



# MACEDONIAN ENERGY FORUM 2020

Energy solutions for today,  
options for tomorrow.



*MACEDONIAN ENERGY FORUM 2020  
CONFERENCE CONCLUSIONS*

December 2020

## Conference conclusions

The third edition of the Macedonian Energy Forum took place on November 23, 2020, in a hybrid platform, both in Skopje, North Macedonia, and on Zoom through online sessions, which were streamed via social media. The forum was organized by the Government of the Republic of North Macedonia, the Embassy of the United States in North Macedonia, and ZIP Institute and made possible through funding provided by the German Marshall Fund - Balkans Trust for Democracy, AD MEPSO, and Delegation of the European Union to North Macedonia. The Macedonian Energy Forum 2020 continues after its impressive editions in 2018 and 2019, despite the challenging times of COVID-19. The Energy forum's mission was to contribute to a more versatile, inclusive, and direct exchange of knowledge and ideas about the process of energy transition of the European, regional, and Macedonian energy sectors. The Energy forum continued to be a diverse and high-level platform for stakeholders in the energy area to discuss energy challenges, policies, and future collaboration. The Energy forum aimed at enabling improved policies and at building a lasting cooperation network. The Energy forum's vision was to become a prominent regional energy platform for discussion and exchange in the energy area.



The welcome remarks were delivered by Agim Selami, Director of ZIP Institute. Mr. Selami thanked the supporters and the team of organizers who contributed to organizing the third edition of the forum despite the difficult circumstances, making this Forum the first virtual edition. The Macedonian Energy Forum got new supporters this year - the BTM, the Norwegian Embassy, EU Delegation in Skopje, and MEPSO. The Forum utilizes the digital space to continue to be a podium for policies discussing energy issues in North Macedonia and the Balkan region.

***“The Forum unitizes the digital space to continue to be a podium for policies discussing energy issues in North Macedonia and the Balkan region. It continues to be a diverse and high-level platform for stakeholders in the energy area to discuss energy challenges, policies, and future collaboration.” - Agim Selami***

The opening remarks were delivered by:

- Zoran Zaev, Prime Minister, Government of the Republic of North Macedonia
- HE Kate Marie Byrnes, Ambassador, US Embassy to North Macedonia
- HE Jørn Eugene Gjeldstad, Ambassador, Royal Embassy of Norway, Belgrade



Prime Minister Zoran Zaev stated that the energy sector is one of the priorities of the Macedonian government. The Forum has developed into a platform where institutions and experts discuss, and whose conclusions aim to increase the investment in the energy sector. The efforts are to increase investments in alternative sources of energy and

reducing the use of coal. During the pandemic, it has become clear that energy efficiency along with digitalization is relevant for development. That means this is the time to make an economic development. Some of the plans of the Government of North Macedonia involve investment in renewables and hydro energy, an increase of regional cooperation, and better access to gas. One relevant project is the gas interconnector between North Macedonia and Greece to improve the gas supply which could make North Macedonia a regional distribution center. Besides, the Government plans gas interconnectors with Serbia, Kosovo, and Bulgaria. The legislation is aligned with that of the EU, and a new Energy Efficiency Law was adopted. The energy transition brings challenges. Renewables and energy efficiency are part of the EU Green Deal to make Europe carbon neutral by 2050 which North Macedonia supports. The vision is switching to clean energy and an inclusive energy transition.

***"The Government's efforts are aimed at increasing investors' interest in energy by offering alternative solutions in terms of geostrategic energy positions." - Zoran Zaev***

HE Ambassador Kate Marie Byrnes emphasized the importance of energy diversification as a means to reduce dependence on malign actions, reduce energy prices, and improve air quality. It is a matter of economic growth and resilience. The US strategy about the region is improving energy security and technology and access to affordable energy. Energy is one of the priorities of the US Government for the region. The US Government aims to support North Macedonia and its neighbors to diversify its energy supply, improve its energy security, and reduce its vulnerability to external shocks. Energy diversification reduces energy dependence. North Macedonia and the region are dependent on gas supplied by Gazprom. The gas interconnector between North Macedonia and Greece is an opportunity for gas supply to Serbia and Kosovo. Diversification will lead to clean energy. Investment in renewables can transform the energy sector. The efforts to move away from coal are encouraging.



