

## Demystifying the energy issues in Macedonia – what should be in fact protested about?

In the last few weeks, a citizens' initiative called AMAN started protesting against the increased energy prices. They directed their dissatisfaction towards the Energy Regulatory Commission, the regulatory body in the Macedonian energy market, and managed to recruit a larger mass of unsatisfied citizens. Some of their key demands included reduction of the electricity and heat prices. As it seems that this citizens' initiative reflects the views of a broader group of citizens and that social issues arisen as a result of the energy market reforms are more acute than ever, it is important the reasons of the present energy situation to be elaborated and possible solutions to be outlined.

Firstly, why does the electricity price rise and does it have to rise? The Energy Regulatory Commission determines the electricity price based on the respective secondary legislation. Remained as a legacy from the previous system, the electricity price is subsidized in the country. But, in order there to be investments in the energy sector, the electricity price has to reflect the real costs, which is not yet the situation in the country. In addition, having signed the Energy Community Treaty and determined to approximate its legislation with the EU, Macedonia is obliged to liberalize the energy market both for non-households and households. In order to have liberalized market, the electricity price has to rise to catch up with the market price. More importantly, the country is import dependent which dependence has been increasing over the years what unfavorably influences the country's trade deficit. Possibility for reducing the energy imports is increasing the electricity production from domestic sources – either coal or renewables. This requires the mentioned investments, i.e. building domestic infrastructure capacities for electricity production as well as measures for increasing the

renewables share. So, the circle of mentioned facts makes clear that the electricity price cannot be reduced. The pressing problems in this regard are the lack of investments in the energy capacity in the last decades and lack of strong implementing measures for realizing the drafted energy strategies, which are to contribute to long-term sustainable development of the energy market and secure supply of energy.

Secondly, the matter with the heat price from the district heating is more complicated. It is also regulated according the respective secondary legislation, but its increasing price is partly due to the increase of the used energy sources for heat production (gas and oil), but also other important factors play role in this context. In fact, the district heating is predominately in the hands of Toplifkacija Group, the largest owner of the heat production, heat supply and heat distribution in the country. Natural gas as is not used for heating the households and there is no developed gas distribution infrastructure, so the individual forms of heating are mostly based on wood or electricity. Despite that Toplifkacija Group restructured in order in its words “to liberalize the heat market” by separating the functions of production, supply and distribution, all the newly created firms are part of Toplifkacija Group. Having dominant position on the market, this actor's unacceptable behavior was easily noticed by some of the institutions. In this line, the Energy Regulatory Commission has many times raised the issue of the heat companies not having fully procured the energy sources according the Law on public procurement having as a result no reduced price for heat for the final consumers. The situation with the heat market is very problematic in the country - the number of consumers leaving the district heating is increasing, which switch either to wood or electricity, both forms usually executed in inefficient way, leading to even higher energy consumption, thus to even greater need of energy import. In sum, it is evident that the heat market needs to go through an in-depth reform process as a matter of priority. In particular, it needs to be de-monopolized by increasing the number of market actors especially heat producers and suppliers; gasification of the country, building cogeneration utilities, improving the energy efficiency in the buildings etc.

Thirdly, it is understandable that the change to liberalization will produce consequences of social character for the citizens. But, in Macedonian terms due to the mentioned issues of increasing energy import, lack of heating options, modest economic growth and structural high unemployment, it has not only affected the social categories, but a broader scope of people. This situation is to be tackled two-ways. On one side, the citizens have to acknowledge that fact that the days of cheap energy services are long gone, thus they need to inform themselves on the necessary measures that they can undertake to balance the energy shock – either introducing energy efficiency measures, installing solar collectors or similar. On the other hand, the respective authorities may think of innovative and productive measures for supporting the citizens in this energy reform process – initiating establishing a fund for small grants for natural persons in order the citizens to be able to implement energy efficient measures; to give funds for education and awareness raising on energy matters etc.

In conclusion, as the energy transition proceeds it is necessary to be understood that the country is not immune to the global challenges of lack of energy and climate change consequences. Therefore, having come to the root of the problems, the protests should be really about executing democratic pressure over the respective institutions (not only towards the Energy Regulatory Commission) to urge them to implement their on-paper promises in the energy documents as well as to be more transparent in the energy policy making. In this way the protesting cause for fairer energy decisions will be a true bottom-up initiative contributing towards realizing the country's energy goals.

Prepared by Research Fellow Ana Stojilovska.

astojilovska@analyticamk.org