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Energy Efficiency in Kosovo

An analysis of the legal framework
and its implementation



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Authors: **Dardan Abazi, Darsei Canhasi, Burim Ejupi and Rinora Gojani**

Editor: **Krenar Gashi**

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Regional Cooperation



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Sustainable Development



Qeverisja Demokratike
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ACRONYMS

KEEA	Kosovo Energy Efficiency Agency
EU	European Union
INDEP	Institute for Development Policy
KEK	Kosovo Energy Corporation
KOSTT	Transmission, System and Market Operator
KTOE	Kiloton of Oil Equivalent
MTOE	Megaton of Oil Equivalent
MED	Ministry of Economic Development
ECT	Energy Community Treaty
TOE	Ton of Oil Equivalent
ERO	Energy Regulatory Office

1. INTRODUCTION

Energy and the sufficient sources of energy represent one of the largest challenges to human civilisation in general and to developing countries in particular. The lack of sufficient sources of energy and the capital to utilise those sources has caused the need to use the existing amounts of energy as efficiently as possible. These concerns add to the problem of the increase in the amount of carbon dioxide (CO₂) emitted into the atmosphere, a global problem. With these challenges in mind, energy efficiency is a promising method to reduce and bring under control the enormous increase in energy use.

Countries and international organisations have taken important steps in the direction of reducing the level of global energy consumption. The Kyoto Protocol of 1998 to the United Nations Framework Convention on Climate Change determines that every country has to take measures to increase energy efficiency at the national level.¹ As a result, for the purpose of fulfilling these objectives on energy efficiency, measures have begun to be taken in many countries of the world.

Energy efficiency, which entails lowering energy consumption within a given territory, is wide in scope and not an easy objective to achieve. From the legal framework, to the technical condition of the grid and to consumer behaviour, achieving higher efficiency is the resulting effort of numerous factors. It entails all the actions and activities that result in the lowering of the necessary amount of energy to offer a service or enable an activity.² The indicator of energy efficiency is the annually consumed amount of energy compared to the level of gross domestic product per capita (GDP).³ Such a comparison enables the assessment of the amount of energy spent for the total domestic products, thus presenting the state of energy efficiency of a country.

Numerous public policies are drafted with the purpose of increasing the level of energy saving. Investments in the technical aspect, incentive measures, information and awareness-raising in this field are the primary elements in increasing efficiency. Technical investments for the purposes of efficient production and distribution are of a large importance at a time when many countries lose vast amounts of energy during the process of distribution.

Investments in energy efficiency in Kosovo, similar to all other investments in general, have been lacking for almost two decades during the period of repression. The destruction during the last war has caused Kosovo society to strive for a quick reconstruction. Due to geopolitical

¹ United Nations Organisation. Kyoto Protocol, Framework Convention of the United Nation on Climate Change. (1998)

² World Energy Council. Energy Efficiency: A Plan for Success. (2010). (English)

³ Ibid.

developments, the war and numerous economic problems, Kosovo is believed to be ranked as one of the last countries in the region concerning energy efficiency.

The World Bank has a chart with data on the loss of energy in the transmission and distribution network for many different countries. In those charts it can be noticed that even though trends are in the decline, losses during distribution still remain high. Technical losses for Kosovo remain a serious problem.

The absolute majority of energy in Kosovo is used for residential needs.⁴ The absolute majority of houses in Kosovo, including old and new buildings, are not efficient. Furthermore, a large part of the houses and apartments in Kosovo use electrical energy for heating, causing energy efficiency to be at an alarmingly low level. Kosovo authorities have begun planning and drafting public policies related to efficiency based more on the requests made by the European Union rather than on the basic need for efficiency.

The legal basis through which Kosovo has attempted to regulate the field of energy efficiency has begun with the Law on Energy No. 2004/8 in 2004. This legal framework has continued with the Law on Electrical Energy No. 03/L201, the Law on the Energy Regulator No. 03/L-185 and the Law on Energy No. 03/L-184 which supersedes and replaces the law of 2004. The most important law, the Law on Energy Efficiency, attempts to define more specifically the role and powers of institutions and is essential for the creation of the institutional basis for energy efficiency. However, the law for energy efficiency is complemented by different plans, strategies, instructions and regulations that stem from the line Ministry and other responsible institutions.

The Institute for Development Policy (INDEP) has monitored the implementation of the Law on Energy Efficiency. From the analysis of the documents and the data, it results that all the official documents attempt to fulfil the requests that stem from the European Union Directive (EU) 2006/032 on Energy Efficiency. Their implementation is a completely different thing, where due to the lack of the policy creation cycle the law is not being fully implemented. However, new challenges in the legislative field are emerging as the European Union is in the final phase of adopting of Directive 2011/0172 which has foreseen higher objectives in the field of energy efficiency.

This publication analyzes thoroughly the elements of public policy related to energy efficiency. The purpose of the publication is to highlight the problems of these elements by opening the path for new, in-depth, studies related to the general improvement of public policy in this field.

⁴ Experts assess that more than 80% of energy is used for household needs.

The publication reflects the current situation mainly from the legal, and also somewhat the practical, perspective of efficiency with the aim to assist the relevant institution in changing the policies and undertaking additional measures towards the achievement of energy efficiency. The special focus of the paper is the legislative aspect, through an analysis of the Law on Energy Efficiency and the First Midterm Kosovo Action Plan for Energy Efficiency 2010-2012.

During the preparation of this paper, INDEP has used qualitative methodology. The key element of the analysis is the Kosovo Law on Energy Efficiency, specifically the contents of the law, the level of implementation and its harmonisation with EU Directives and the laws of countries in the region. The administrative instructions, secondary legislation acts, action plans and strategies served for a more in-depth study of the Law on Efficiency and in understanding its scope. On the level of fulfilment of legal provisions foreseen by the Law on Energy Efficiency, the *Report on the implementation monitoring of the Law on Energy Efficiency* prepared by INDEP was used as a basis for this paper. The comparative analysis of the Kosovo law with the laws of countries in the region provides an opportunity to identify a number of useful findings that contributed to the conclusions of this paper. In addition to the laws of countries in the region, the European Union Directives on Energy Efficiency were used as an important reference during the analysis. Finally, in order to assist a more in-depth review of the causes and effects of the findings of this study, INDEP has conducted interviews with responsible officials from the institutions of the Kosovo Energy Efficiency Agency, the Energy Department within the Ministry of Economic Development and the Energy Regulator Office.

