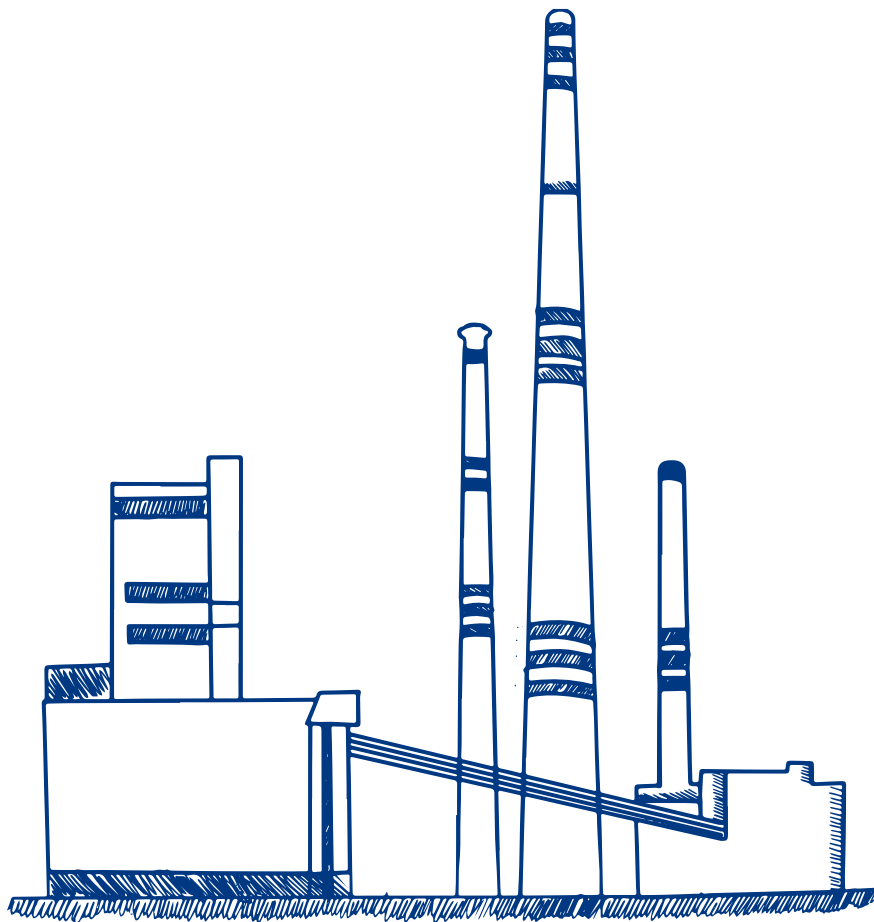


Kosovo*

Annual Implementation Report

1 November 2022










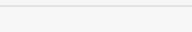

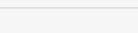

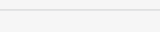

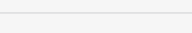




Energy Community Secretariat



Kosovo*

SUMMARY IMPLEMENTATION

SUMMARY INDICATORS	IMPLEMENTATION STATUS	2022 HIGHLIGHTS
 Electricity	 79%	With the focus on ensuring regular supply of electricity and preventing load shedding, Kosovo* made modest progress in improving market liquidity and competition.
 Gas	 34%	Kosovo* is reconsidering the role of natural gas in its energy mix.
 Oil	 19%	No progress occurred during the reporting period, and implementation remains at a low level. The draft Law on Compulsory Oil Stocks has been revised many times and should be adopted as soon as possible.
 Renewable Energy	 51%	Kosovo* came close to reaching its 2020 target. No substantial progress was achieved, however, the country's first renewables law is in consultation and should be adopted soon.
 Energy Efficiency	 64%	Kosovo* achieved its 2020 target, and increased expertise and tools for certification of buildings. A number of drafted-by-laws remain to be adopted.
 Environment	 44%	In the area of environment, some progress occurred during the reporting period but implementation still remains at a low level.
 Climate	 52%	There was no progress related to the NECP of Kosovo*. The draft law on climate change should be finalized by the end of 2022.
 National Authorities	 65%	ERO's independent tariff setting competences were safeguarded by a final decision of the Supreme Court and its decision-making quorum was re-installed. ERO continues to lack proactiveness on retail market opening. The competition and State aid authorities have started investigating abusive behaviour and State support in order to ensure compliance with the acquis.
 Statistics	 84%	This year, the Kosovo Agency for Statistics produced monthly data collections for the first time and published them on its website, working with EUROSTAT to start transmission in accordance with the acquis.

Overall number of cases: **3**

Procedure by Article **91**

ECS-4/19 State aid

ECS-8/21 Environment

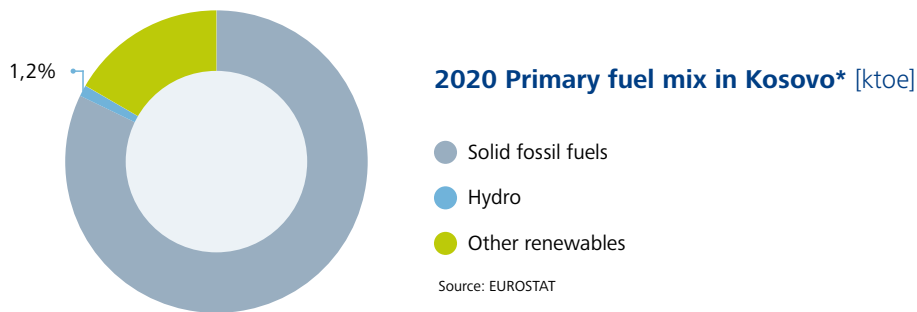
ECS-5/22 Environment

* Throughout this Implementation Report, this designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on them Kosovo declaration of independence.

