

All the interviews have been conducted face-to-face with the participants. Interviews lasted, on average, 45-50 minutes, and were recorded in order to be able to

later prepare their transcripts. Interviews were mainly conducted in the offices of the participants. The interviewees were all reached out through email or, in one instance, lacking such contact information, through their LinkedIn profiles. A continuous comparison methodology was used, where each interview was analyzed before conducting the next one. All the interviews followed the same protocol, namely, semi-structured and open-ended.

3.4 Data Analysis

The data analysis process was based on the interview transcripts conducted with the representatives of both stakeholder groups. This analysis was done through a table coding the main keywords establishing the main underlying themes of the interviews. These themes were compared against the framework of a just transition based on the previous section of this paper. Additional data regarding topics that were originally not considered essential to this paper are discussed in the consensus on the main measures of the findings.

3.5 Findings

The findings have been grouped based on the main themes derived from the interviews. The main measures and the level of their incorporation into the main documents constitutes one section, followed by their evaluation of the implications of such measures, and the manner in which they should be addressed. The sections are in the form of a dialogue between the first and second groups of interviewees/participants, bringing the differences and commonali-

ties to come to the surface. In addition, the findings explain the attitudes towards the inclusion and coordination aspect of the transition, while highlighting recurring topics of the participants that throw light on certain attitudes that are peculiar to Kosovo, for example regarding externalities.

3.5.1. Consensus on the main measures of the Energy Transition

Initially, the participants were asked what the energy transition entails for them. All participants agreed on the need to promote renewables in the energy mix, both at the small and large scale.

Energy efficiency was the second most discussed measure and was interpreted to mean both the promotion of more efficient appliances but also, importantly, related to the expansion of district heating systems as a way to decrease the dependence on electricity.

KEK's capacities were considered to represent an important part of the puzzle until the energy system, through a combination of renewables and storage capacities, becomes more stable. In a scenario where KEK would be decommissioned in the coming decades, a longer-term role was envisioned for other technologies such as gas and nuclear – mainly to have base load capacities – and, at a smaller scale, to research the potential of geothermal.

The participants shared the sentiment that technological innovation especially in relation to clean capacities, whereby they become more efficient in their capacity to generate electricity and more compact, i.e. the need for huge spaces for example for

Solar PV technologies decreases, will play an important role to ensure Kosovo will implement the energy transition.

The current legal framework was considered to be largely acceptable –especially as the renewable energy law is expected to be approved this year – although participants were concerned about lengthy and tiresome administrative procedures, related to the promotion of renewables.

On a policy level, all participants emphasized adequate planning that is holistic and implementable, with most of them prioritizing this over every other measure or area. The same importance was echoed by the ME representative.

The first group of participants were not of similar opinions regarding the new Strategy. They found the vision of the Strategy reassuring but questioned its ability to be implemented, finding the policy options too broad or not specific enough. The experience with previous Strategies was considered to demonstrate the lack of commitment to implement the measures promoted in this document.

On the other hand, the representative of the ME highlighted that the Strategy provides for the main measures of the transition, focusing on renewables and efficiency while recognizing the need for KEK to ensure the stability of the system. By comparison to the first group, the ME representative highlighted the importance of coupling the market with Albania and functionalizing the power exchange to benefit from the complementarity of the generation technologies as well as focusing on market liberalization. The role of integration into regional

energy markets was emphasized by the Municipalities' representative. Similarly, the ME representative found the current Strategy satisfactory to achieve the visions of the sector and regarded that the legal basis will be completed with the transposition of the Clean Energy Package and the approval of the National Energy and Climate Plan to define specific measures and the pathway to achieve the main renewable, efficiency and the reduction of greenhouse gases.

Most of the participants discussed the recent energy price crisis when defining the main measures. The crisis was accelerated by the Ukraine invasion but traces its beginnings to the post-Covid measures that resulted in higher industrial output and led to an increase in wholesale electricity prices. Participants drew different lessons from the crisis that shaped their viewpoints on the measures as well.

