

About 98 percent of electricity in Kosovo is produced by two lignite fired power plants. In addition, electricity is also produced in two large and several small hydropower plants, and it is also imported. Between 2009 and 2014 consumption was stable, but is expected to increase by 2020.

By the end of 2015, the amounts of electricity produced from solar and wind power were insignificant. The largest share of renewable energy resources has biomass, which is used for heating. The construction of another large hydropower plant is planned, but it is still questionable whether it will actually be implemented. It could surely balance insufficiently reliable renewable energy sources. Kosovo has a target of 25 percent for renewable energy sources by 2020, and a voluntary target of 29.47%.

According to estimates of the current development dynamics Kosovo is expected to reach planned development levels only for SHPP. If the policy is not revised, development of solar and wind power plants will last longer than planned. There are currently seven wind projects of 170MW capacity that are in the process of obtaining licenses.

The potential of renewable energy sources in terms of cost-competitiveness:

There is already a significant profitable solar potential which would contribute to Kosovo energy situation. A large range of hydro potential is mostly based on future Zhur hydropower plant, whose construction is expensive. Cost effective and competitive hydropower potential would be achievable only with the help of SHPP. Kosovo also has significant wind power potential, but it is limited by the fact that the country is mostly mountain type and that the wind flow velocity in the most favourable areas is 4-6 m/s.

Average LCOE in hydro sector is low, and SHPP can be implemented at relatively low cost compared to other SEE countries. Wind farms could produce electricity with LCOE slightly above 60 EUR/MWh, while solar potential could be realized with LCOE of 80 EUR/MWh at best locations.

Investment framework for renewable energy:

The existing plan of support for renewable energy sources in Kosovo includes FIT for SHPP up to 10MW, biomass, biogas, wind and solar PV. In May 2016, solar and wind FIT was increased to 12 years, while the other RET will be able to take advantage of benefits from a ten-year FIT. However 10MW capacity for solar PV remains.

Due to large infrastructure and additional investments and other unattractive costs, according to investor, FIT for wind provides the deadline of 12 or 13 years for repayment. Previously defined period of ten years was considered insufficient and implied high risks. In addition, a 10 percent tariff was introduced on imported wind turbines, which was a move that was discussed about. Solar panels are exempted from this measure.

Investor framework in Kosovo is characterized with long administrative procedures. Obtaining licenses lasts between one and two years, with eight institutions, each of them having between 10 and 15 specific criteria. With reference to these issues, in 2016 USAID initiated the establishment of one-stop-shop system for renewable energy sources. However, it seems that the body which was established has no legal nor operational function, but serves as an information desk.

Earlier controversies regarding the approval of final PPA caused uncertainty among shareholders. Wind farm of 1.35MW capacity near Pristina is in operation since 2010, but was not given a license because the installed turbines are old. Since the legislation was not well defined, the final PPA project was rejected after the construction, and the dispute with an investor lasted several years, until it was agreed to sell electricity at a lower level of support.

However, the current amendments to PPA approval process allow investors to apply for the final approval as soon as preliminary licenses are obtained, guaranteeing the appropriate FIT at the same time. This significantly increases the risk of finding funds. On the other hand, the transmission network is not developed enough, which makes it difficult to connect projects that are far from the main lines, which is also borne by the investors.