2. GENERAL INFORMATION

In Kosovo, electricity is produced by burning coal. More than 97% of electrical energy produced in Kosovo comes from the two existing thermal power plants, Kosova A and Kosova B.⁵ In addition to the problems these two thermal power plants have had in production, with frequent interruptions in their operation, the Kosovo Energy Corporation (KEK) has encountered problems in billing the produced energy, with 74.35% of the sold energy being billed in 2011.⁶ Besides the aforementioned, energy losses remain an enormous problem where during 2011 the registered losses comprised 38.15% of the total consumption.⁷ Therefore, the total amount of losses in the system is divided into 16.78% of technical losses and 21.37% of commercial losses.⁸

⁵ Energy Regulatory Office, Annual Report 2011, Prishtina (2012), page 29

⁶ Ibid. page 36.

⁷ Ibid. page 34.

⁸ Ibid.

Such large energy losses happened at a time when the demand for energy consumption was marked by an increase.

In 2009 the general gross consumption was 5,275,108 MWh, while in 2011 this figure increased to 5,584,370 MWh, or close to 6%.⁹ On the other side the GDP per Capita has increased due to smaller reported number of inhabitants than what was being calculated earlier. Thus the GDP per capita for 2011 is 2,368 Euro.¹⁰ Therefore, the continuous increase of consumption and the large technical and commercial losses in the transmission and distribution grid have increased the need for adequate measures for achieving the energy efficiency objectives.

The First Midterm Kosovo Action Plan for Energy Efficiency 2010-2012 foresees the achievement of 9% saving until 2018¹¹, while the European Directive 2006/32/EC foresaw for this objective to be achieved no later than 2016.¹² The objective of 9% was calculated by subtracting by 9% the total value of the foreseen demand for energy for the period of 2009-2018. Such an energy forecast has been made taking into consideration the scenario of average growth in the GDP by 3.1%.

The forecasted level in energy demand in the Action Plan is not in line with the one forecasted in the Energy Strategy for 2009-2018. While the Energy Strategy foresees that until 2018 there will be an increase in the demand for energy of more than 65% in comparison to 2005, the Action Plan foresees that this increase in comparison to 2005 will be only 48%. Expressed in ktoe (kiloton of oil equivalent), the Action Plan foresees that in 2018 the demand will be 1610 ktoe¹³, while the Energy Strategy foresees a level of 1920 ktoe¹⁴ of energy demand for 2018.

Basing on these figures which do not match with the Kosovo Energy Plan, the Action Plan has presented average figures of consumption taking into consideration the values of consumption for five years before the application of the Directive (2003 -2007 period), where the figure of 1021.08 ktoe was derived, and from which 9% were subtracted for efficiency or specifically 91.89 ktoe.¹⁵ Furthermore, we noticed that in order to derive the average consumption, the drafters of the Action Plan have used an exact period of five years before the application of Directive 2006/32, as required by the directive. On the other side, the objective of 9% was foreseen to be reached until 2018 and not in the nine years of application of the Directive 2006/32, as required by

⁹ Ibid. page 24.

¹⁰ World Bank (2011), Kosovo Partnership Program Snapshot

¹¹ First Midterm Action Plan for Energy Efficiency in Kosovo (2010-2012), page 19.

¹² European Union. Directive number 32 of year 2006, Official Gazette of the 27th of April 2006, L114, page 64.

¹³ First Midterm Action Plan for Energy Efficiency in Kosovo (2010-2012), page 19.

¹⁴ Republic of Kosovo, Ministry of Energy and Mines (2009), Republic of Kosovo Energy Strategy 2009 – 2018, page 54.

¹⁵ First Midterm Action Plan for Energy Efficiency in Kosovo (2010-2012), page 19-20.

the directive.¹⁶ This constitutes a significant problem as the Action Plan has used an older period (in which consumption was lower) in order to derive the average and calculate the requirements for efficiency, which consequently caused for the objective to be lower. As a result, the Kosovo Action Plan for Energy Efficiency has an objective of about 11% lower than the Kosovo Energy Plan.

	Action Plan	Energy Plan
Average level of energy consumption	1021.08 ktoe	1144 ktoe
Level of saving of 9% to be reached until 2018	91.89 ktoe	102.96 ktoe
Difference %	-10,75%	

Furthermore, the proposal for the new Directive of the European Union for Energy Efficiency 2011/0172¹⁷ states that by 2020 the objective is 17%. Even with the accomplishment of the Action Plan's objective of 9% energy efficiency until 2018, Kosovo will still be far from the objectives of the Directive 2006/32/EC that demands an efficiency target of 9% until 2016. The target foreseen from the Action Plan of Kosovo is not valid because it is not in harmony with the directive in terms of the objective quantity and timeframe.¹⁸ Furthermore, from the following analysis, it can be seen that in relation with countries of the region Kosovo has lower objectives for energy saving.

The objective foreseen with the Action Plan has started to be implemented, even though the quality of inspection of the implementation has not been at a satisfactory level. Until May 2012, Kosovo has recorded 2.2% in energy savings, which is a satisfactory figure compared to the objective foreseen in the Action Plan and the Midterm Plan 2010-2012, in which the objective is 3%.¹⁹ However, this is overshadowed when we consider the low objective foreseen with the Action Plan 2010-2018 and when compared to the new requirements of the European Union.

The Municipalities are responsible for the implementation of a considerable part of the objectives for efficiency. This is due to the Law on Efficiency foreseeing that each municipality shall draft its own municipal plan and report periodically to the KEEA in relation to the

¹⁶ Directive 2006/32/EC, Annex 1, 1c

¹⁷ New European Directive 2011/0172 will supersede European Directive 2006/32/EC.

¹⁸ INDEP interview with Vlasia Oikonomou, expert at the Joint Implementation Network. Prishtina, Kosovo, October 2012

¹⁹ INDEP interview with Bedri Dragusha, CEO of the Kosovo Energy Efficiency Agency, Prishtina, July 2012

implementation of these plans. These measures could also allow for the extension of the implementation of the Action Plan objectives in the municipalities, which would make the efficiency objective more attainable.