The KEK and ME representatives have emphasized the crisis in terms of energy security. Namely, countries have gone back to the natural resources they possess seeing that dependence on others may be to their detriment. This approach was also echoed by the Ministry representative that said "The crisis has shown that depending on imports to ensure security of supply can be harmful in light of the volatility of the prices".

The crisis was also viewed in terms of accelerating the energy transition. According to the NGO representative, the crisis has proved that renewables are after all the cheapest alternative and that traditionally associated perceptions of the implications of the transition, especially the costs that

are ultimately transferred to end users of electricity, are no longer valid.

3.5.2. Implications of the main measures

Analyzing perspectives on the implications of the energy transition, two main themes emerged. The first concerns affordability with regard to socio-economically vulnerable communities, such as the population living in poverty and retirees. The second theme was the transition's impact on the overall economic stability, due to the fact that if businesses will have to pay more for electricity, that cost will be reflected in higher living costs.

Not all participants agreed that the cost of having a more diverse mix, with a bigger share of RES, would be significantly higher than the current generation from coal. The NGO representative no longer considered that that was the case due to the high deployment of renewables and their decline in costs for installment. While the other participants agreed that more renewables would translate to higher costs, they saw benefits in the elimination of externalities. Noting the eventual increase in electricity prices, the media representative added that that is acceptable in Kosovo's context: "If it means my child (if we have higher electricity prices due to less coal in the energy mix and more renewables) will be healthier, and I will live longer, (or) at least on average the general population will."¹⁸

Two participants considered that the transition would have consequences for the labor market. Estimating that approximately one thousand trained staff would be necessary

18 Interview with Representative from the Media, Prishtina, March 10, 2023

to implement the measures foreseen in the Energy Strategy in the next ten years, they considered that this does not align with the current availability in the labor market and especially with the overall educational policies. This perception encapsulates the overall sense of brain drain and migration that was stated by all participants.

The KEK representative highlighted the importance of addressing KEK's future in a way that would ensure that the socio-economic impact of an eventual decommissioning of the power plants would not be to the detriment of citizens and of the employees, highlighting the contribution of the enterprise to keep the cost of electricity low. Here, the KEK representative noted a difference in the approach of a privately held company that aims for a higher return margin when compared to a public one that also plays a social role in line with the Government objectives.

The ME representative considered that the transition could have implications for the consumers, especially in social cases, the labor market due to KEK's eventual phase-out, and other energy enterprises, like district heating companies, that will have to prepare for a decarbonized future. Lastly, the representative considered that there would be overall consequences for Kosovo's economy from a potential increase in prices or due to market liberalization.

3.5.3. Addressing the consequences to achieve a just transition

The role of the Government was considered the most important to address the consequences of the energy transition. Participants were cohesive regarding the role of the Gov-

ernment to analyze the social and economic consequences beforehand, and not act after the issues arise. The AKM representative added that local governance is tied to the policies promoted at the central level but also to the financial support that they are willing to provide for municipalities to this end.

A comprehensive approach that focuses on financial support and incentive schemes should be utilized throughout the transition. Proposals on how to implement this in practice varied between the participants mainly reflecting the respective sectors they represented. The business representative did not consider that the whole cost of new renewables should be passed through to customers, but that the Government should be responsible to finance a part of them. Other participants have emphasized the role of subsidies but have criticized uniform schemes that do not reflect the various needs of vulnerable groups through exact data regarding their socio-economic background.

The expansion of the subsidy system for efficiency measures was also one of the measures proposed. Building on the current subsidy scheme that was utilized during the energy crisis, the participants from the media and NGOs proposed that new subsidies for efficiency measures based on social categories should be implemented. These should reflect the kind of efficiency measures that would be best suited for economically deprived communities to have house retrofits, and include the Government taking over the costs of such measures when necessary. Whereas the municipalities' representative argued that the state should not treat equally the citizens that build more efficient houses and buildings and those who don't.

