

The Macedonian energy sector is sinking countless problems, above all abandoned infrastructure and widespread corruption. The consequences of this poor system management have been visible for a long time: pollution, an increase in social inequality and energy poverty.

Macedonia, as a small, Balkan country without the sea, lacks natural resources like natural gas and oil. Apart from the lack of these two most used sources of energy, Macedonia lacks financial resources, infrastructure, and the necessary knowledge for responsible use of those natural resources it owns. The combination of these factors leads to serious, both energy and social challenges.

In order to better understand the energy system of Macedonia, we need to look at the way the system has been established at all. A brief glimpse of past times can be concluded that, although system administration has been constantly changing, the foundation is the infrastructure that pulls the heritage of socialist Yugoslavia. If this infrastructure was not kept and properly used, the social imbalance could have been higher.

Pollution, high prices, massive coal exploitation and class differences are just some of the social consequences that this sector creates. Moreover, various reports show that around 60% of Macedonian households live in energy poverty, one of which is the inability to heat up homes at least 21 ° C. A large number of such households use “alternative” sources of heat such as burning rubber, plastic, paper or poor quality wood, and as we know, such practices negatively affect the environment, health and quality of life at all.

Liberalization as a solution

Prior to the transition period, Macedonia was in a relatively good position regarding basic energy infrastructure, but part of that structure was damaged, stolen or privatized. This system has become fragile and the need for investment has increased. In addition, discussions about investing in the energy system have never led to a rational and responsible exploitation of resources that would be run by public companies. Instead, the Macedonian political elites decided that liberalization is the best solution.

Thus, in 2005, the system of production and distribution of energy experienced a major restructuring. The state power company Elektrostopanstvo in Macedonia is divided into three parts: electricity producers - ELEM, energy network operator - MEPSO and ESM, which is in charge of distribution. The latter, the ESM, bought Austrian company EVN in April 2006, making the distribution of electricity delivered to the private company. All of these companies were indicted for corruption, and ELEM has recently come under public reprisal.

The energy sector plays a very important role in the economic and social life of Macedonia.

Those who control resources have power, and to control them, they are used by corruption methods. Numerous problems related to corruption were listed in the reports of international organizations. One of them is the European Commission Progress Report, where it is emphasized that throughout the set, the most problematic public procurement is through public-private partnership. Such type of partnerships contributes to the survival of the phenomenon of “capturing the state”, since a call for tenders by public companies by private majority serves particular and not social interests. Adding this to poor management companies, we have some of the major causes of inefficient energy system, high prices and pollution. However, these examples do not only refer to irregularities in the Macedonian energy system, but also about class relations and relations of power in the Macedonian society.

#### Places of Corruption

Macedonia’s Power Plant or ELEM, the largest state-owned electricity producer. From its own facilities it brings about 96% of the total domestic electricity production. Its thermal power plants with a total power of 825 megawatts produce 5000 gigawatts, and its hydroelectric power plants with a total of 538 megawatts of 1200 gigawatts currents per year. Only mining and energy combines Bitola and Oslomej produce about 80% of the total electricity while ELEM’s hydro power plants produce 16% of total electricity from domestic plants.

The most significant mining and energy combination, mentioned REK Bitola, is one of the most controversial public companies. Its concessions to private companies have been at the center of the debate for the past time, and the latest scandal is linked to a tender worth over 17 million euros. Executives of Transmed, who received funds from the 2011 controversial bid, were suspected of falsifying documents in order to win the bidding, and details of unfair negotiations were revealed during a tense eavesdropping on which former Prime Minister Nikola Gruevski could personally arrange a deal. When the scandal was revealed by the Special Prosecution Office, the company’s owner escaped from the country and hid for several months. He recently returned and the investigation is under way.

A more recent case is at the center of the company’s current deputy minister for economic affairs, Koca Angusev. His firm Feroinvest received a bid of 2.6 million euros for supplying REK Bitola with rubber belts for coal transfer. The scandal was discovered and expanded by opposition parties. The official explanation of the deputy minister was that the company had been invited to the competition before he was given the post of deputy minister and that his company was doing everything transparent. And this case is still open to solve.

The other scandal includes Zoran Konjanovski, former defense minister and long-time

manager of REK Bitola. In 2010, together with twelve directors, he was charged with signing 742 accounts with amounts greater than those in contracts. This has damaged the company by EUR 7 million. However, in September 2011, the public prosecutor in Bitola dismissed criminal charges against those involved, arguing that the case did not refer to prosecution *ex officio*. Based on the evidence gathered by the Forensic Investigation Office, it was found that no economic damage was caused by REK Bitola. The REK Administration argued that there was an offense, but that the accounts were not fictional because the contracted firm did the agreed works, and the overrun happened on occasion, unexpected repairs.

We add that many REK Bitolas are recognized as the largest power generation plant, and the largest drive to produce electoral votes. Conscious of the power and importance of the comrades, the political elite, apart from employing exclusively members of their party, strives to establish control over the unions and confine to such work organizations any significance.

What are the alternatives?

Electricity generation and distribution is not the only energy problem in the country. Macedonia has a lack of energy alternatives, so the theme of the country's gasification is getting more and more attention. A potential solution is mainly about joining the South Stream. This should ensure a significant amount of gas for Macedonia, but the politicization of this issue makes the project unstable and slow. The issue of gasification is even more complicated in the context of Macedonia's EU candidacy, as Macedonia as a candidate country should join the project respecting European energy laws. Due to this uncertainty, the Macedonian authorities should consider taking concrete steps towards joining the Trans-Adriatic Pipeline.

Whatever it is, even if gasification is about to start, Macedonia will continue to have problems with a poor electricity system. The electricity crisis that occurred in 2012 has revealed all weaknesses of the system, so great efforts are now being made to alleviate these weaknesses. Macedonia needs to continue intensifying with energy reforms to mitigate the consequences of rising energy prices - improve the heating market, energy efficiency, encourage local gasification projects and continue with central gasification plans. It should be more intensive to consider energy security issues such as natural gas, and should be connected to as many gas pipelines as possible. Apart from gas, Macedonia needs to try alternative sources of energy. All these investments need to take into account the needs of the population, the environment, industry and the effects that will have on different demographic groups. If they do not, Macedonia will continue through enormous

inequalities, pollution and energy poverty.