Despite this, local governments have remained behind in the implementation of measures for energy efficiency. The Law on Efficiency has failed to create the necessary institutional basis at the local level with which the implementation of specific municipal plans for energy efficiency would be conducted.²⁰ This stagnation has caused the pronounced lack of progress on energy efficiency at the municipal level.

3. POLICIES FOR INCREASING ENERGY EFFICIENCY

Some of the policies developed for the increase of efficiency in Kosovo are related to the entry into force of the Administrative Instruction on the Labelling of Energy Products, the introduction of excise tax for inefficient light bulbs, mandatory application of energy efficiency measures related to the issuance of the utilisation permit for buildings, the increase in the price of electricity by 8.9% and application of block tariffs.

The labelling of equipment that consumes energy, as will be explained later, is a practice which is used in many countries. In July 2012, Administrative Instruction No. 09/2012 entered into force for the Labelling of Equipment that Consume Energy.²¹ This decision enabled the consumers to be more informed on the energy utilisation of different equipment, which as a result provides conditions for better utilisation of such equipment, and at the same time allows them to have control on the level of energy consumption.

The excise tax on inefficient light bulbs is another measure to increase the energy efficiency with the consumers. With decision no. 01/75 of 23 May 2012 of the Kosovo Government the request of the Ministry of Finance for the amendment of the list of Annex A to the Law No. 03/L-220 on the Norm of Excise Tax in Kosovo on plastic bags, used tires and non-efficient light bulbs was approved.²² Since entry into force, every non-efficient light bulb will have an excise tax of 30 Euro cents, which as a result is expected to lower the demand for them in the market and increase the demand for efficient light bulbs.

²⁰ Report on monitoring the implementation of the Law on Energy Efficiency. Institute for Development Policy (INDEP). Prishtina (2012), page 4.

²¹ Government of the Republic of Kosovo. Administrative Instruction No. 09/2012 on the Labeling of Energy Related Products that Use Energy.

²² Government of the Republic of Kosovo. Decision No. 07/75, 23 May 2012.

The Law of the Republic of Kosovo on Construction, adopted on 31 May 2012, determines the application of energy efficiency measures in the construction of buildings. The law foresees that efficiency measures are one of the objectives of the The Unified Construction Code of the Republic of Kosovo.²³ Building development based on efficiency is now required by the Law on Construction, where each user of the developed buildings is obliged to obtain an utilisation certificate, which is conditioned by energy efficiency measures.²⁴ Having said this, the Law on Construction is a step forward, even though it would be more favourable if such measures would have been directly inserted into the Law on Energy Efficiency.

In June of 2012, the Energy Regulator Office (ERO) has adopted the new tariffs for electrical energy, which marked an increase in the price by 8.9%. This decision came as a result of the request from the Kosovo Energy Corporation (KEK) for the rates to increase by 23%, a request which was considered by the ERO, which took the decision that the norm of price increase should be 8.9%.²⁵ In the media briefing of ERO, energy efficiency is not mentioned as one of the reasons for the increase of the rates. Furthermore, for ERO it is important for the rates to cover the cost of production and service, hence the increase in price is not made to contribute to energy efficiency.²⁶ However, it is expected that this price increase would lower the consumption of energy and as a result contribute to efficiency.

A policy that increases efficiency, despite the fact of it being an unforeseen effect, is the block rates that were initiated in 2006. Conceptualised as a social policy to assist the poor, it would theoretically have an effect also on energy saving even though there are no measurements that prove such a thing.²⁷ The effect that the increase in the electrical energy rates and the application of block rates has on efficiency is impossible to assess due to the lack of the mechanisms that measure this impact, where one of the simplest is the measurement of economic elasticity.²⁸ The measurements of elasticity indicate the effects of every variation in the price of electrical energy in relation to market demand.

3.1. KOSOVO LAW ON ENERGY EFFICIENCY

The Law no. 04/L-016 on Energy Efficiency was adopted by the Assembly of the Republic of Kosovo on the 23rd of June 2011. This law aims to determine the necessary legal and institutional framework for regulating the field of energy efficiency. The scope of the law regulates issues of

²³ Law No. 04/L-110 on Construction. Kosovo. Article 6.

²⁴ Law No. 04/L-110 on Construction. Kosovo. Article 27.

²⁵ Energy Regulatory Office. Media Briefing: Adoption of the New Rates for Electrical Energy. 20th of June 2012.

²⁶ INDEP interview with Ardian Berisha, Head of the Department for Rates and Prices in ERO, Prishtina, September 2012.

²⁷ Ibid.

²⁸ Ibid.

energy efficiency, preparation and promotion of plans for energy efficiency and reporting on them, determining roles, duties and responsibilities of the institutions, as well as addressing the obligations that stem from the Energy Community Treaty.²⁹ In addition to this, the law on energy efficiency determines the duties of the Ministry of Economic Development (MED) and the Kosovo Energy Efficiency Agency (KEEA), the establishment and functioning of the Commission for the Certification of Energy Auditors and Managers, the management of energy in the public sector, funding measures for energy efficiency, energy auditing and the implementation of the European Union (EU) Directives in this particular field.

The Ministry of Economic Development, the Kosovo Energy Efficiency Agency and the Municipal Energy Offices are the main institutions tasked with the implementation of the Law on Efficiency, the Action Plan and other secondary legislation acts. As the law was adopted in June of 2011, some of the work done earlier by the MED on efficiency, like the Action Plan for Energy Efficiency 2010-2018, was inherited by the KEEA.³⁰ This has caused for the KEEA to find a readymade Action Plan for 2010-2018 and the Midterm Plan 2010-2012 at the time of their establishment.

