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Green Industrial Policies:
An analysis of Kosovo's context



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Acronyms

CBAM	Carbon Border Adjustment Mechanism
CfD	Contract for Difference
CO_2	Carbon Dioxide
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ERO	Energy Regulatory Office
EU ETS	European Union Emissions Trading System
EU	European Union
FKEE	Kosovo Energy Efficiency Fund
GDP	Gross Domestic Product
GET	Green Economy Transition
GHG	Greenhouse gas
GIP	Green Industrial Policy
GROW	Green Recovery and Opportunity Window
GWh	Gigawatt-hour
IFI	International Financial Institutions
IMF	International Monetary Fund
IPA	Instrument for Pre-Accession Assistance
MSME	Micro, Small and Medium Enterprises
KAS	Kosovo Agency of Statistics
KCC	Kosovo Chamber of Commerce
KCGF	Kosovo Credit Guarantee Fund
KEDS	Kosovo Energy Distribution Services
KEK	Kosovo Energy Corporation
KfW	Kreditanstalt für Wiederaufbau
KOSTT	Transmission, System, and Market Operator
Ktoe	Kilotonne of oil equivalent
kW	Kilowatt
MCC	Millennium Challenge Corporation
MESP	Ministry of Environment and Spatial Planning
Mtoe	Million tonnes of oil equivalent
MW	Megawatt
MWth	Megawatt thermal
NECP	National Energy and Climate Plan
OECD	Organization for Economic Co-operation and Development
OSS	One-Stop Shop
PPA	Power Purchase Agreement
RED	Renewable Energy Directive
RAA	Renewable Acceleration Areas
RES	Renewable Energy Sources
SME	Small and Medium Enterprises
tCO_2eq	Tonnes of CO_2 equivalent
WB	Western Balkans
WBIF	Western Balkans Investment Framework

Executive Summary

Kosovo's green transition has become an economic, social and regulatory necessity. The country remains highly dependent on lignite-based electricity generation, where the old infrastructure of the two main powerplants creates risks of adequate power supply, energy security, environmental damage through greenhouse gas emissions, public health issues through air pollution, and compliance challenges with EU climate policies. Although renewable energy capacity has increased slightly in recent years, mainly through wind, hydropower and emerging solar investments, the pace of deployment remains insufficient compared to Kosovo's 2030 and 2050 energy and climate targets. This creates direct risks for energy security, environmental quality, public health, industrial competitiveness and alignment with European Union climate and energy frameworks.

Kosovo has made some progress in establishing the policy foundations for decarbonization. The Energy Strategy 2022–2031, the Draft National Energy and Climate Plan 2025–2030, the Law on Climate Change, renewable energy auctions, and energy efficiency programs provide an initial framework for transition. However, implementation remains slow. Kosovo is still far from its targets for renewable energy, energy efficiency, storage and carbon pricing. Moreover, many policy measures implemented by different ministries are not sufficiently coherent or coordinated, and institutional cooperation across sectors remains weak. A comprehensive Green Industrial Policy is therefore needed to connect energy transition, industrial modernization, export competitiveness, financing instruments, workforce development and social protection into a single strategic framework.

Renewable energy projects face lengthy permitting procedures, limited grid capacity, property-related barriers and fragmented institutional responsibilities. The existing One-Stop Shop for renewable energy investments operates mainly as an information and coordination mechanism, but lacks the authority and operational capacity to enforce deadlines, reduce administrative burden or issue consolidated decisions. Strengthening this mechanism is essential for accelerating renewable energy investment. The Kosovo Energy Efficiency Fund has supported energy efficiency investments in public buildings and residential subsidy schemes, including insulation, replacement of doors and windows, heating-system upgrades and other measures. These interventions have improved building performance and reduced energy consumption, but the scale of investment remains insufficient, particularly in the residential sector, which accounts for a large share of final energy consumption. Expanding residential energy renovation, industrial energy efficiency and prosumer models would reduce electricity demand, lower energy bills, improve energy security and support the development of a domestic green services market.