The ME representative focused on the implementation of measures equally to how they should be structured. Considering that Kosovo is behind with the energy transition, there were benefits to be gained from the learning curve. Any implementation of measures has to be gradual and based on informing the affected groups beforehand. The main measure similar to the other stakeholders was to design proper support schemes for different groups. Considering the vulnerability of some groups, the support of the Government should be as high as 90 percent or 100 percent, focusing on, for example, single mothers.

The participants found that one of the most important determinants of the just transition will be the approach to inclusion. The participants emphasized the need to have policies in place that are of public interest and that do not reflect the needs of smaller groups only. One representative emphasized the role of the educational system and the necessity to incorporate information regarding the transition from early on. They said:

*“Transition should start in kindergarten, little children should be taught why we need the transition and what we have to do for that, and move up to elementary school, to include also professionals that are not active in the energy sector but that may contribute to making the process more multifaceted, like tourism or agriculture sector”.*¹⁹

Three participants considered experts as the group responsible to lead the transition but that they need to have the ability to communicate in simple terms its implementation. All participants consider that every

group and each citizen should be involved procedurally, but they are divided on who should bridge the gap between the technical requirement of the transition and its potential consequences.

The KEK representative saw the role of KEK as crucial in terms of coordination due to the stability it provides to the energy system, whereas for the other participants, the media and civil society organizations were considered the ones best suitable to act as coordinators of the transition to make the policies more apprehensible.

The ME representative sees the Government and the Regulator as bodies responsible to ensure a balance of the various interest in the energy transition. The role of NGOs as well as donors and their projects, especially to make the government measures accessible in their implementation, was considered complementary to the public institutions. The most recent subsidy scheme for supporting the purchase of efficient appliances, has allowed them to gain insights into how these measures should be planned in the future, the inclusion of all the involved groups, from the business that can provide these supplies to the end-user, that some time may not have access to the financial means needed to purchase the appliance before the subsidy has been transferred to them.

All participants have agreed that the Government has to improve significantly the way it communicates the energy transition, including its measures and implications. The participants found the Government lacking initiative, with the exception of the NGO representative that saw positive de-

19 Interview with Representative from the Private Sector, Prishtina, March 4, 2023

velopments regarding the public hearings to present the new Energy Strategy that was held by the Minister of Economy before the approval of the document in the Assembly.

Two participants argued that the Ministry should use the energy crisis to explain what the transition will mean and link that with renewable projects that they intend to support in the coming years. The Government's focus to keep electricity tariffs low was regarded as a missed opportunity to change the narrative on the transition while keeping the discussions understandable to non-experts.

The Ministry representative largely shared the overall perception that the Governmental bodies were not able to effectively communicate the transition to the larger population. The reasons for that were that they lacked the resources and training: "The renewables sector is not what it has been ten or fifteen years ago, in order to match the needs of the sector, which are going up every day, due to the higher awareness of various groups and the impact of this sector on them."

3.5.4. KEK's Future

The future of KEK is another theme that emerged in the interviews.

All participants see a role for KEK in the future but, understandably, link that to a new business outlook. One participant referred to a thermal power plant that transformed its operations to renewables only. The financial prowess of the enterprise, gained recently through exporting at high prices, was also mentioned as a good