The Kosovo Law on Energy Efficiency is a seven page document which contains 16 Articles. Most of the countries analysed in this paper have laws which are more detailed and which are more qualitative and quantitative in terms of contents. On the other side, the Kosovo Law on Energy Efficiency refers in some cases to the Action Plan for Efficiency as a secondary legislation act. In terms of policy making, secondary legislation acts, different plans and strategies are documents that can be revised by the executive level without the need for adoption by the Assembly, which in the case of Kosovo is regulated differently, as regulating the field of efficiency has remained at the level of secondary legislation acts that can be altered without the consent of the legislative authority. Most of the countries compared in this study have certain aspects of energy efficiency regulated by law. The secondary legislation acts have simply served to specify the aspect of time periods and the cost of activities which in principle should be specified by law. However, the legal framework continues to improve in parallel to the

²⁹ Kosovo has signed the Energy Community Treaty of the European Union on the 31st of May 2005.

³⁰ In addition to the Law on Energy Efficiency, other regulations that deal with efficiency are: Law on Energy (Law No. 03/L-184), Law on Electrical Energy (Law No. 03/L-201), Action Plan for Energy Efficiency 2010-2018, Regulation No. 01/2012 on the establishment of the Commission for Certification of Energy Auditors and Managers, Regulation No. 08/2011 on the Internal Organisation of the KEEA, Administrative Instruction No. 01/2012 on Energy Auditing, Administrative Instruction No. 15/2008 on promotion of efficient energy, Republic of Kosovo Energy Strategy 2009-2018 and the European Directive on Energy Efficiency 2006/32/EC

requirements of the Energy Community Secretariat and the respective directives.³¹ Nonetheless, the lack of detailed provisions in the Law on Energy Efficiency continues to be a problem of concern in relation to the commitment of state institutions on the issue of efficiency.

The Kosovo Regulations on efficiency, including the law and the action plan, are insufficient in some aspects when compared to the European Union Directive 2006/32, with which these documents should be in harmony. For illustration, in Kosovo the auditing of heating and air-conditioning systems is not foreseen, which is a component of the EU Directive 2006/32 and which will be part of the new Directive 2011/0172 also. In the following part of the analysis where the comparison of the Kosovo law is made with those of the region, it can be clearly seen that countries of the region use incentive measures to motivate users of energy to save electrical energy, an aspect in which Kosovo lags behind. An additional deficiency in Kosovo is the fact that fines are not foreseen for individuals and companies that do not respect the Law on Efficiency or other secondary legislation acts that stem from this law. Finally, the Law on Energy Efficiency does not contain obligations for producers and importers of the products that consume energy or obligations for buildings that spend energy, and there are no additional obligations for large companies that have a high level of energy consumption. However, the Action Plan for Energy Efficiency 2010-2018 contains obligations for the producers and importers of products that consume energy, like the administrative instruction for the labelling of household appliances. In addition to this, in the Law on Construction No. 04/L-110, we notice obligations for efficiency measures that are required as part of certification of users of developed buildings.

3.1.1 Implementation of the Law on Energy Efficiency

INDEP has conducted a detailed monitoring of the Kosovo Law on Energy Efficiency. The findings of this monitoring will be published separately, but in general, INDEP has concluded that this law is being implemented only partially. Some of the main findings are:

- The Action Plan for Energy Efficiency is not in harmony with the European Directives. As such it is in force and is being implemented up to an unsatisfactory level.
- The Ministry of Economic Development has successfully implemented the duties foreseen by the Law on Energy Efficiency.

³¹ INDEP interview with Luan Morinën, Director of the Energy and Mines Department in the MED. Prishtina, Kosovo, September 2012.

- As a result of the late establishment of the KEEA, only some of the obligations foreseen by the legal framework have been fulfilled.
- The KEEA is now functional, even though it is missing the full number of staff.
- Another considerable deficiency is the lack of municipal energy offices, as the sole responsible bodies for the drafting of the municipal plans for energy efficiency in cooperation with the KEEA, which leads to the lack of implementation of energy efficiency measures in municipalities..

INDEP has also assessed the positive sides of the Law on Energy Efficiency. Positive assessments from the monitoring of the Law on Energy Efficiency are the development of the Administrative Instruction for the establishment and functioning of the Commission for the Certification of Energy Auditors and Managers, the open approach of KEEA towards external parties interested in funding and cooperation and the issuance of the Administrative Instruction for Energy Auditing.

Other secondary legislation acts that are missing and which have been foreseen by the Law on Energy Efficiency are secondary legislation acts for the implementation of provisions from the EU Directives, secondary legislation acts on the development of municipal energy efficiency plans and secondary legislation acts for energy management in the public sector.

4. COMPARATIVE ANALYSIS OF THE KOSOVO LAW ON ENERGY EFFICIENCY WITH THE COUNTRIES OF THE REGION

With the aim of assessing the progress achieved by Kosovo in relation to harmonize legislation and policies on efficiency with those of the EU, INDEP has compared the Kosovo legislation with the countries of the region. The comparative analysis has involved the following countries: Albania, Montenegro, Serbia, Croatia, and Turkey. Additionally the European Union Directive 2006/32 and the new Directive 2011/0172 on energy efficiency were considered. The comparison with the Directive 2011/0172 was done only to understand the new challenges which the countries are expected to face when this directive enters into force on the 1st of January 2014. This analysis will present the main findings which in principle are concerned with the deficiencies of the Kosovo Law on Efficiency in comparison with the laws of the aforementioned countries.³² It should be mentioned that the Kosovo Law on Energy Efficiency is deficient in many fields as a range of measures, described below, have not been determined by the law but rather with the Action Plan for Energy Efficiency 2010-2018. On the other side, the

³² Annex I can serve as a summary of information presented in this part.

aforementioned countries list many more measures directly in the Laws on Energy Efficiency. Therefore, considerable importance has been given to the contents of the Action Plan in order for the study to be as comprehensive as possible.

The Energy Efficiency Agency (KEEA), as an implementing institution for Energy Efficiency, also exists in Albania, Serbia and Romania. In Croatia there is the Energy Regulator Council, in Bulgaria there is the Energy Regulator State Commission, whilst in Turkey there is the Energy Efficiency Coordination Board.