The Carbon Border Adjustment Mechanism introduces a new competitiveness challenge for Kosovo's exporters. CBAM became fully operational in 2026 and applies to imports into the EU of carbon-intensive goods such as iron and steel, aluminum, cement, fertilizers, electricity and hydrogen. Kosovo's CBAM-covered exports to the EU are relatively limited in total value, but are highly concentrated in iron and steel and aluminum. In 2025, CBAM-covered exports accounted for approximately EUR 37.6 million, representing around 12% of Kosovo's total exports to the EU. Iron and steel accounted for about 72% of CBAM-covered exports, while aluminum accounted for around 27%. The main risk is not only trade volume, but the compliance burden and carbon costs imposed on exporters and their EU partners. The findings of this report show that awareness and preparedness

among Kosovo businesses remain limited. Interviews with exporters show that many firms have not received structured information, training or direct guidance from public institutions on CBAM reporting, embedded emissions calculations or verification requirements. Some firms have started investing in solar energy, primarily to reduce electricity costs after market liberalization, but these investments have largely been self-financed. Kosovo's lack of a domestic carbon-pricing mechanism creates additional exposure. Since no carbon tax or emissions trading system is currently in place, Kosovo producers cannot deduct any domestic carbon costs from CBAM obligations. As a result, carbon-related costs should be paid through the EU system rather than retained domestically and reinvested in Kosovo's transition. Delays in carbon-pricing preparation also increase regulatory uncertainty, weaken investor confidence and complicate future electricity market integration with the EU. A gradual, carefully designed carbon-pricing roadmap would allow Kosovo to prepare for EU alignment while using future revenues to finance industrial decarbonization, renewable energy, energy efficiency, vulnerable households and just transition measures.

The transition also has a strong social and labor-market dimension. Kosovo has not yet developed a comprehensive just transition roadmap, despite the concentration of employment and economic dependency around coal, mining and energy-related activities, particularly in Obiliq and surrounding municipalities. Community consultations show concern about pollution, limited local employment benefits, low trust in decision-making and the need for stronger support to affected households. International experience demonstrates that coal-dependent regions require early planning, reskilling, active labor-market measures, social protection and regional economic diversification. Kosovo should therefore develop a national just transition roadmap that links energy policy with employment, vocational education, regional development and social dialogue.

Financing is one of the central constraints for green transition. Kosovo's Energy Strategy estimates investment needs of around EUR 3.06 billion over a ten-year period, including approximately EUR 1.3 billion for new renewable energy capacity, EUR 390 million for rehabilitation of existing coal-fired power plants, EUR 350 million for energy efficiency, EUR 200 million for storage and additional investments in networks, heating systems and vulnerable consumer protection. The Draft NECP also identifies substantial financing needs over a shorter period, with renewable energy and power plant rehabilitation as the largest categories. These figures show that Kosovo cannot finance the transition through public funds alone. A blended finance model is required, combining public budget allocations, donor grants, International Financing Institutions' (IF) financing, commercial lending, private investment and guarantee instruments.

There should be better scaling and coordination within public financing institutions. The Kosovo Energy Efficiency Fund should be capitalized further and positioned as a central institution for public and residential building renovation. The Kosovo Credit Guarantee Fund should expand green guarantee windows for SMEs investing in energy efficiency, renewable energy and low-carbon technologies. The planned Development Bank, if established, should be designed with a clear green finance mandate, focusing on renewable energy, industrial decarbonization, CBAM readiness, climate resilience, municipal infrastructure and projects that are not adequately served by commercial banks.

The report concludes with a number of concrete and targeted recommendations to be implemented. Some of the actions to be taken are: Kosovo should strengthen renewable permitting, adopt pending energy and climate legislation, expand

energy efficiency support, establish CBAM compliance infrastructure, improve verification capacity and strengthen social protection for vulnerable households. In addition, Kosovo should develop a coherent green industrial policy, scale renewable auctions and prosumer schemes, invest in grids and storage, create a Just Transition Fund, mobilize blended finance, expand green skills programs and introduce labor-market transition measures. Conclusively, Kosovo should reduce structural dependence on lignite, introduce a domestic carbon-pricing roadmap, strengthen electricity market integration, diversify coal-dependent regions and align fully with EU and Energy Community frameworks.