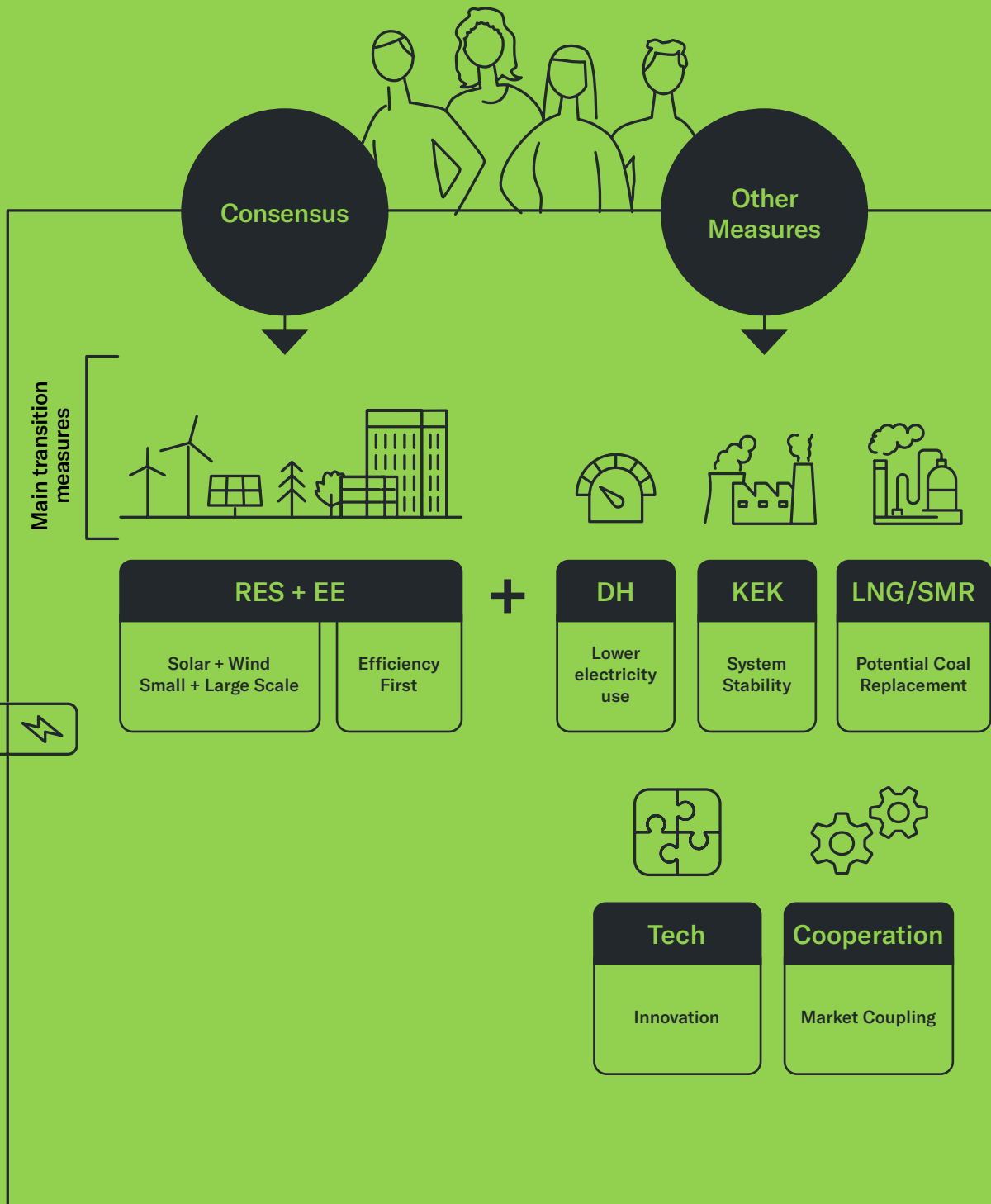
starting point to channel those funds to new clean capacities that would guarantee its future.

The consequences of an energy transition on KEK were generally not considered as being grave. The first reason is the finances of the corporation that were just mentioned, whereas the second reason is the age profile of the enterprise. Considering that KEK's average age of employees is currently over 55, the participants have found that early retirement packages, when necessary, combined with retraining certain staff would accommodate the need of the enterprises as well as the employees.

