

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR NORTH MACEDONIA

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

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ABBREVIATIONS AND ACRONYMS

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| AIP | Access to Information Policy |
| EBRD | European Bank for Reconstruction and Development |
| NDC | Nationally Determined Contributions |
| NECP | National Energy and Climate Plans |
| LNG | Liquified Natural Gas |

1. INTRODUCTION

The objective of this report is to summarise the key comments received from stakeholders during the consultation period on the EBRD's draft North Macedonia Country Strategy (hereinafter – draft Strategy) and provide responses of the Bank's management.

The public consultation process was in line with the EBRD's Access to Information Policy (AIP) and Access to Information Directive stipulating that the Bank's draft country strategies are disclosed for a period of 45 calendar days during which time the public is invited to send comments to the Bank.

The draft Strategy was posted on the EBRD website for 45 calendar days, starting from 1 February 2025 until 17 March 2025. The previous Country Strategy for North Macedonia was also made available to the public on the EBRD website: <https://www.ebrd.com/where-we-are/north-macedonia/overview.html>

Information about the public consultation process was posted on the EBRD's dedicated "Have your say" webpage, which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. Targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

During the consultation period, the Bank received one set of written comments on the draft Strategy, jointly submitted by CEE Bankwatch Network and Center for Environmental Research and Information Eko-Svest. The written comments received and relevant EBRD responses are outlined in this report. The Bank's responses varied in length and complexity depending on the issues/suggestions raised and their relevance to the draft Strategy for North Macedonia. The length of EBRD responses does not imply the importance of the respective question/comment.

In line with the Bank's increased efforts to involve civil society at an early stage of elaborating the country strategy, the EBRD organised an in-person public consultation meeting with civil society organisations in North Macedonia on 28 November 2024. The objective of the meeting was to collect civil society's feedback during the preparatory phase of developing the draft Strategy. Eight CSO representatives from eight different civil society organisations participated in the consultation.

The EBRD was represented by the EBRD Resident Office team in North Macedonia, as well as by the Country Strategy, Policy Strategy Delivery, and Civil Society Engagement teams.

The summary of the key messages and the list of CSO participants in the consultation process are provided in the Annex 1 to this report.

2. SUMMARY OF COMMENTS AND EBRD RESPONSES

| No. | Public Comments/Feedback | EBRD Response |
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| 1. | Infrastructure and Renewable Energy | |
| 1.1 | <p>On page 12 of the draft Strategy, it is stated that <i>‘Improving electricity and gas interconnections would balance the grid with more renewables and diversify gas supply, enhancing energy security.’</i> On page 13, regarding the planned activities, it lists <i>‘Continue to support energy infrastructure projects that enhance regional integration.’</i></p> <p>These two statements read together point to the conclusion that the EBRD plans to continue supporting cross-border gas infrastructure in North Macedonia. EBRD staff have also already made public statements to this effect. However, building new gas infrastructure that enables increased gas use, no longer makes sense in a context where rapid decarbonisation needs to take place. Gas is a fossil fuel just like coal or oil. When the fugitive methane emissions from its extraction, transportation and storage are included, its greenhouse gas emissions are often as high as those from coal. This means that North Macedonia will not meet its ambitious decarbonisation targets from the NDC and the NECP, which are also quoted in the country strategy, if it continues to add new gas infrastructure, especially as the planned interconnector with Greece would have a capacity several times larger than North Macedonia’s highest ever consumption .</p> <p>Any further investments in cross border gas infrastructure will only cause further gas lock-in the entire Western Balkan region, a region that as of now has very</p> | <p>This is an ongoing project of the EBRD, which the Country Strategy recognises. However, please note that the Bank is not considering financing any other gas projects in North Macedonia. Further discussion on this project would best channelled and addressed through the open formal IPAM case.</p> |