Countries of the region also differ on the primary energy saving target. Directive 2006/32 of the European Union requires energy saving of 9% while the new Directive 2011/0172 will foresee by 2020 to have a saving of 17% of the primary energy consumption. This figure remains at 9% by 2018 for Kosovo³³, 26% by 2020 for Albania³⁴, 20% by 2023 for Turkey³⁵, 9% by 2016 for Montenegro³⁶, 20% by 2020 for Croatia³⁷ and 2.8 Mtoe (specifically 13.5%) by 2016 for Romania³⁸. The action plan was drafted in 2011 and has aimed to be in harmony with the requirements of the European Directive 2006/32. The Directive clearly requires that the objective of 9% to be achieved during the nine years of the application of the Directive, consequently until 2016. The Ministry of Economic Development insists that the objectives of Kosovo are in accord with Directive 2006/32 of the EU.³⁹ However, the Kosovo Action Plan foresees the objective of 9%, but that this objective will be reached only by 2018, which causes for the Action Plan not to be in harmony with the EU requirements. Directive 2006/32 has three periods of assessing the progress: 2008, 2012, and 2015⁴⁰, whereas the Action Plan of Kosovo for Energy Efficiency 2010-2018 has three medium-term plans as well and reports the progress on 2012, 2015, and 2018⁴¹, which means it is 2 to 3 years behind the directive's goals. Meanwhile, members of EU usually set a higher target than the one required in the directive in

³³ First Midterm Action Plan for Energy Efficiency in Kosovo (2010-2012), page 19

³⁴ Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects PEEREA (2007), Albania, a regular review of Energy Efficiency policies report

³⁵ ABB Group. National energy policies, and energy efficiency and CO₂ trends for industries and utilities. Country Report: Turkey. (2011). page 1

³⁶ Ministry of Economy of Montenegro, Energy Efficiency in Montenegro – National Plan on Energy Efficiency (2010) (English)

³⁷ ABB Group. National energy policies, and energy efficiency and CO₂ trends for industries and utilities. Country Report: Croatia. (2011).

³⁸ ABB Group. National energy policies, and energy efficiency and CO₂ trends for industries and utilities. Country Report: Romania. (2011).

³⁹ INDEP Interview with Luan Morinën, Director of the Energy and Mines Department in the MED. Prishtina, Kosovo, September 2012.

⁴⁰ Directive 2006/32/EC, Article 14.

⁴¹ INDEP Interview with Bedri Dragusha, CEO of the Kosovo Energy Efficiency Agency, Prishtina, July 2012

order to achieve a better completion.⁴² All these demonstrate once again that the Action Plan and Directive 2006/32 of EU are not aligned with one another.

The auditing of heating systems, which will be required with Directive 2011/0172 of the European Union on Energy Efficiency, is another important mechanism for saving energy. This mechanism is included only in the Law on Energy Efficiency of Montenegro and is missing in all other countries of the region compared in this study, including Kosovo. The adoption of secondary legislation for energy auditing, as foreseen in the Kosovo Law on Energy Efficiency, has been successfully accomplished.⁴³ Nevertheless, the law does not specify that this act will regulate the heating systems that would be necessary for the lowering of the level of energy consumption.

In order for end consumers to be informed of the importance of energy saving, awareness raising measures should be implemented. The energy efficiency laws of Montenegro, Serbia, Croatia, Romania and Turkey mention education as a component for the promotion of efficient energy use, while the laws of Kosovo, Albania and Bulgaria do not mention such a thing. The Action Plan for Energy Efficiency 2010-2018 contains a number of measures for the promotion of efficiency, amongst which also a project for the efficient public street lighting, a project already completed in 2011.⁴⁴ It is worth mentioning the case of Turkey where each TV and Radio station, with national or local coverage, is obliged to transmit at least 30 minutes a month of awareness raising adds on energy efficiency.⁴⁵ In Kosovo campaigns have been undertaken for the promotion of efficiency by different institutions, however these campaigns are not foreseen by law which means that there are no obligations and there are no guarantees that the campaigns will be organised in the future. Such a practice would considerably help to raise the awareness of the population, and in the case of Kosovo the advertisement in Radio and Television of Kosovo (RTK) would be sufficient as an initial step.

Penalties for those that do not abide to the rules foreseen by law are evident in the Laws on Energy Efficiency in different countries. From those selected for this analysis, only Kosovo and Croatia do not have sanctioning fines, while other countries do foresee such fines. The highest fine is set in Romania which would go up to 330,000€⁴⁶ while the lowest is in Albania which is up

⁴² INDEP Interview with Vlasia Oikonomou, expert at the Joint Implementation Network. Prishtina, Kosovo, October 2012

⁴³ Law No. 04/L-016 on Energy Efficiency, Kosovo, Article 12

⁴⁴ Ministry of Economic Development: Promotion of efficient lighting – Project “Implementation of efficiency measures in the public institution as part of the implementation of the nation plan on EE based on requirements of the EU and ECT, implementation of the Government decision on energy saving light bulbs – public street lighting”.

⁴⁵ Law No. 5627 on Energy Efficiency. Turkey. Article 6.

⁴⁶ Law No. 199/2000 on Efficient Use of Energy. Romania. Article 25.

to 730€. ⁴⁷ Variations in the sum of fines are specific for each country, and if such fines are imposed in Kosovo, they should be done based on a study of the damages caused by the violation of the law.

Directive 2011/0172 of the European Union states that the electrical energy bill should contain information on energy efficiency. This information would include the consumption of energy for the same period of the previous year, the price of energy for the same periods and the energy consumption of the consumer in comparison with the average consumption of consumers of the same group. This is mentioned only in the Law on Energy Efficiency of Montenegro, while it is missing in all the other seven countries analysed in this paper, including Kosovo.

Another component which is included in the EU directive, and which most of the countries of the region do not fulfil, are intelligent electricity counters. Serbia and Romania are countries that have made progress in this field. Kosovo has also made progress in this regard as there is already a pilot project for the installation of intelligent electricity counters which have begun to be implemented in 2012, according to planning made by KEK. ⁴⁸ The project has already been implemented in one part of Prishtina.