KEK's representative considers the first step to ensure the future of the enterprise the preparation of a masterplan that would specify how the property, especially the land, of the enterprise could be utilized for renewable investments. This would put KEK in a proactive position, as opposed to awaiting private developers and investors. In parallel, KEK should invest in the education of new thermal power plant engineers to ensure the stability of operations until it is closed and offer a financial package to these employees that could be compensated through the renewable projects that will be developed in the future.

The ME representative also emphasized that KEK should have a clear decarbonization plan that defines the financial and human needs of the enterprise in order to plan accordingly its future operations. With regard to Obiliq, where KEK's plants are located, the municipalities' representative explained that the law to compensate citizens living there for the pollution caused by the plants is not always satisfactorily implemented.

Emphasis on Security of Supply



Consensus

Other Measures

Main transition measures

RES + EE

Solar + Wind
Small + Large Scale

Efficiency
First

+

DH

Lower
electricity
use

KEK

System
Stability

LNG/SMR

Potential Coal
Replacement



Tech

Innovation



Cooperation

Market Coupling

3.5.5. Discussion

Generally, the interviews have shown that a just transition perspective does not represent the guiding framework of the energy transition, but that justice considerations should be incorporated into the policies that will be necessary for this process. There is a shared conception that policy planning and stability are the two dimensions of the transition that are irreplaceable to its success, including having a just transition. This worry of the participants reflects their past experiences that have shown that the policies in the energy sector are rarely implemented in their original form.

The Energy Strategy lays down important long-term objectives for the sector, such as the 2050 coal phase-out and the introduction of carbon pricing mechanisms, however, it provides measures for a relatively short time frame of ten years. Moreover, the details of these measures remain to be defined, with the exception of utility-scale renewables that will largely be the subject of auctions. This gap has been reflected in the perceptions of the participants that have different proposals regarding the technology that should be used for base load capacities. This decision has important implications for the just transition in Kosovo.

The stability of the energy system is inevitably linked to KEK, whose role in the sector is considered to be essential for all stakeholders. According to the interviews, a just transition for KEK grants the employees the right to early retirement or retraining, if they wish to remain with the enterprise as it orients itself toward clean

technologies. There is broad consensus on KEK's future that is in line with the practices of other countries and that largely reflects a distributional justice element.

The participants were divided in their assessment of the costs of decarbonization – especially new generation capacities from clean sources that all agreed are necessary – and how that will be reflected onto the consumers. The group that did not consider affordability to be a significant issue argued that the current costs of electricity do not account for the externalities of using mainly fossil fuel-based generation technologies. The cost of renewables would be offset as health-related externalities from electricity generation from coal would wane. Notwithstanding this difference, the participants agree that subsidy programs are crucial to ensure the protection of consumers, especially the vulnerable ones where retirees and unemployed groups were the ones to be mentioned the most. The subsidies were considered necessary with regard to the implementation of efficiency measures that would decrease the need for direct financial subsidies, as well as in the installation of solar rooftops or the expansion of district heating. The emphasis of the design of the protection programs was on ensuring that it would not replicate a “one-size fits all” approach, but that it would reflect the needs of more vulnerable groups accordingly.