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| <p>limited gas use and should take advantage of this strength. The planned interconnector with Serbia would not serve any diversification purpose as the new pipeline from Bulgaria has already started operating. It would merely enable Serbia to gasify the south of the country and therefore lock in further dependence on gas.</p> <p>Building gas infrastructure is a slow and expensive business, not something that happens overnight. In North Macedonia, it's taken 13 years to connect 534 customers to the gas distribution network so far. According to a report by the State Audit Office, pipelines that were built over the years were never used before their guarantee period expired, creating an even higher risk of stranded assets if they cannot be put into use, or even safety risks if they are not refurbished and tested before putting into operation.</p> <p>Moreover, becoming more dependent on gas would expose North Macedonia to increased price volatility and import dependence, instead of increased energy security. The reason why Russian gas was popular in Europe was because of its price: liquefied gas (LNG) is more expensive, and Azerbaijan is unlikely to be able to keep increasing their exports. Indeed, Azerbaijan cut gas exports to Bulgaria for almost two weeks due to technical problems at the Shah Deniz gas field. No matter how much import infrastructure North Macedonia builds, gas will never be a cheap choice.</p> <p>Additionally, pursuing gas gives the message to the public that decarbonisation is not a priority of the country, thus adversely affecting their decisions and views in other aspects</p> | |
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| | <p>related to climate and the climate emergency.</p> <p>Proposed change: on page 12, change the sentence to <i>'Improving electricity interconnections would balance the grid with more renewables enhancing energy security.'</i> and on page 13, to <i>'Continue to support electricity interconnection projects that enhance regional integration.'</i> In addition, cross-border energy projects are limited in number and well known, and the strategy must list them individually.</p> | |
| 2. | Diversification of Renewable Energy Sources | |
| 2.1 | <p>On page 12 of the draft Strategy, it is stated that the EBRD should <i>'Promote renewable energy diversification and decarbonization via wind, solar, hydro, low-carbon solutions, energy storage, and grid upgrades, while fostering public-private dialogue.'</i> This is reflected in the activities on page 14 where it is listed that the bank will <i>'Promote the diversification of renewable energy sources and decarbonization of the energy sector by supporting the development of renewable energy sources (wind, solar, hydro), introducing of low-carbon solutions, energy storage, grid strengthening, and by facilitating public-private/policy dialogue.'</i></p> <p>These point to the conclusion that the EBRD plans to continue supporting new hydropower projects. However, the country has sufficient hydropower capacity already installed to provide support for the decarbonisation efforts, and any additional projects will increase the country's dependence on climate-vulnerable hydropower. True diversification of renewable energy sources can be achieved by increased investments in wind and solar, decentralised energy storage other than</p> | <p>North Macedonia's renewable energy strategy stands to benefit significantly from a diversified approach that may include hydropower alongside wind and solar—provided that such projects are implemented in accordance with robust environmental and social (E&S) standards and design with suitable sustainability and climate resilience in mind.</p> <p>Hydropower projects, especially when designed with storage capabilities, can play an important role in balancing demand fluctuations and accommodating the intermittent nature of wind and solar energy. Integrating hydropower alongside wind and solar helps reduce the country's reliance on coal and therefore decarbonise the sector.</p> <p>Furthermore, the five-year Country Strategy is designed with the flexibility to adapt to long-term uncertainties, including evolving market dynamics, technological advancements, and regulatory changes. This strategic framework must allow for various technical solutions and market developments, accommodating decisions by the authorities as well as the upcoming updates to key strategic documents such as the National Energy and Climate Plan (NECP) and other</p> |

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| | <p>large pumped storage plants, and increased focus on heat pumps and other renewable-based heating solutions. In addition, ‘low-carbon solutions’ is a very general statement that can include unsustainable projects and technologies. Such general statements should be avoided, and any technologies being considered should be listed separately.</p> <p>Proposed change: in both instances, ‘hydro’ must be deleted, or replaced with ‘refurbishment of existing hydropower capacities.’ ‘Low-carbon solutions’ must be clarified, and all technologies being considered must be listed.</p> | <p>regulatory frameworks. These may include new laws for energy and renewable energy sources (RES), market coupling mechanisms, carbon taxes, and Carbon Border Adjustment Mechanisms (CBAM).</p> <p>By embracing a strategy that is both specific in its technological approach and flexible enough to evolve with changing circumstances, the Bank and other stakeholders are well-positioned to address challenges in a rapidly changing environment and support the decarbonisation of the country.</p> |
| 3. | District Heating | |
| 3.1 | <p>On page 14 of the draft Strategy regarding the proposed activities, the EBRD plans to <i>‘Expand access to inclusive public and municipal services, including water supply, wastewater treatment, district heating, and public building facilities.’</i></p> <p>Any supported district solutions must be renewable-based and sustainable (e.g. no use of primary biomass for district heating). New district heating based on fossil gas will lead to gas lock-in beyond 2050 and will ruin the country’s decarbonisation efforts and any outlook for climate neutrality in the foreseeable future.</p> <p>Proposed change: Specify which technologies are being considered for district heating and exclude gas and primary forest biomass.</p> | <p>The EBRD has outlined its Energy Sector as well as its Infrastructure Sector Strategy, detailing what the Bank can support financially.</p> <p>As a result, the country strategies remain more general and reference applicable policies.</p> <p>For more information on the Bank’s policies and methodologies, please refer to the EBRD guidelines.</p> |

ANNEX 1

Consultation with Civil Society Organisations on the EBRD country strategy for North Macedonia

Thursday 28 November 2024

Key messages from Civil Society to the EBRD

1. Civil society in North Macedonia underlined the need for enhancing good governance through improving (i) civic participation, (ii) effectiveness of the judiciary system, and (iii) political and judicial reforms related to the EU accession process.
2. CSOs moreover addressed the challenges related to the access to finance of women entrepreneurs, economic participation of women and gender-disaggregated data and information, which present opportunities for the EBRD to scale-up its support to build the capacity of women entrepreneurs.
3. CSOs further highlighted that North Macedonia should accelerate the decarbonisation process through (i) investing in energy transition, (ii) enhancing collaboration between the government and local authorities, (iii) mainstreaming green policies, and (iv) providing vocational trainings.

List of CSOs participating in the consultation meeting

1. Open Society Foundations Western Balkans
2. Transparency International Macedonia
3. Association of Businesswomen in North Macedonia
4. Research in Action (Reactor)
5. Caritas Macedonia
6. ECO-LOGIC
7. Center for Climate Change (CCC)
8. Center for Energy Efficiency of Macedonia