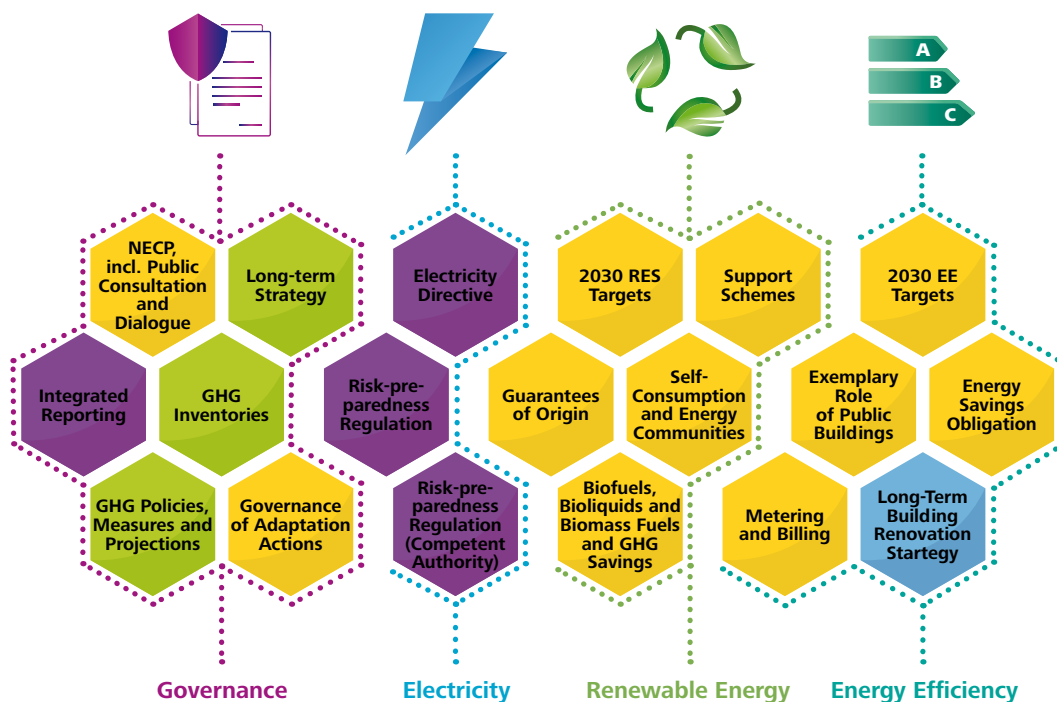
State of Energy Sector Reforms

Electricity market reforms were overshadowed by concerns over security of electricity supply. Nevertheless, modest progress in improving market liquidity and competition was achieved. Kosovo*’s track record when it comes to its environmental performance has deteriorated. Infringement cases for lack of environmental impact assessment legislation and breaching emission limits for large combustion plants initiated by the Energy Community Secretariat are ongoing.

When it comes to advancing on the green agenda, progress hinges on the adoption of the national energy strategy. Kosovo* is in the early stages of transposing the 2021 Clean Energy Package, with the exception of electricity legislation where drafting is yet to begin.



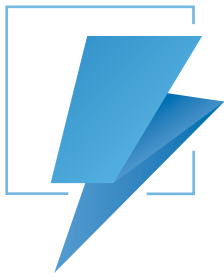
Decarbonisation readiness - 2021 Clean Energy Package transposition



	Regulation (EU) 2018/1999	Directive (EU) 2019/944 and Regulation (EU) 2019/941	Directive (EU) 2018/2001	Directive (EU) 2018/2002
--	---------------------------	--	--------------------------	--------------------------

Transposition status:

- Planning / no steps taken
- Drafting process
- Final draft / approval process
- Approved and published



ELECTRICITY IMPLEMENTATION

UNBUNDLING

100% ||

The transmission system operator KOSTT was ownership unbundled and certified in February 2019, following the Secretariat's positive Opinion. The distribution system operator KEDS is unbundled since 1 January 2015 and a compliance programme is in place. The compliance report for 2021 prepared by the compliance officer was approved and published in line with the law.

ACCESS TO THE SYSTEM

90% ↑

Access to the transmission and distribution system is based on the published grid codes and tariffs for the use of the network and connection fees, determined in accordance with respective methodologies and rules on quality standards, as well as rules on disconnection and reconnection of customers.

An extraordinary tariff review was requested by the transmission and distribution system operators to reflect the actual cost of electricity as the financial viability of the operators was at risk. New tariffs were approved in February 2022.

As the supply company KESCO was not able to procure sufficient electricity to meet demand, load shedding was performed in the winter 2021 - 2022 and in the summer 2022.

Connection Codes were transposed and implemented through the grid codes approved by the regulator.

WHOLESALE MARKET

79% ↑

Despite being formally open, the wholesale market is effectively foreclosed by the bulk supply agreement between the incumbent producer KEK and the universal supplier KESCO.

The Albanian power exchange ALPEX obtained a license for the operation of the day-ahead market in Kosovo*, to be operationalised two months following the launch of the Albanian day-ahead market by ALPEX. ALPEX, under a license already granted by ERO, will operate the day-ahead market in Kosovo* based on the service agreement with KOSTT. The procedure for the designation of a nominated electricity market operator in line with the CACM Regulation was adopted by ERO.

The balancing market is functional.

The Regulation on Integrity and Transparency of the Wholesale Energy Market (REMIT) was transposed through a regulatory act and implemented.