***"The United States stand ready to be a 'co-investor' in North Macedonia's and region's success in diversifying the energy sector." - HE Kate Marie Byrnes***

HE Ambassador Jørn Eugene Gjelstad mentioned that the Green Deal is of importance to Norway. It is not only about economic growth, but also about reduced carbon dependency and a low emission economy. The Western Balkan six countries are willing to go through the path of low carbon society, and this offers an opportunity for regional cooperation. It is a condition

for EU membership to respect the principles and values of the EU. The cooperation on creating a single market needs convergence for market access. The green economy should generate less inequality. It is important to undertake technological innovation for low carbon options. Energy is a large industry and the current policies envisage tectonic shifts. Norway is involved in emissions trading and plans a zero-emission fleet, green shipping, and an increase of renewables. Norway is the largest exporter of petrol, but it will become less dependent on petrol as a result of the energy transition. Another technology is carbon capture storage to reduce pollution and contribute to carbon neutrality. It is in line with the sustainable development goals. The hydrogen strategy will help with the de-carbonization of the transport sector and energy-dependent industries. The circular economy means that waste is only one part of the cycle. There is the trend of 'right to repair' referring to the use of electronics. Tax policies can support the transition process, along with raising awareness about environmental challenges.

## Panel 1: "Energy Transition through Diversification of Generation and Supply Sources"

The first panel was convened and moderated by Ms. Andrijana Nelkova Chuchuk, Commissioner at the Energy and Water Services Regulatory Commission of the Republic of North Macedonia. The energy transition means a transformation of the global energy sector by 2050 which will require innovation, new policy measures, and new regulation measures. The new energy sector is driven by the demand for clean energy sources.

Assistant Secretary at the U.S. Department of State's Bureau of Energy Resources Francis R. Fannon opened the panel with his remarks and discussion on several important topics. He emphasized that North Macedonia was demonstrating leadership as a regional player in energy by diversifying suppliers and energy generation sources. He also said that the United States encourages regionally integrated markets and robust and transparent market principles that allow those markets to flourish, and drive out malign actors. The energy transition means a clean energy sector by 2050. The energy transition also means the improvement of energy security and regionalization of the energy markets. The gas interconnector between Greece and North Macedonia will diversify the energy supply for North Macedonia and the region, and it represents a good collaboration effort. Gas will unlock renewables at a scale. The new sources of energy and technology create the capability for a regional market, but it also shows



the need for a political will of governments to seize the new opportunities. The diversification of technology on the market and reformed leadership offers a new chapter in the region. Capitalization of investments is not possible alone. The additional gas supply from Greece to the Balkan region and diversification would have a transformative effect on market behavior. The government efforts in the region should be supported, but the market should be also made attractive for the private capital. There is a bottom-up call for cleaner energy which can be taken as a message to the government to be responsive to citizens.

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*I believe that North Macedonia is on the right path to creating a strong regional energy market with the neighboring countries. It is all up to the political will of the governments involved to look to the future and grab the opportunity that didn't exist before. Moreover, the regionalization of energy is allowing the catalyzation of investment at a scale that no country would be able to achieve it on its own." - Francis R. Fannon*

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The other panelists of this panel were:

- Mitko Andreevski, Advisor, Office of the Prime Minister, Government of the Republic of North Macedonia
- Vasko Kovachevski, General Manager, Power Plants of North Macedonia
- Yasen Ivanov, Head of Analyses and International Activity Division, Bulgartransgaz EAD, Bulgaria
- Steven Burns, Division Chief, Energy and Infrastructure, Bureau for Europe and Eurasia, USAID

The Advisor to the Prime Minister, Mitko Andreevski mentioned that the natural gas in North Macedonia is underdeveloped, but there are planned investments in gas infrastructure. Currently, Gazprom is the only supplier of gas in North Macedonia, delivering small quantities. However, the challenge remains to develop the gas distribution infrastructure in cities. North

Macedonia aims to increase its electricity production through investment in renewables, but it aims to have a regional approach since it is a small market on its own. There is a tendency for hydrogen to replace gas. Renewables are unpredictable, and hydrogen can be used as storage in the transport sector, or it can be mixed with gas. The gas interconnector with Greece would increase market competition, improve the security of supply, and offer a possibility for North Macedonia to become a transitional country for gas.

*"The challenge over the next period will be whether North Macedonia can distribute systems of energy distribution to other cities, and can other gases be included in the systems." - Mitko Andreevski*

The General Manager of ESM, Vasko Kovachevski elaborated that ESM plans to diversify the sources for electricity generation by increasing the share of renewables. The existing wind plant near Bogdanci is being extended, and a new one is planned. Also, the construction of the first photovoltaic power plant at TPP Oslomej, worth EUR 7 Million is underway. It will reduce the work of the coal power plants in the country, which will have to be revitalized. Many of these renewable projects will be done in a public-private partnership model. A failed project in the past, the Chebren hydropower plant will be finally built. ESM also considers replacing coal with gas for baseline electricity production. Due to the energy security and energy transition plans, North Macedonia gave up the investment in the nuclear plant in Belene, Bulgaria, and will invest in the gas interconnector in Greece. Renewables also have environmental implications, such as biodiversity, and they have their life cycle and affect the grid. The energy transition is a project of the entire community and requires also social transformation, such as re-education of employees in the current coal sector for work with renewables.