In four of the eight countries covered in this analysis we encountered obligations for the producers and importers of the products that consume energy. In Kosovo, in the First Midterm Action Plan for Energy Efficiency 2010-2012, there are administrative instructions for the labelling of electrical household appliances, a field that is complemented further when we consider Administrative Instruction No. 09/2012 for the Labelling of Equipment that Utilise Energy. ⁴⁹ In Albania, the labelling in the Albanian language is mandatory for the producers and importers of electrical household appliances, where amongst other things there should be information on the energy efficiency for the product. ⁵⁰ In Montenegro it is foreseen that products can enter the market only if they fulfil the eco-efficiency requirements foreseen by the line Ministry, while the labelling of products should include information on energy efficiency. ⁵¹ Croatia obliges the producers to describe in the labelling the type of energy or fuel and the energy efficiency of that product. ⁵² All of these provisions ensure that the producers and the end

⁴⁷ Law No. 9379 One Energy Efficiency. Republic of Albanian. Article 13.

⁴⁸ Gjukaj, A., Bualoti, R. Application of Smart Grid in Kosovo Power System. *Perspectives of Innovations, Economics & Business* (2011) Volume 8 / 2: 57-62.

⁴⁹ Ministry of Economic Development. Action Plan for Energy Efficiency 2010-2018. Kosovo (2011). Page 29.

⁵⁰ Law No. 9379 on Energy Efficiency, Republic of Albanian, Article 5.

⁵¹ Law No. 29/2010 on Energy Efficiency. Montenegro. Article 36 and 38.

⁵² Act No. 68/01 on Energy, Republic of Croatia. Article 13.

users to be at least aware of the amount of energy that they consume, thus increasing the possibility for these persons to take own measures for increasing efficiency.

Companies that exceed a certain figure of annual energy consumption are referred to by the regulation as large energy consumers. *Large energy consumers* is a term which is used in the law of Montenegro and that of Romania. The Law on Energy Efficiency of Montenegro obliges the large energy consumers to develop annual plans for improvement of efficiency, and reports on the implementation of that plan.⁵³ The same law obliges the large energy consumers to create monitoring information systems for energy consumption and to present annual reports to the respective ministry, by specifying the total of the consumed energy for the products generated, the amount of energy consumed for each building, the utilised area of the building, the number of employees, etc.⁵⁴ On the other side, the Law in Romania contains some obligations for large energy consumers, which state that the latter should develop their own short-term and long-term programmes for energy efficiency.⁵⁵ Kosovo has not foreseen such a special category of consumers for whom there would be additional obligations or incentive measures for these consumers to install efficient systems of energy consumption.

Another component for promoting the efficient utilisation of energy is the incentive measures, which could be in the form of subsidies or other forms. The analysis shows that four out of the eight countries compared use incentive measures, and these are: Montenegro, Croatia, Romania and Turkey. One of the most frequent measures used is the exemption from taxes, or provision of favourable prices by the energy distributor for the efficient user. In Romania the establishment of a special fund is foreseen for the achievement of energy efficiency objective, where the energy consumers can obtain funding for projects related to efficiency. Furthermore, Romania provides incentives for efficient companies by providing them with loans with favourable interest rates and exemption from profit tax and customs tax.⁵⁶ Turkey, on the other hand, provides financial support for projects that promote the efficient use of energy and trainings, consultations and auditing for free for small and medium enterprises, as well as certificates of authorisation and those for energy managers which are issued for free.⁵⁷ In Kosovo, even though this is not specified by law, incentive measures are applied for consumers that save energy, even though in a very basic form. Every invoice issued by KEK explains the different categories of rates, which indicates that the higher the consumption the higher the rate

⁵³ Law No. 29/2010 on Energy Efficiency. Montenegro. Article 20.

⁵⁴ Law No. 29/2010 on Energy Efficiency. Montenegro. Article 41 and 42.

⁵⁵ Law No. 199/2000 on Efficient Use of Energy. Romania. Article 5.

⁵⁶ Law No. 199/2000 on Efficient Use of Energy. Romania. Article 22.

⁵⁷ Law No. 5627 on Energy Efficiency. Turkey. Article 8 and 9.

will be applied. The problem in this case is the inability to target businesses or households, therefore this policy and most of the policies of the Energy Regulator Office have a more general aspect.⁵⁸ The First Midterm Action Plan 2010-2012 of Kosovo highlights that 10 million Euros are available to be distributed as loans for individuals and small and medium businesses in order to finance projects that are related to energy efficiency.⁵⁹ Such a sum is insufficient to conclude that enough has been done to incentivise investments towards installation of energy efficient systems.

Incentive measures applied by the analysed countries				
Measure	Tax exemption	Funding of efficiency projects	Loans with favourable interest rates	Favourable rates for efficient users
Country	Montenegro, Romania	Romania, Turkey	Romania	Montenegro, Croatia

The obligations for each building development are seen in Montenegro where it is said that every new building or one that undergoes large renovation should be designed to spend certain amounts of energy.⁶⁰ In Turkey every building that has more than 20,000m² or consumes more than 500 TOEs (ton of oil equivalent) should have an energy manager, while private companies with more than 50,000 TOEs of annual consumption should have a separate unit that handles the management of energy efficiency.⁶¹ Kosovo also lists measures for technical rules on the energy performance of buildings.⁶² However, the implementation of these requirements does not exist.

Different from the duties of the Kosovo Energy Efficiency Agency the Romanian agency handles the accreditation of institutions that conduct the testing and measurement of the efficiency of technical appliances, and has powers to establish standards for these measurements.⁶³ In Turkey the Coordination Board for Energy Efficiency, which is the regulator of energy efficiency in the country, conducts studies on efficiency, monitors the results and implements them, conducts certification, approves projects of the private sector, and organises

⁵⁸ Interview of INDEP with Ardian Berisha, Head of the Department for Rates and Prices at ERO. Prishtina, Kosovo, September, 2012

⁵⁹ Ministry of Economic Development. Action Plan for Energy Efficiency 2010-2018. Kosovo (2011). Page 38.

⁶⁰ Law No. 29/2010 on Energy Efficiency. Montenegro. Article 21.

⁶¹ Law No. 5627 on Energy Efficiency. Turkey. Article 7.

⁶² Ministry of Economic Development. Action Plan on Energy Efficiency 2010-2018. Kosovo (2011). Page 36.