RETAIL MARKET

53% ||

All customers are free to choose supplier, however, due to the price increase in the period 2021 - 2022, no customers exercised this right. In practice, all customers, except those on high voltage, continued to be supplied at regulated prices. An extraordinary tariff review was requested by the universal service supplier to reflect the increase of wholesale prices and new tariffs are applied as of 9 February 2022. To incentivise household customers to reduce demand, ERO changed the tariff structure to introduce a block tariff with a consumption threshold of 800 kWh per month.

The obligation of universal service supply imposed on KESCO was extended by one year as of 1 April 2022. Following two unsuccessful tenders for supplier of last resort, ERO appointed the Kosovo Energy Corporation (KEK), licensed for electricity supply, as a supplier of last resort for a period of three years starting from 31 July 2022.

Electricity supply company Elektrosever was issued a license to supply customers in four municipalities in the north of Kosovo* for a period of five years starting as of 24 June 2022. The conclusion of a subcontract between KEDS and Elektrosever is still pending.

The primary legislation includes the definition of vulnerable customers, however, the relevant secondary legislation has not been developed yet. Subsidies for electricity costs for certain protected customer categories are granted based on the agreement of the Ministry of Finance, KEDS and KESCO.

REGIONAL INTEGRATION

63% ↑

Kosovo* has transposed and fully implemented the TEN-E Regulation in the reporting period.

KOSTT allocates cross-border capacities through SEE CAO. Intraday capacity is allocated bilaterally. Rules for the allocation of capacities on the interconnections with the control area of

Serbia have not been agreed yet and no auctions have been organised for the time being.

Cross-border balancing cooperation with Albania follows the agreement on the establishment of the Albania - Kosovo* (AK) control block. Market coupling between Albania and Kosovo* is envisaged to take place in parallel with the launch of the day-ahead market in Kosovo*.

RECOMMENDATIONS / PRIORITIES

Opening of the wholesale and retail market for competition remains a priority. The launch of the day-ahead market in line with the envisaged deadline along with the phasing out of the bulk supply agreement between the production company KEK and the universal supplier KESCO would contribute to unlocking competition and liquidity in the market for the benefit of Kosovo*'s energy consumers. KEDS should conclude a subcontract with Elektrosever for the north of Kosovo*.

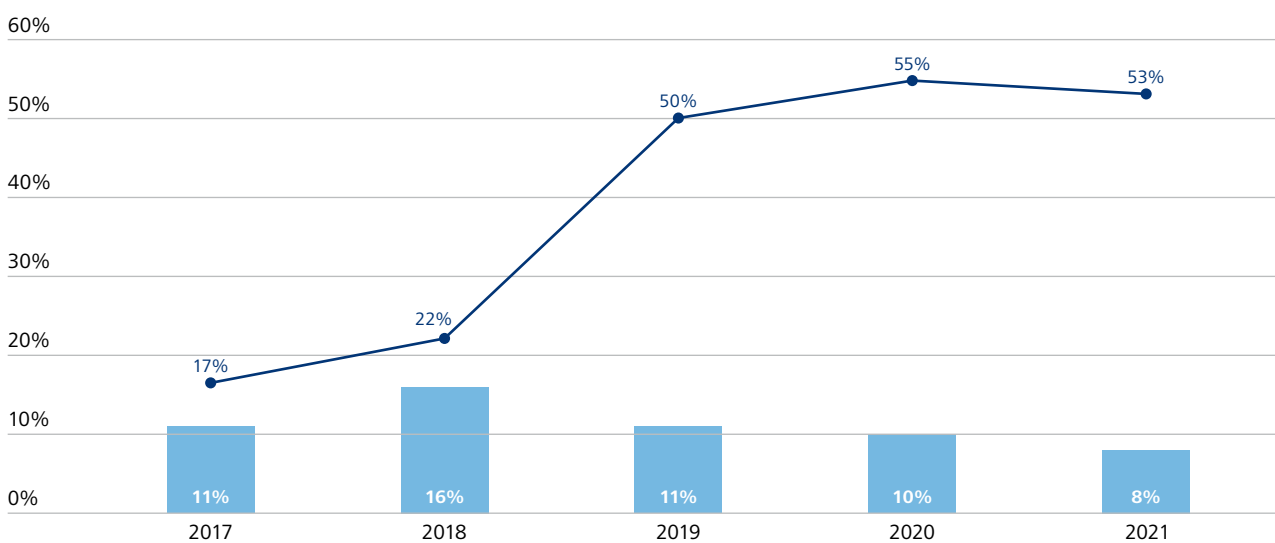
SECURITY OF SUPPLY

94%

Directive 2005/89/EC is transposed and implemented through primary and secondary legislation.

The draft Law on Security of Networks and Information Systems is at the final stage of being finalized and published for public consultation. This draft Law aims at transposing Directive (EU) 2016/1148 concerning measures for a high common level of network security and information systems, including certain provisions of NIS2. The Ministry of Economy is the leading institution for drafting the Law and conducting the relevant procedures for its adoption.

Retail Market Opening



Supply to active eligible customers in % for Kosovo*

Supply to active eligible customers in % for the Energy Community (weighted average %)

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



Kosovo*

Gas

GAS IMPLEMENTATION

UNBUNDLING

0% ||

Any future transmission system operator must apply the ownership unbundling model. This requirement was transposed by the 2016 Law on Natural Gas. No company has been identified to promote gas infrastructure.

ACCESS TO THE SYSTEM

0% ||

No gas network exists in Kosovo*. No rules providing for regulated third party access exist. The basic gas acquis requirements were transposed by the Law on Natural Gas.

WHOLESALE MARKET

0% ||

Kosovo* does not have a gas market.