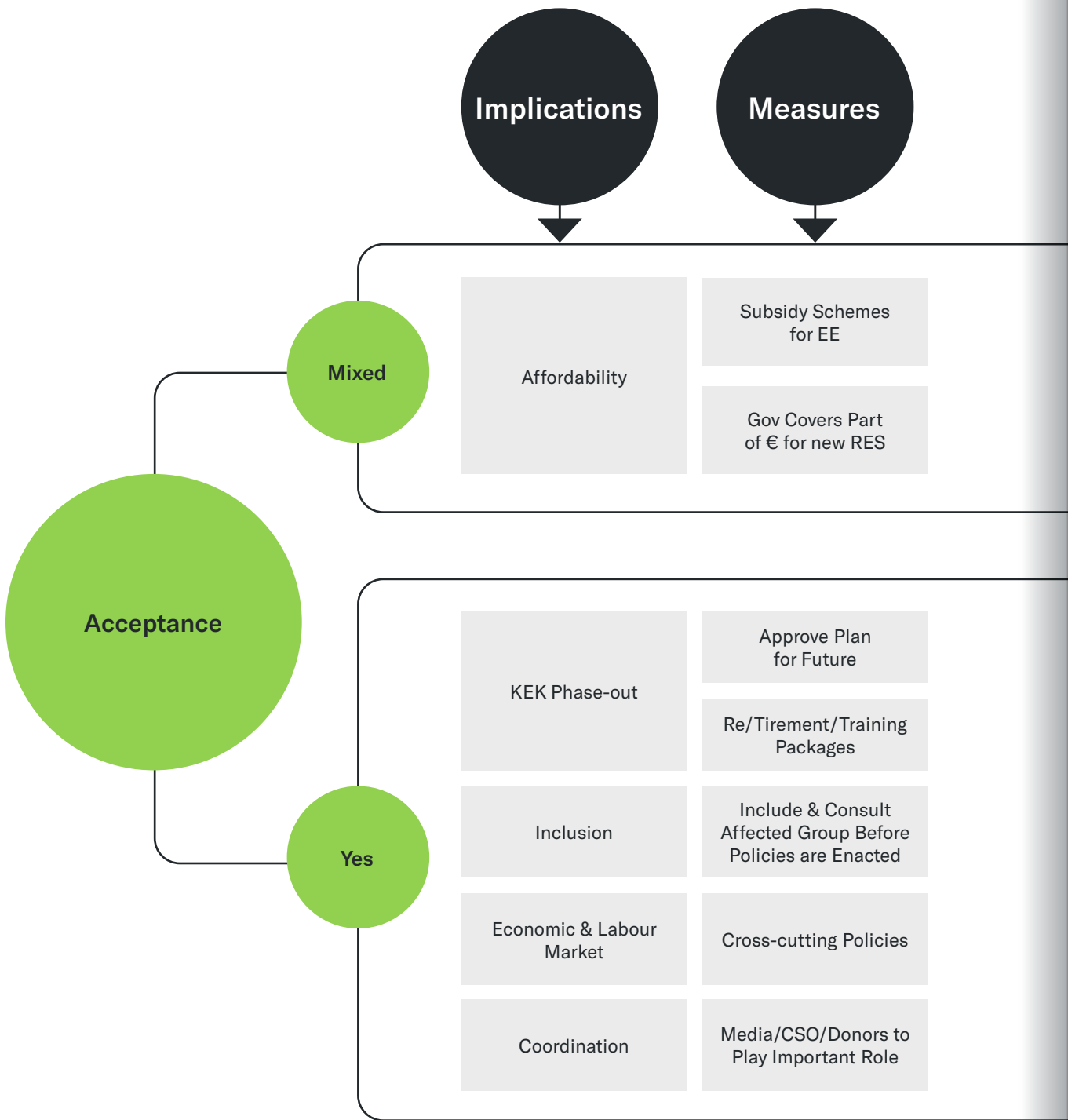
The biggest criticism was the failure to communicate the transition to the public, as well as the level of involvement in the drafting process of important documents. Communication gaps can perpetuate traditionally held opinions in Kosovo regard-

ing, for example, the indispensability of fossil fuels only for a well-functioning energy system and alienate different groups from the process increasing the potential of backlash. While it was acknowledged that their inputs were largely reflected in the Strategy, the participants did not consider that all their concerns were taken into consideration or that their participation is being valued sufficiently. If a similar approach is to be replicated in the design of policy measures it would be detrimental to the procedural justice requirements of the just transition. Bridging the gap between the current educational system and the needs of the transition in Kosovo was emphasized as a pressing need that should be addressed, otherwise, it risks the success of the transition as well as harms the potential for economic growth.