⁶³ Law No. 199/2000 on Efficient Use of Energy. Romania. Article 13.

meetings with advisory committees.⁶⁴ Such policies of accrediting institutions that conduct testing and measurement on energy efficiency, funding of private sector projects and investments in the studies in the field of efficiency would be very necessary and would ensure results in the long-term plan.

Other findings that are worth mentioning are in the laws of Albania, Montenegro, Bulgaria and Romania. Albania allocates financial resources for the implementation of the national programme of energy efficiency and the National Energy Agency is the competent authority for the administration of the fund for Energy Efficiency.⁶⁵ Montenegro has the most comprehensive law on energy efficiency, in which amongst other things it states that the local governments are obliged to submit a Programme for Efficiency Improvement to the Ministry, the municipal plans have to be related to the national strategy/plan for efficiency, the municipalities are obliged to conduct awareness raising campaigns on efficiency and in the event of a building being sold or rented out, the owner should hand-over to the buyer the certificate of the energy performance of that building.⁶⁶ On the other side, Bulgaria obliges the companies that conduct the extracting, processing and distribution of energy to conduct studies and analyses with forecasts for extracting and processing of energy sources. Additionally, bi-annually they should submit reports to the ministry on the measures of energy efficiency improvements.⁶⁷ Whilst what the Romanian laws contain in comparison to other countries, is the explanation of principles and objectives of the National Energy Strategy. Requirements like the fund for efficiency and the conduct of studies in the field of energy efficiency are missing in the legislative framework of Kosovo, whilst the municipal efficiency plans have never been drafted and have not began to be implemented.

⁶⁴ Law No. 5627 on Energy Efficiency. Turkey, page 3

⁶⁵ Law No. 9379 on Energy Efficiency, Republic of Albania, Article 10 and 11.

⁶⁶ Law No. 29/2010 on Energy Efficiency. Montenegro. Article 8, 10, 14 and 27.

⁶⁷ Law No. 107/2003 on Energy. Republic of Bulgaria, Article 4.

5. CONCLUSIONS

The legal framework of Kosovo in the field of energy efficiency is insufficient and in many cases un-implementable in practice. The law foresees that most of the measures, obligations and objectives are to be regulated with secondary legislation acts and not by the law directly. In the current form, the law has regulated in a clear manner the creation of the Kosovo Energy Efficiency Agency, but has not regulated many of the measures and tasks that have to be undertaken towards the achievement of the expected level of efficiency. A part of the secondary legislation acts has not been developed yet, which have consequently caused for the completion of the legal basis to remain a challenge that is not fully finished.

The establishment of the Kosovo Energy Efficiency Agency was a positive step. However, the Agency was established with delay and as a result has managed to fulfil only some of its obligations. Furthermore, the Agency did not have its specific budget line foreseen in the Kosovo Budget for 2012 and neither in the budget review which was done in June of 2012. There was a budget allocated only for Energy as a sector within the Ministry of Economic Development and there was no separate budget foreseen for the KEEA.⁶⁸ The Agency has addressed the requirements stemming from the National Plan for Energy Efficiency and is implementing the midterm plan 2010-2012. The Agency is also in the first phase of drafting the midterm plan 2013-2015 and is monitoring successfully the first midterm plan. A challenge for the Agency remains the lack of a sufficient budget for the implementation of its obligations. The staffing of the Agency is still not complete and there is lack of necessary working facilities. The Agency as an independent institution still lacks a website on which it would publish the legal basis, annual reports and other data that would be useful for the donors and potential investors in this field.

At the municipal level nothing has been done in the field of energy efficiency. The lack of municipal energy offices has caused for the absence of municipal plans that would assist the implementation of the national efficiency plan. The Law on Energy Efficiency has failed to clarify the establishment of these offices, due to the fact that their establishment is seen to be under the powers of local governments, as a politically independent authority. Additionally, the legal basis has not been completed in this regard as the administrative instruction is missing on the development of municipal plans on energy efficiency.

⁶⁸ Law No. 04/L-128 on revision and amendment of the Law No. 04/L-079 on the Budget of the Republic of Kosovo for 2012.

The auditing of heating and air-conditioning systems has failed to be conducted and the Kosovo legislation has not foreseen for this to be mandatory. The administrative instruction on auditing of energy was drafted as required by the Law on Efficiency and the European Directive 2006/32.

Kosovo has not foreseen fines for those violating legal obligations. Neither the Law on Efficiency and nor the Efficiency Plan foresee fines for violations of the law and for disregarding of the energy efficiency objectives. Most of the countries analysed (six out of eight) have foreseen fines, while penalty provisions were also foreseen in the EU Directives. On this issue Kosovo has failed to fulfil the requirements of the EU Directives and constitutes an exception from the practice of countries in the region also. In the Law on Energy Efficiency, the fines could be used as a good instrument to make mandatory the implementation of the provisions of the Action Plan and of the Midterm Plans, as well as those municipal in the field of efficiency. Mandatory fulfilment through fines would incentivise the Large Energy Consumers to develop projects for energy efficiency and would also be an incentive for buildings to be installed with efficient systems for energy consumption.

The energy efficiency target of 9% by 2018 was low and has not fulfilled the requirements of the European Directive 2006/32 that the target of 9% be reached by 2016. Furthermore, the calculated level of average energy consumption, out of which the amount of energy to be saved was derived, was not in line with the data of the Energy Strategy 2009-2018, which has caused the lowering of the level of energy efficiency. The target of 9% with the new EU directive 2011/0172, will be completely irrelevant. The new Directive of the European Union that will enter into force on the 1st of January 2014 will require that countries reach by 2020 the energy efficiency target of at least 17%. Consequently, the current objectives of Kosovo on efficiency will not be in harmony with the new requirements of the EU. Furthermore, even in the event of achieving its target, Kosovo will again remain behind in comparison to countries of the region and even further behind EU countries.

The price of energy in Kosovo has increased by 8.9% from June of 2012. There is no data to indicate if such a level of prices has affected the increase of energy efficiency. The Energy Regulator Office in the justification of its decision for the increase in the price of energy has not mentioned energy efficiency. When we add to this the lack of the mechanisms that measure the impact of the increase of the price of electricity on energy efficiency, the result of this policy remains unknown.