RETAIL MARKET

0% ||

Kosovo* does not have customers using gas. The Law transposed basic elements for the protection of customers.

INTERCONNECTIVITY, REGIONAL INTEGRATION

30% ↑

Two projects have the PEI status; the North Macedonia – Kosovo* Interconnector (which is in the feasibility phase) and the Albania - Kosovo* Gas Pipeline ALKOGAP. Both would enable Kosovo* to access different gas sources, e.g. TAP or LNG from Greece or Croatia. Its feasibility is subject to the construction of the IAP project as a backbone pipeline. In recent years, neither project has matured.

SECURITY OF SUPPLY

0%

Kosovo* transposed partially the security of supply rules. Nevertheless, Kosovo* enjoys derogation from applying Regulation (EU) 2017/1938.

RECOMMENDATIONS / PRIORITIES

Kosovo* is still considering the most efficient way to decarbonize its energy sector. Gas supplies via pipeline are an increasingly unlikely option. In case it is back on the table, supply routes from North Macedonia or from Albania via pipeline could be a possibility.

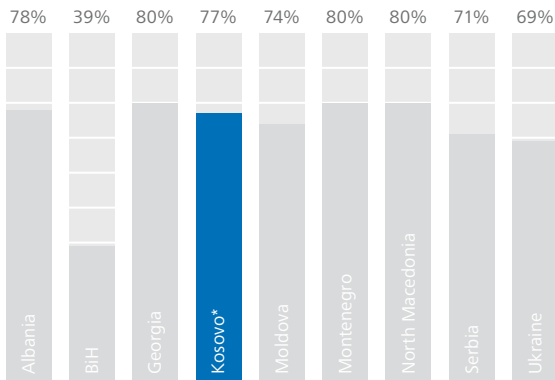


Kosovo*

National Authorities



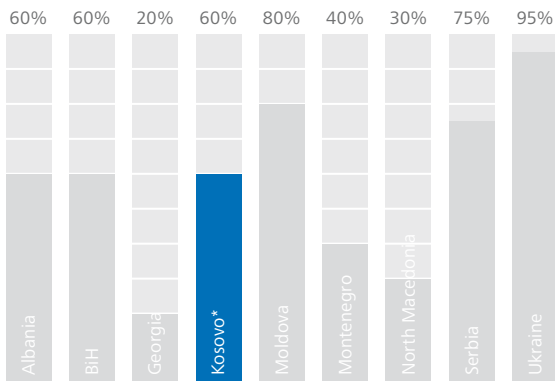
Regulatory Authority



In the reporting period, the Energy Regulatory Office (ERO) was exposed to Court investigations challenging the regulator's tariff decisions. This was overcome by a final decision of the Supreme Court. The regulator's decision-making quorum was re-installed. The regulator continued to be active in promoting self-consumption of customers by issuing licenses for installation of solar panels. On the other hand, ERO has repeatedly delayed retail market opening since 2018 for customers connected to 35 and 10 kV networks.



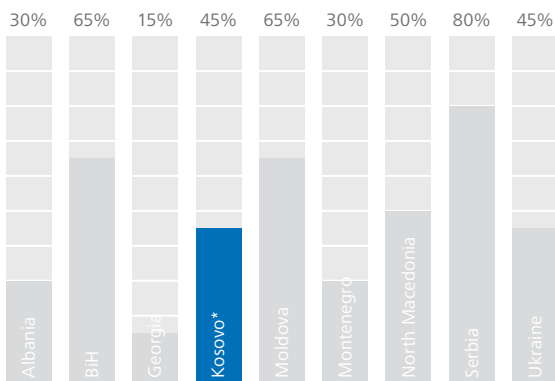
Competition Authority



The Kosovo Competition Authority opened an investigation into abuse of dominance by KEDS and KESCO by creating barriers to entry on the electricity supply market in December 2020, but has not rendered any decision yet in this regard. This should be a priority for the near future.



State Aid Authority



The authority responsible for enforcing the Law on State Aid consists of a State Aid Department (SAD), integrated into the Ministry of Finance, which receives, analyses and monitors notifications, and a State Aid Commission (SAC), the decision-making body. Despite its limited human and technical resources, the SAD has started to investigate State support in the energy sectors and has issued a number of guidance and advocacy documents during this reporting period.



Kosovo* Oil

OIL IMPLEMENTATION

OIL STOCKHOLDING OBLIGATIONS **0%** ||

Kosovo* is yet to comply with its obligations under the oil stocks acquis.

The draft Law on Compulsory Oil Stocks from 2014 was subject to a public consultation which ended in August 2022. The Law was sent to the Ministry of Finance for budgetary impact assessment.

RECOMMENDATIONS / PRIORITIES

The Law on Compulsory Oil Stocks is compliant with the oil stocks acquis. Its adoption should be prioritised.

The non-compliant sulphur content limit for gas oil for NMRR should be addressed within 2023.

FUEL SPECIFICATIONS **75%** ||

Kosovo* has transposed the main provisions of the Fuel Quality Directive save for the provisions on sulphur content in gas oil for non-road mobile machinery (NMRR).



Kosovo*

Renewable Energy

RENEWABLE ENERGY IMPLEMENTATION

NATIONAL RENEWABLE ENERGY ACTION PLAN

50% ↓

Kosovo* has registered a 24,40% share of renewables in 2020 and came very close to reaching its 25% target for 2020. The sectorial target for heating and cooling was overreached, while contributions of renewable energy to electricity and transport were still very low.

QUALITY OF SUPPORT SCHEME

40% ||

The 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. Renewable energy producers under the support scheme are liable for 25% of their total imbalance costs.