Other vulnerabilities that are prominent in society, such as gender inequalities or the protection of the natural habitat were only mentioned in passing.

The landscape of attitudes provides a good entry point to address the issue of designing the just transition that has largely been absent in the discussions. The design for transition in this sense would be reflective of its academic understanding that promotes a more holistic and mobilized approach that involves all participants, incorporating not only expert viewpoints and opinions but also non-experts and those that will be affected by the interventions of the transition.²⁰ In this way, the requirements of most participants for tailored solutions to the main issues, such as subsidies and KEK's future, would be met, while also allowing the inclusion of other perspectives that were not reflected in these interviews.

20 Damian White (2020) Just Transitions/Design for Transitions: Preliminary Notes on a Design Politics for a Green New Deal, Capitalism Nature Socialism p.31



Conclusion and Recommendations

Kosovo's just transition has to reflect the structural shortcomings of the energy sector and the socio-economic context and vulnerabilities of the citizens and the consumers alike.

The energy sector has not been liberalized, considering that the vast majority of consumers fall under the category of universal service that is supplied by the enterprise that holds the public supplier obligation. As a result of political interventions, electricity rates have been kept low mainly at the cost of KEK, which has sold the majority of the electricity it has generated to only one supplier at below-market prices. For the consumers, this has been beneficial because they have paid lower electricity prices. In 2022 and 2023, rates rose due to higher-than-anticipated import prices needed to ensure uninterrupted electricity supply. Nonetheless, the prices still do not converge with the market prices, and KEK's eventual phase-out and deployment of renewables either on a merchant basis or through support schemes, will result in an increase in prices when compared to the current ones. This will raise issues of affordability, especially for vulnerable groups.

Given that certain questions regarding the energy mix and the pace of phasing out the thermal power plants remain open, policymakers should prepare various scenarios and anticipate the impact of the interventions that will be needed. The fact

that Kosovo is at an early stage of its energy transition means that it is still possible to ensure that the main policies and interventions can be just and equitable to all groups.

The focus should therefore be on procedural justice requirements that would go beyond ticking-the-box exercises and employ a bottom-up approach through innovative solutions that allow the inclusion and incorporate the viewpoints of the communities that will be affected. The Government can foresee a more significant role of municipalities that are closer to the citizens and engage with them on a daily basis. These exchanges should then lead to the final conceptualization of the just transition in Kosovo which would form definite policies.

The magnitude of the reforms in financial, social and environmental terms will be unprecedented in policymaking processes in Kosovo. Currently, the interviews have shown that the deployment of new clean capacities is considered to be the leading challenge. In this case, the success of this reform is linked to the expansion of the energy infrastructure as well as a priority over other technologies within the energy sector. Inevitably, in due time, this will have an impact on the feasibility of maintaining KEK's capacities, perhaps earlier than expected, and on the cost of electricity. This is just one of the examples that shows the

multifaceted nature of these reforms and that a silo approach is destined to be slow and inefficient to implement a just transition. Topics that are less prominent in the discussions, such as job losses, and the scale of the reforms should be tackled in conjunction with the pursuit of technological solutions for the transition and form the basis of planning the policies.

Protection programs or subsidies, as they were defined by all participants, will play an important role to ensure a smooth transition that does not deteriorate the welfare of the citizens. It will be important that these programs are inclusive and built on the understanding of various vulnerable groups in Kosovo that include gender, youth, age, and minority asymmetries that are present in the society.

Afterward, communicating the just transition will remain crucial. The role of non-governmental organizations, including the media in Kosovo, and their influence should be utilized. At the same time, their inclusion will fill the gap that the Government is facing with regard to human capacities needed to educate society regarding the decarbonization agenda. There is room for the two groups of stakeholders, governmental and non-governmental, to find synergies in their approach and work in the coming decades to implement a just transition in Kosovo.