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*“The world, and North Macedonia as well, needs change that includes progressively adopting low-carbon technologies which are key for energy transformation” - Vasko Kovachevski*

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The Head of Analyses and International Activity Division, Bulgartransgaz Yassen Ivanov, emphasized that the energy transition is an integral part of EU policies. Protecting the environment is just as important and cost-effectively producing energy. The region is dependent on coal and replacing it with gas contributes to addressing the environmental challenges. Thus, there is a need for competitive gas prices. Mr. Ivanov said that Bulgartransgaz has been consistently working to increase the interconnection capabilities between its neighboring countries by building new connections and developing the existing ones, including by providing and increasing the two-way transmission capacity of existing interconnections.

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*“Bulgaria maintains very strong partnership dialogue with the United States and other alternative sources of gas, which is beneficial for the whole market and for the whole region. It is an important practical result of these actions that for the first time in Bulgaria in 2019, over 18% of gas supplies to the country were from alternative sources.” - Yassen Ivanov*

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The Division Chief, Energy, and Infrastructure, Bureau for Europe and Eurasia of the USAID, Steven Burns, explained that the energy transition should not be funded entirely by the donor community, but it should be attractive for the private sector. The potential of the energy transition is in making a unified market by bringing countries together and benefiting the market



at a scale. If there is more regional reserve sharing, one can utilize renewables more. Third-party access should be encouraged, and the historic market protection should be abandoned. However, the transition is not without costs and these costs are to be borne by the consumers. For example, energy prices may increase. Energy is not a goal itself, but it is a driver for economic development in which case the collaborative relationship is important.

***“With all new investment, comes cost. That cost needs to ultimately be borne by the consumers. There needs to be that understanding that energy prices may need to increase. Yes, we recognize that renewable energy cost is coming down but there are balancing costs to any new investment.” - Steven Burns***

## Panel 2: "Challenges of Regional Energy Integration in Compliance with EU Energy Priorities and Green Deal 2050."

Moderated by Jordan Damcevski, Senior Economist at the US Embassy, Skopje. The EU's Green Deal has launched almost a year ago and its fulfillment will take Europe to climate neutrality by 2050. The Western Balkan countries represent an emerging market with a transformation potential to low-carbon energy. The energy transition should reduce energy imports, develop renewable energy, and improve regional energy security. It is fundamental to the regional approach to infrastructure planning to deliver solutions at low costs.

The panelists of the second panel were:

- David Geer, Head of Mission, Delegation of the European Union to North Macedonia
- Fatmir Bytyqi, Deputy Prime Minister for Economic Affairs, Government of the Republic of North Macedonia
- Eva Shukleva, General Director, AD MEPSO
- Andi Aranitasi, Head of North Macedonia, European Bank for Reconstruction and Development

- Dirk Buschle, Deputy Director, Energy Community Secretariat

The Head of Mission, Delegation of the European Union to North Macedonia, David Geer, said that the Green Deal is a result of the EU's recognition of the challenges made by climate change and environmental degradation. The Green Deal will transform the EU into a resource-efficient and cooperative economy. It also entails the key element of just transition which means that no place and no person is left behind. A socially and economically viable plan of de-carbonization needs the administrative capacity of governments. North Macedonia has adopted the Third Energy Package and has begun to replace coal with solar energy. Some of the remaining challenges include high import dependency, developing further interconnectors, and a modern distribution network to integrate renewables. It is crucial to reach out to all groups and communities and especially young people who will need to drive this agenda.

***“De-carbonization is a key pillar of the EU’s economic investment plan in the Western Balkans in line with the EU Green Deal and in this context, a transition from coal to sustainable clean energy is key for the region. For those countries which are heavily reliant on coal, like North Macedonia, a switch to modern low-emission gas infrastructure is a realistic and effective way of leaving coal behind in the short and medium term.” - David Geer***

The Deputy Prime Minister for Economic Affairs, Government of the Republic of North Macedonia, Fatmir Bytyqi, stated that the energy policy of North Macedonia is to fulfill EU goals. Together with the support of EPRD and the US Government, the Government of North Macedonia adopted the new energy law and energy efficiency law. This created climate for investment in renewables under competitive market conditions. The current interconnector project with Albania is the last element of North Macedonia's full regional interconnection, and it will improve its security of supply with electricity. Renewable energy projects in North Macedonia are replacing coal, however, their stability is still a challenge. Chebren hydro plant

aims to balance the power system. The Energy strategy till 2040 was adopted, envisioning low carbon transition, and environmental protection. Consultation for adopting major strategies is part of the principle of the just transition.