GRID INTEGRATION

68% ||

The system operator is obliged to give dispatching priority to generating installations using renewable energy sources grounded on transparent and non-discriminatory criteria.

ADMINISTRATIVE PROCEDURES AND GUARANTEES OF ORIGIN

64% ||

A one-stop shop supported by an inter-institutional coordination committee made up of all authorities involved in the development of renewable investments is not yet in place, despite the regulation on its establishment being adopted by the Government already in 2018. Kosovo* joined the Energy Community initiative to establish a regional system for guarantees of origin. The national electronic registry for guarantees of origin in Kosovo* was created and can be utilized as soon as the energy regulator, as the designated issuing body, signs a direct agreement with the service provider.

RENEWABLE ENERGY IN TRANSPORT

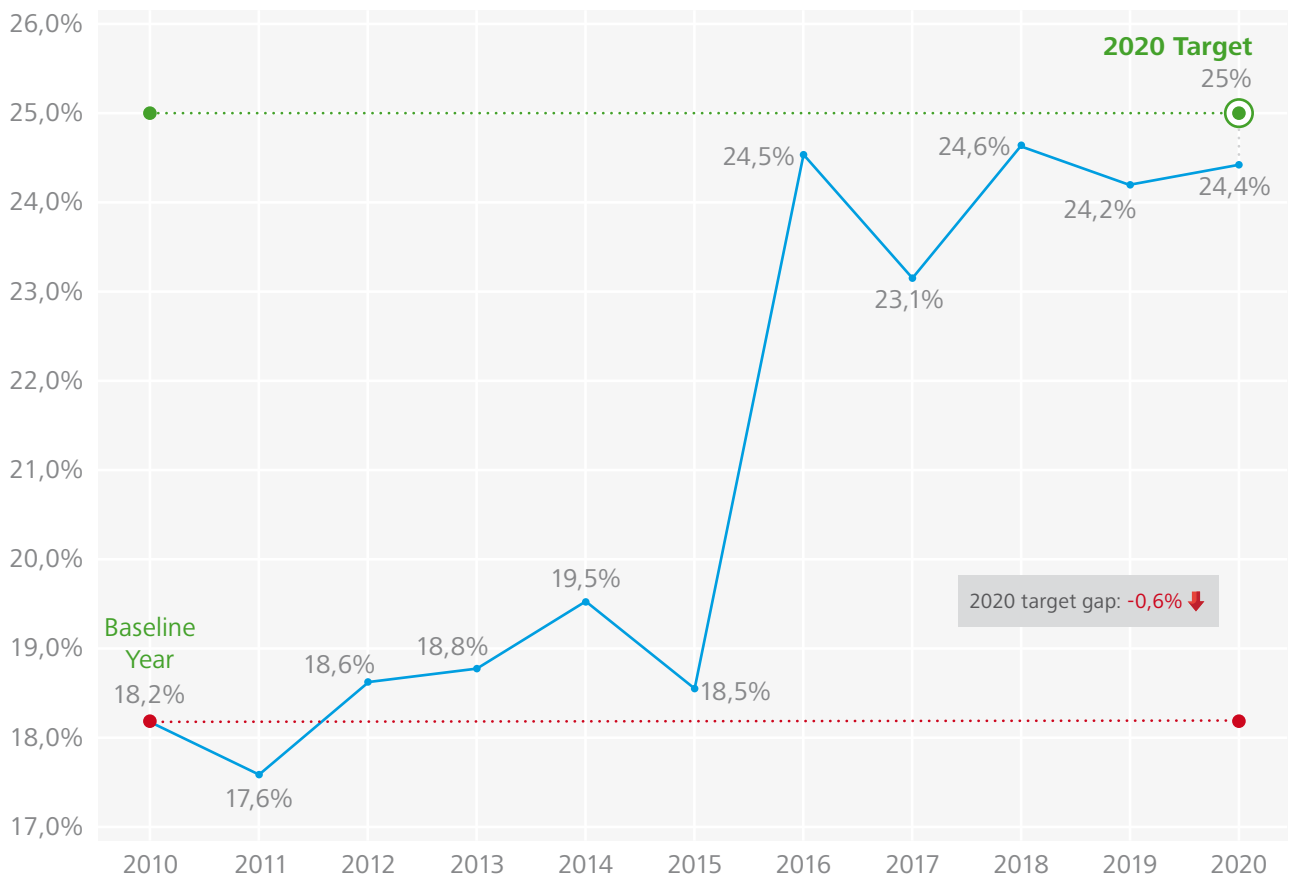
0% ||

Provisions related to the sustainability of biofuels are only partially transposed through the Law on Trade in Petroleum Products and Renewable Fuels adopted in April 2022.

RECOMMENDATIONS / PRIORITIES

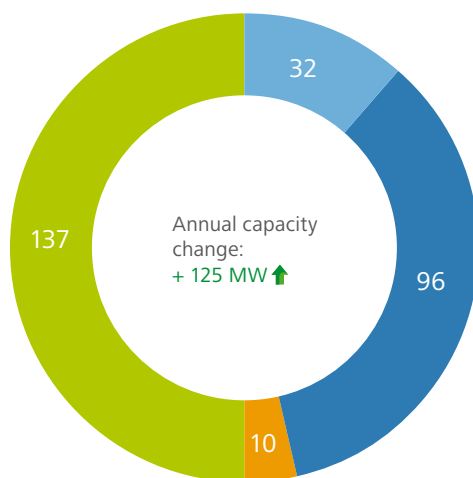
Kosovo* should proceed with the adoption of its first renewable energy law to transpose and implement Directive (EU) 2018/2001 by the end of 2022. Permitting procedures need to be simplified and streamlined to enable faster deployment of renewables. The energy regulator, as the designated issuing body for guarantees of origin, should sign a direct agreement with the service provider and start using the national electronic registry developed during the regional project.