A measure undertaken that can be considered as a positive development is the adoption of revisions to the Law no. 03/L-220 through which every inefficient light bulb will be taxed with excise of 30 cents. This is considered an important step as it is expected to increase the demand for efficient light bulbs, which would contribute to energy efficiency. The adoption and entry into force of the Administrative Instruction 09/2012 on the Labelling of Electrical Equipment is a positive step in the completion of the legal basis in this field and in the direction of better informing the consumers in relation to the amount of energy that is consumed. However, such a 'stick' policy should be accompanied by a 'carrot' policy which optimally would be the incentivising and subsidising of efficient light bulbs, especially when we consider the general socio-economic situation in Kosovo.

In the field of education and information, not enough has been done in Kosovo. Neither the Law on Efficiency and nor the Action Plan has foreseen awareness raising campaigns of a periodic nature, like in the example of Turkey. The Ministry of Energy and that of Education have not developed any joint project in the field of education and instruction in the field of efficiency. Different campaigns on efficiency have been organised, however their lack of inclusion in the law fails to guarantee a periodic character. Also in the part referring to information, the distribution network of KEK has failed to implement the obligations stemming from the EU Directive. In the invoices of the energy consumers there is no appropriate information in relation to a description of the respective consumption, in comparison to the same period of the previous year.

Kosovo has not foreseen sufficient incentive measures for the promotion of energy efficiency. Positive steps are considered the loans with low interest rates, which the action plan has foreseen to be issued to individuals with energy efficiency projects, and the favourable energy rates for the efficient users of energy. However, amongst the incentive measures that have not been foreseen are the tax exemptions, the development of special funds for the achievement of efficiency objectives through funding of projects, or issuance of loans with favourable interest rates for efficient companies.

6. RECOMMENDATIONS

Based on the findings made in the analysis, INDEP has initiated the development of a comprehensive document that could serve as a basis for the development of energy efficiency policy in Kosovo. While, for this phase, we recommend to undertake the following measures in order for the situation in the field of energy efficiency to be improved:

The Kosovo Assembly should amend the Law on Energy Efficiency. A complete law on Efficiency would clarify the creation of municipal offices, would include concrete measures for the increase of efficiency which are also mentioned in the action plan, would require the auditing of heating and air-conditioning systems, would make mandatory the application of campaigns for the promotion of the efficient use of energy and would leave room for the development of secondary legislation acts that should contain details of the implementation of the general policy on efficiency.

In the amended law there should be incentive measures provided for the efficient users of energy and would specify the time periods for its implementation. The private sector should be given specific importance by defining the large companies that are large energy consumers and to provide them with tax exemptions and more favourable energy prices. Additionally, the law should specify the fines for violation of the provisions, in order to ensure the application of the law. From the example of Turkey, it is recommended to provide financial support for projects that promote the use of efficient energy. Furthermore, the definition of time periods for the establishment of municipal offices, the drafting of municipal plans and making the auditing system functional would be necessary in an amended law.

The Kosovo Energy Efficiency Agency needs to further advance the process of creating energy offices throughout the municipalities. This would be the last step in the completion of the institutional framework for energy efficiency. Such a step would open the path for the drafting and implementation of municipal plan that would help the implementation of the National Efficiency Plan.

The KEEA in cooperation with the Ministry of Education should undertake long term awareness raising campaigns in order increase activities in the field of education and awareness-raising. In addition to this, the KEEA should prepare awareness raising campaigns on the importance of energy efficiency.

The Action Plan on Energy Efficiency 2010-2018, 9% energy efficiency savings by 2018, should be revised by the Ministry of Economic Development. First, a revised plan would make the forecast for the amount of energy to be saved based on the 5 previous years of consumption, in this way the derived percentage would be a realistic picture of the situation. This plan needs to be prepared in a manner that reflects the requirements of the new European Directive 2011/0172 on the new obligations for energy, in which the objective is 17% by 2020. The MED should also draft specific midterm strategies for the implementation of this plan. Additionally, also the municipal level through their municipal plans should reflect these new targets.

The ERO and the MED are recommended to create mechanisms that conduct accurate measurements of elasticity in the event of an increase in rates. By measuring the potential for energy saving, elasticity would assist in the application of more intelligent policies for efficiency.

7. ANNEXES Annex I: Comparative Table

	Kosovo	Albania	Montenegro	Serbia	Croatia	Bulgaria	Romania	Turkey	EU - Directives
Regulatory Body	Agency	Agency	Ministry	Agency	Energy Regulatory Council	State Energy Regulation Commission	Agency	Energy Efficiency Coordination Board	Member states
Plans	2	1	4	1	2	2	1	0	
Efficiency Target	18% till 2018	26% till 2020	9% till 2016	/	20% till 2020	Not specified	13.5% till 2016	20% till 2023	17% till 2020
Local authority	Municipality level	District Units	Local self-governing units	Local self-governing units	Municipalities	Local self-governing units	Local units of the Ministry	Municipality level	
Private Sector	Coordinated through the Action Plan	✓	✓	✓	✓	✓	✓	✓	✓
Audits	Secondary Legislation	Law	Law	Secondary Legislation	Secondary Legislation	Law	Secondary Legislation	Law	Directives
Audits of heating systems	X	X	✓	X	X	X	X	X	✓
Authority that issues licensing to the audits	Council	Ministry	Ministry	/	/	Ministry	/	Ministry	/
Subsidies	X	X	✓	X	X	X	✓	✓	/
Education/Raising Awareness	Coordinated through the Action Plan	X	✓	✓	✓	X	✓	✓	✓
Maximum Fines	X	730 €	300x the minimum wage	25,000 €	X	75,000 €	330,000 €	22,600 €	✓
Information on the bill	X	X	✓	X	X	X	X	X	✓
Smart Electricity Meters	✓	X	X	✓	X	X	✓	X	✓
Obligations of manufacturers and importers of products that consume energy	✓	✓	✓	X	✓	X	X	X	X
Obligations of Big Energy Consumers	X	X	✓	X	X	X	✓	X	X
Incentives	Coordinated through the Action Plan	X	✓	X	✓	X	✓	✓	X
Obligations about buildings that consume energy	X	X	✓	X	X	X	X	✓	X

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