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*“The Government of the Republic of North Macedonia over the past three years has focused its energy policy towards meeting the goals of the European Union and has bravely embarked on the path of energy transition.” - Fatmir Bytyqi*

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The General Director, AD MEPSO, Eva Shukleva, said that the energy transition requires investment and MEPSO is contributing in this regard and has an important role to play in developing the infrastructure. The Green Deal requires contribution from the entire private sector. This includes investment in environmentally friendly technologies, support for innovative technology, clean transport, de-carbonization of the energy sector, increasing the level of energy efficiency, and broad collaboration for achieving these goals. MEPSO is contributing by establishing a new interconnection with Albania, as well as to establishing an interconnected regional market. One challenge is the grid's stability. The interconnections between countries need to be improved to develop a regional market. MEPSO is involved in upgrading the network to adjust to the increased absorption of renewables.

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*“The role of MEPSO is particularly important in developing an infrastructure that will enable the entrance of technologies that use renewable energy sources. In that way, we will contribute to the de-carbonization of the energy sector, which is a strategic goal of the EU and the country.” - Eva Shukleva*

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The Head of the European Bank for Reconstruction and Development in North Macedonia, Andi Aranitasi, discussed that the de-carbonization is a key focus of the regional integration of the Western Balkans. It aims to enhance energy security and energy affordability. Interconnections are needed because not all countries have a surplus of electricity. An integrated regional market involves trade and investments in renewables. The region is committed to reform. To achieve a low carbon economy, decisions need to be made now. Investments need to be bankable, but also governance and the involvement of the youth are important. North Macedonia is a leader regarding connecting with neighboring countries. EBRD supports the devotion of the Government of North Macedonia and is willing to support its efforts for regional energy market integration and transition.

*“The development of an integrated regional market is essential to enhance the energy security to improve the reliability and to increase the affordability of energy. Not every country in the region can have an energy surplus so interconnectivity is very important for the region as a whole so the countries can support each other.”-  
Andi Aranitasi*

The Deputy Director of the Energy Community Secretariat Dirk Buschle began his speech by contrasting that today the region aims to decarbonize, while 15 years ago we spoke about liberalization and physically interconnecting it. All six Western Balkan leaders have subscribed to the de-carbonization idea at the recent Sofia Summit. North Macedonia is the frontrunner in adopting EU regulations and its electricity sector is the best performing in the region. The large combustion plant directive means that coal power plants will get an expiry date. The future is not coal-based. And even today, one can work with coal under limited conditions only. North Macedonia plans to continue with gasification to replace coal, pending adopting legislation that would resolve a dispute between the state and a private company over the ownership of a joint gas transmission company. De-carbonization requires state planning, strong institutions, political leadership, and a strong energy regulator. The renewable energy plan of North

Macedonia is a very ambitious project. The Energy Community has evolved from a policeman position to a governance advisor.

*“The energy systems will not decarbonize by themselves and you need a strong degree of state planning and in this respect, there is more to it than complying with European rules and having strong institutions. North Macedonia’s draft national energy and climate plan submitted to the Energy Secretariat for review is much more than an energy strategy, North Macedonia is the first to submit that kind of document in the energy community and the country is prepared to move to the next level following the EU.”- Dirk Buschle*



Overall, it is clear that energy supply from one source is outdated and significant efforts are made in the region to diversify the energy sources, such as the new project on gas interconnector with Greece. There are several ongoing projects in North Macedonia about investing in renewables including replacing coal. Plans refer to investment in storage and new technologies. North Macedonia and the region are interested in developing a decarbonized economy

that requires the involvement of the entire community. To enable a good integration of renewables, greater investment in the grid is needed. It is crucial to develop the environment for the investment of the private sector and improving the competition. Natural gas is seen as a crucial resource for the deployment of renewables. A key milestone for

developing a low carbon society has been set by the European Green Deal. A key aspect of the energy transition is in the regional cooperation to explore the low carbon market at a scale. The most relevant element for unlocking the low carbon transition is the strong political will of the governments.