Shares of Energy from Renewable Sources



Source: EUROSTAT

Total Capacities of Renewable Energy 2021 (MW)



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

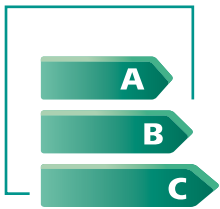
Source: Ministry of Economy and Environment

In 2021, the largest wind farm Selac in Kosovo* was put into operation. The wind farm, encompassing 27 wind turbines, has installed capacity of 102,6 MW. The wind park was granted strategic investor status in February 2018.

Besides Selac, only 22 MW of small hydropower capacities were commissioned in 2021.

Total capacities of renewable energy (MW):

275



Kosovo*

Energy Efficiency

ENERGY EFFICIENCY IMPLEMENTATION

ENERGY EFFICIENCY TARGETS AND POLICY MEASURES

57% ↑

Kosovo* has achieved the 2020 energy efficiency target. The draft sixth Annual Progress Report was submitted to the Secretariat in November 2022. The monitoring and reporting framework for policy measures has been improved with a new regulation and platform for reporting.

The 2018 Law on Energy Efficiency set an energy efficiency obligation with a 0,7%, target and a 1% annual central government buildings renovation target. However, the Law needs to be amended to reflect the more ambitious energy efficiency targets set by the amended Energy Efficiency Directive.

ENERGY EFFICIENCY IN BUILDINGS

86% ↑

Kosovo* adopted the necessary by-laws to implement the Law on the Energy Performance of Buildings. Activities to strengthen expertise and tools for certification of buildings are ongoing, including on the new registry and certification software. Kosovo* drafted plans to boost nearly zero-energy buildings and a building renovation strategy, but their adoption is pending.

ENERGY EFFICIENCY FINANCING

84% ↑

The Energy Efficiency Fund continued public calls for improvement of energy efficiency during 2022 and signed 73 agreements with 22 municipalities worth EUR 9 million. There are ongoing activities to extend financing for the residential and private sector in the near future.

Rules on energy efficient public procurement, ESCOs and energy performance and supply contracts are in line with the acquis.

ENERGY EFFICIENT PRODUCTS – LABELLING

49% ||

Kosovo* still fails to implement the delegated regulations adopted by the Ministerial Council in October 2014 and November 2018. Only the labelling regulations adopted by the 2010 Ministerial Council have been implemented.

EFFICIENCY IN HEATING AND COOLING

46% ||

Kosovo* has district heating systems in four municipalities, which predominately rely on fossil fuels. A biomass-based cogeneration plant in Gjakova municipality became operational in the winter season of 2021/2022. There is also progress in implementing consumption-based metering, as the Pristina district heating company installed individual meters and thermostatic valves for 17.500 customers. The assessment of the high-efficiency cogeneration and efficient district heating and cooling potential, as required by the Energy Efficiency Directive, is still not completed.

RECOMMENDATIONS / PRIORITIES

The adoption of the remaining secondary legislation required for implementation of the Energy Efficiency Law remains of the highest priority.

This also includes the adoption of the draft plan for implementation of the energy efficiency obligations, draft long-term building renovation strategy and draft plan to boost nearly zero-energy buildings in Kosovo*. Transposition of the labelling delegated regulations should start as soon as possible, possibly with technical assistance.

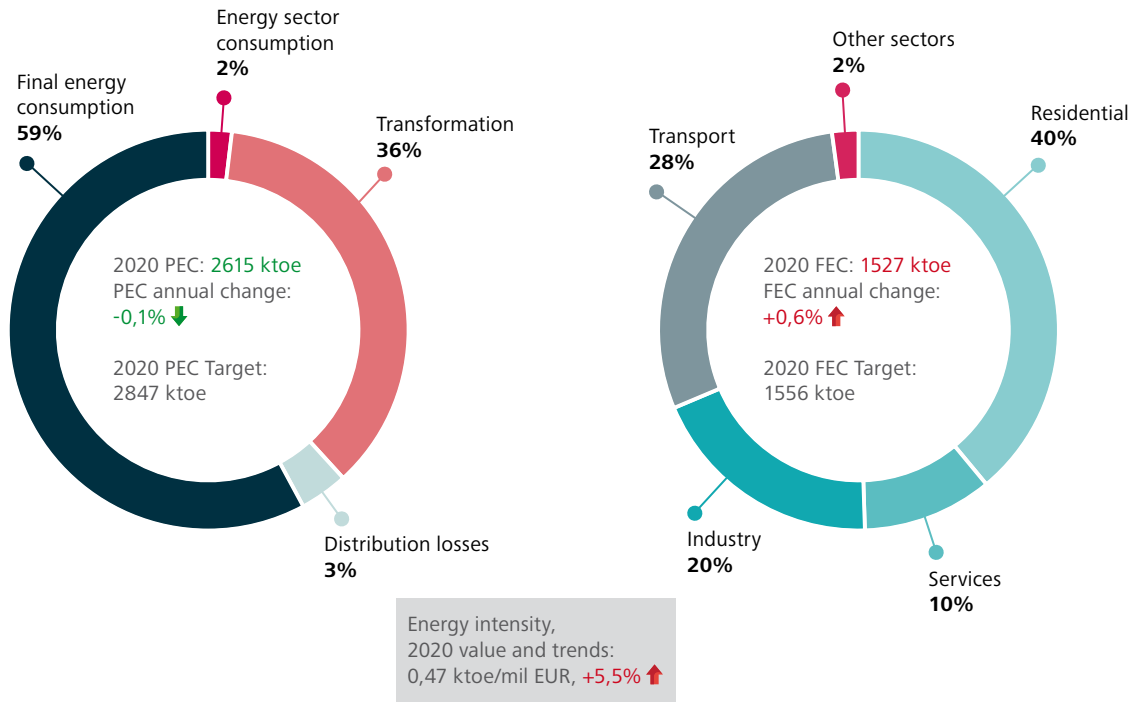
After adoption of the necessary reporting framework, a monitoring and verification platform (MVP) for energy savings should be put into operation by the Energy Efficiency Agency.

