



Thematic
analysis/diagnosis:
Energy

Executive Summary

This purpose of this document is to lay the initial foundations in the energy sector as the basis for further development of the National Development Strategy for the period 2022 – 2042. Given the complexity and characteristics of the sector, the analysis is conducted separately for each of the following energy areas: electricity, heating energy, natural gas, oil and oil derivatives, energy efficiency (EE), renewable energy sources (RES) and decarbonization.

The challenges facing this sector are serious, given the need for its transformation and decarbonization, but at the same time providing enough energy from our own production and reducing the dependence on imports. Many of the laws and bylaws, as well as strategies and action plans, relevant to this area are adopted somewhat late, and their implementation and realization is partial. There is a lack of professionalism, accountability and transparency in the management of state-owned energy companies, and there is a serious political influence in decision-making. There is no separate Ministry of Energy, but the Ministry of Economy is in charge of this area through its energy sector, which is struggling with severe lack of capacities.

Energy still relies heavily on coal to for power production, and this sector produces more than half of the country's total greenhouse gas emissions. Electricity production has been declining in recent years and dependence on imports is growing. The development of new energy capacities is delayed compared to the plans, and fossil fuels dominate in the final energy consumption. Although electric energy is legally regulated, the regulations are poorly implemented (especially in the public sector), and almost a third of households face energy poverty. The process of abandoning coal has to take place according to the principles of the so-called fair transition. Challenges related to connecting RES to the powergrid and balancing must be addressed in a timely manner, by preparing adequate strategies and long-term plans for investment in the power transmission network. It is necessary to reconsider the system of subsidizing the producers of energy from RES, especially the small hydroelectric power plants (HPPs). The criteria for subsidizing vulnerable categories of consumers should be revised (in addition to income and health status, other relevant aspects should be taken into account). It is necessary to further encourage and increase the number of producers – consumers (prosumers), through incentive compensation for delivery of surplus power to the power grid, to increase the investments in energy efficiency of buildings, as well as in the education and strengthening the capacity of citizens to organize them in local energy cooperatives. It is necessary to increase the share of RES in transport, which is currently at an extremely low level. Urgent diversification of natural gas supply and construction of new cogeneration power plants to generate electric power and heat, in order to enable centralized heat supply in major cities and reduce pollution.

Currently, a centralized heating system exists only in Skopje, but less than a quarter of households are its users. For heating, households mainly use firewood and electricity. The use of electricity for heating needs to be discouraged with an appropriate tariff system. Greater involvement of academia, the business sector, experts and civil society organizations is needed in the decision-

making process, but at the same time work should be done on raising awareness for the implementation of sustainable and low-carbon solutions to all stakeholders.