

North Macedonia's government, through the state-owned energy production company AD ESM, has spent **hundreds of millions of euros** on imports of coal, heavy oil and fossil gas to keep the country's fragile energy system going during the energy crisis. The result is a significant increase in emissions of air pollutants and serious damage to the environment and **public health**.

As the energy crisis unfolded across [Europe](#), the countries in the Western Balkans were hit hard by the sudden increase in the prices of fuels and imported electricity. Electricity import-dependent North Macedonia was particularly vulnerable in this situation and had to make a decision fast - to speed up energy savings, renewables, electrification of the heating sector, improvements of the transmission network and modern energy storage solutions, or to increase the use of fossil fuels in order to provide short-term relief to the energy system. The government's answer was worrying, but not at all unexpected.

In November 2021, the government of North Macedonia adopted a decree proclaiming an energy crisis in the electricity production and distribution sector, followed in January 2022 by a decree proclaiming an energy crisis in heating production and distribution. The decrees, which are still in force, give power to the energy system operators to use any means necessary to maintain electricity and heating distribution and allow for the government to finance their operations in order to achieve this goal.

Based on these two decisions, the authorities started pumping huge amounts of public money into the state-owned energy generation company AD ESM, mainly for imports of **coal** and heavy oil, to cover some of the losses caused by electricity imports, and to allow increased production and lower energy prices. From 11 November 2021 to 30 December 2022, just a little over a year, AD ESM received a total of EUR 369 million in direct support for its operations.

Most of the money was spent on **fossil fuel** imports, with some used to keep old facilities operational. To make things even worse, most of the money was spent in a non-transparent way. For example, in December 2021 a contract worth almost EUR 19 million was signed between AD ESM and a construction company, Markovski Kompani, for expansion of the lignite mines near Bitola without a tender procedure.

This state aid allowed the TEC Negotino heavy oil plant to be put into operation again for the first time since 2009. It also allowed for the lignite-fired Oslomej plant to quadruple its operating hours, which were previously kept at a minimum. According to the country's [energy strategy](#), the plant was supposed to be shut down in 2021. In addition, **AD ESM** bought diesel generators for the district heating for the capital, Skopje, as a back-up option in case of fossil gas shortages. AD ESM also prepared preliminary studies for the opening of

a new coal mine near the Bitola power plant.

None of these facilities that are now working at full steam are fitted with any pollution reduction equipment, nor are there plans to do so. North Macedonia has committed to phase out coal by 2027, but has failed to explain what it will do about the pollution from its [coal](#) plants in the meantime. The resurrection of the Negotino and Oslomej plants make this even more serious.

EUR 369 million for a small developing country is a serious amount — almost 10 per cent of the country's annual budget for 2022 — that can make or break the energy transformation. If the long-term development of the energy sector, the international obligations of the country, and most of all, the protection of the environment and the impacts of public health were taken into account, it is certain that this amount could be put to better use. Instead, the government decided to quite literally burn this money and to cause one of the most polluted winters in years.

The way [North Macedonia's](#) authorities are handling the energy crisis is misguided on many levels and is sending the wrong message to others. Some private companies are starting to use heavy oil for heating again, and one is even trying to get a permit to install a 40 MW heavy oil power plant for its own use and already submitted an EIA study for the project. People are switching to the cheapest available fuel, using waste wood products that contain paints, varnishes and glue, for their households. This is only adding to the already terrible environmental conditions all over the country.

Not everything is grim, and there is significant interest from private investors in building photovoltaic plants. In 2022, the Energy Regulatory Commission issued licences for 86.8 MW of photovoltaics. However, many of those are still not operational since the procedure remains complicated and the development of the transmission network is not following the need for new connections. So, maybe this is where the [government's](#) efforts and investments should be focused.

The excuse that the crisis caught the authorities unprepared is no longer relevant. Short term solutions are no longer acceptable and 2023 has to be the year when things are turned in the right direction before more **public money** goes up in smoke.

Source: [Bankwatch Network](#)