The Annual Progress Report on the implementation of the Energy Efficiency Directive should be finalised.

2020 Energy Efficiency Indicators and Trends












Primary Energy Consumption (PEC)

Final Energy Consumption (FEC)



Source: EUROSTAT 2022 data and Contracting Party's Reports

Energy Efficient Products – Overview of Implementation of Labelling Regulation

											
FRAMEWORK REGULATION*											
Household dishwashers	●										
Fridges and freezers*		●									
Household washing machines			●								
Televisions				●							
Air conditioners and fans*					●						
Household tumble driers						●					
Electrical lamps and luminaires							●				
Solid fuel boilers*								●			
Space heaters*									●		
Water heaters & storage tanks										●	
Domestic ovens and range hoods											●

● Adopted and implemented ● Compliance or implementation issues detected ● No progress with adoption/implementation

* The new labelling package adopted by the Ministerial Council in November 2018 was assessed, as the transposition deadline expired in January 2020.

Source: multiple sources of data (EECG reports, NEEAPs etc.), compiled by the Energy Community Secretariat



Kosovo*

Environment

ENVIRONMENT IMPLEMENTATION

ENVIRONMENTAL ASSESSMENTS

36% ↓

The draft Law on Environmental Impact Assessment (EIA) aimed at fully transposing the EIA Directive was finalized but not adopted. Therefore, the Secretariat initiated an infringement case against Kosovo*. With the assistance of the Government and the civil society sector, the Secretariat conducted in July 2022 an onsite visit to the built HPPs cascade Decani subject to complaints. The public participation in the environmental decision-making process for hydropower development in Kosovo* was assessed by the Ombudsman's Office (Report No. 365/2018) and issues with access to information, participation and access to justice are identified in the procedures for all hydropower projects. The recommendations stipulated by the Ombudsman's report have not been fully implemented yet.

The 2010 Law on Strategic Environmental Assessment (SEA) is not fully aligned with the SEA Directive. The requirement for mandatory scoping of the SEA report set by the SEA Directive is not stipulated by the Law. Concerning the impacts on biodiversity, the SEA Law does not regulate the content of the SEA report with regard to protected areas until the establishment of the NATURA 2000 network. It stipulates that the SEA report and the outcome of the consultations, including transboundary consultations, should be taken into account in the preparation of the plans and programmes before their adoption, however, it does not provide a legal procedure for it. These shortages should be addressed in the new SEA Law for full alignment with the SEA Directive. The draft Energy Strategy 2022 - 2031 prepared in the reporting period was not made subject to SEA screening despite that the content of the draft document might fall within the scope of the SEA Directive.

SULPHUR IN FUELS

92% ↓

Kosovo* has transposed the provisions of the Directive 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 is carried out by the customs authorities at border crossing points. Provisions on marine fuels do not apply.

LARGE COMBUSTION PLANTS

53% ↓

Kosovo* complied with its emissions reporting obligations for the reporting year 2021 in March 2022. It addressed the breach of the incorrect transposition of the Large Combustion Plants Directive via the adoption of the new administrative instruction in 2021. Emissions of sulphur dioxide and nitrogen oxides decreased significantly compared to 2020 levels, while dust emissions increased slightly. Kosovo* still does not comply with the NERP ceilings for all three pollutants, which is subject to infringement action since March 2021.

NATURE PROTECTION

26% ↓

The 2010 Law on Nature Protection is outdated and not in line with the legislation on EIA and SEA. In the reporting period, the municipality of Lipjan declared nine new protected areas as Monuments of Nature - mainly areas with hydrological, botanical and geological characteristics. Kosovo* faces serious challenges with the management of the (over 90) Monuments of Nature due to the lack of capacity and finance. Kosovo* still lacks the inventory of wetlands that would provide the basis for legal protection for the Ramsar sites. Management is still not set for the artificial special protection area (SPA) for birds "Henc". The management of the two national parks, "Bjeshket e Nemuna" and "Sharii (Shar) Mountain", still lacks a cross-border protection component with the bordering national park "Shar Moutain" in North Macedonia, "Prokletie" in Montenegro and "Valbona valley" in Albania. The national inspectorate still lacks the technical and human capacity to monitor the protected areas.

ENVIRONMENTAL LIABILITY

0%

The Environmental Liability Directive is not transposed into national legislation yet and no preparatory steps have been taken in that respect.

RECOMMENDATIONS / PRIORITIES

The Law on Environmental Impact Assessment and the secondary acts concerning the EIA Commission should be adopted. The drafting of secondary legislation to establish the EIA Commission envisaged by the draft EIA Law should start as early as possible. The human and technical capacities of the public authorities must be improved in order to facilitate and streamline the EIA processes. The amendments to the SEA legislation should be sped up in order to secure a proper SEA process for the NECP.

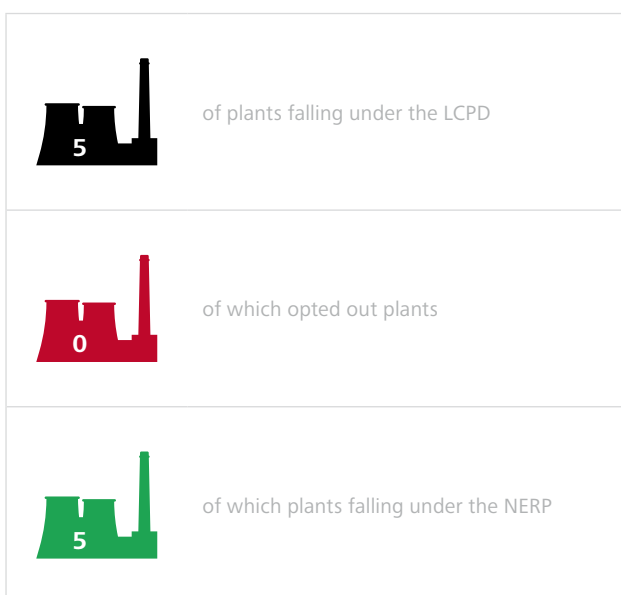
The long-lasting breach of the NERP ceilings has to be addressed by installing the needed emissions abatement techniques. The draft Law on Industrial Emissions needs to be harmonized with the administrative instruction.

Kosovo* should ensure that the quality control of fuels falling under the scope of the Sulphur Directive is done systematically and with sufficient frequency, using the sampling methods required by the Directive.

Kosovo* should amend its nature protection legislation and secure technical and financial assistance for preparing the inventory of wetlands.

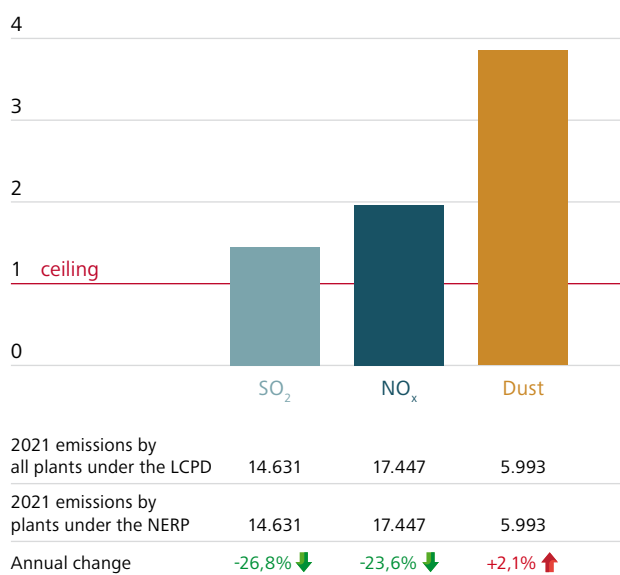
The provisions of the Environmental Liability Directive should be transposed into national legislation without delay.

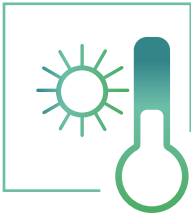
Installations under the Large Combustion Plants Directive



Source: compiled by the Energy Community Secretariat

2021 emissions versus NERP ceilings





Kosovo* Climate

CLIMATE IMPLEMENTATION

NATIONAL GREENHOUSE GAS EMISSIONS MONITORING AND REPORTING SYSTEMS

52% ↑

Kosovo* is drafting its Law on Climate Change with the Secretariat's active support. The draft Law is expected to incorporate existing secondary legal acts (Administrative Instructions) and to transpose climate-related elements of the Governance Regulation. The target date for adopting the Law is the end of 2022.

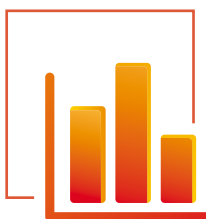
NATIONAL ENERGY AND CLIMATE PLANS (NECPS)

51% ||

Due to the development of and the discussions related to the draft Energy Strategy, there was limited progress on the NECP with only initial steps being taken to revise the modelling assumptions based on the incoming 2030 targets. The NECP is expected to be updated once the Energy Strategy is adopted in order to ensure consistency among the documents and also with the Energy Community 2030 targets for Kosovo*.

RECOMMENDATIONS / PRIORITIES

The draft Law on Climate Change should ensure the transposition of the climate-related elements of the Governance Regulation.



STATISTICS IMPLEMENTATION

ANNUAL STATISTICS

86% ↓

Since 2015, the annual questionnaires have been submitted to and published by EUROSTAT. The breakdown of energy consumption of households is compiled by the Kosovo Agency for Statistics, KAS, and transmitted to EUROSTAT.

The quality report was transmitted to EUROSTAT in 2019, whereas the updated quality report due by July 2022 is yet to be drafted.

Preliminary questionnaires with 2020 data and the SHARES questionnaire were prepared and transmitted on time.

MONTHLY STATISTICS

50% ↑

In accordance with the programme of official statistics 2018 - 2022, KAS was obliged to develop a methodology and start data collection and dissemination of monthly statistics in accordance with the Energy Statistics Regulation. The preparations are completed and the first sets of data for coal, oil and electricity from January 2022 onwards are ready to be transmitted for validation to EUROSTAT.

PRICE STATISTICS

75% ↓

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. KAS is working on improving the quality of data, since existing subsidies and surcharges influence the level of end-user prices and breakdown into subcomponents.

The quality report on electricity price statistics has not been provided yet.

RECOMMENDATIONS / PRIORITIES

The submission of monthly statistics is crucial for Kosovo* to improve its statistics acquis compliance record. It is urgent to update the quality report on energy statistics and submit the quality report on price statistics.