Methodology

This report applies a mixed-methods approach, combining quantitative and qualitative analysis to assess the implications of green industrial policy in Kosovo. The quantitative component relies on data obtained from Energy Regulatory Office, Kosovo Customs, the Kosovo Agency of Statistics (KAS), Central Bank of the Republic of Kosovo, the Kosovo Energy Corporation (KEK), and relevant national and international institutions. Trade data from Kosovo Customs covering the period 2021–2025 were analyzed to assess Kosovo's exposure to sectors affected by CBAM, with particular attention to exports of iron and steel, aluminum, electricity, cement, and fertilizers to the European Union (EU). In addition, employment data by sector and municipality, based on the latest population census published by the Kosovo Agency of Statistics, were used to identify the geographic concentration of employment in the energy, mining, and related sectors, and to examine the potential regional and social implications of decarbonization and the green transition.

To support the quantitative analysis, the study also reviews national and international policy documents, legal frameworks, and strategic plans related to climate policy, energy transition, labor markets, industrial decarbonization, and just transition principles. These include European Union legislation, Energy Community obligations, Kosovo's Energy Strategy 2022–2031, the National Energy and Climate Plan, and other relevant policy and regulatory documents. In addition, four several semi-structured interviews were conducted with businesses operating in sectors that export goods directly affected by CBAM, particularly with producers of iron and steel and aluminum, which account for the majority of Kosovo's CBAM covered exports. An interview was also conducted with representatives of the Kosovo Chamber of Commerce (KCC) to capture broader private-sector perspectives on CBAM awareness, compliance readiness, and the challenges and opportunities associated with adapting to evolving EU climate regulations. The report further includes findings from community engagement activities conducted in the municipalities of Obiliq and Vushtrri, both of which are closely linked to Kosovo's energy sector and are expected to be affected by future decarbonization commitments. These consultations were used to gather local perspectives on energy transition challenges, public participation in decision-making processes, employment and skills needs, environmental impacts, and social protection measures.

The report addresses several key themes of the Regional Green Industrial Policy (GIP) Framework related to accelerating the energy and industrial transition. However, it is not intended to be extensive, focusing on selected priority areas of this framework while considering that other important aspects such as environmental issues, the role of women in the transition process and other related dimensions require further elaboration.

Regional Green Industrial Policy (GIP) pillars	Alignment of Kosovo's priorities with the regional GIP framework
Clean energy transition	Priorities include accelerating renewable energy deployment, strengthening the electricity grid and improving energy efficiency (Section 1).
CBAM readiness	The report addresses the progress of carbon pricing, emissions reporting, and institutional readiness for CBAM (Section 2).
Industrial competitiveness	Green industrial development, innovation and resource efficiency are identified as key drivers of competitiveness (Section 2).
Green finance	Recommendations focus on expanding access to green finance and mobilising public and private investment (Section 4).
Skills and workforce development	The report highlights the need for green skills development and workforce reskilling (Section 3).
Just transition	Measures aim to support vulnerable households, workers and communities during the green transition (Section 3).
EU integration and regulatory alignment	Kosovo's priorities are aligned with the EU Green Deal, the Energy Community framework and the EU accession process (Sections 1 and 3).

1. Energy Transition Context and Strategic Relevance of Green Industrial Policies

Kosovo as a country highly dependent on coal-based electricity, with around 90% of electricity generation coming from coal, faces significant challenges in the energy transition process. The old infrastructure of the two main powerplants creates risks of energy security, environmental damage through greenhouse gas emissions, public health issues through air pollution, and compliance challenges with EU climate policies. Another challenge for Kosovo's economy is the exposure of local carbon-intensive exporters to the EU Carbon Border Adjustment Mechanism (CBAM) which increases the risk of being less competitive in EU markets. Furthermore, local manufacturing businesses face weak industrial competitiveness due to high production costs from inefficient technologies, and lack of investments in green technologies and energy efficiency. Considering the experience and skills of workers and communities in coal-based energy, there is a skills mismatch for the emerging green sectors such as: renewable energy, battery technologies, energy efficiency services, and circular economy. There is a need for an alignment of education and vocational training systems with future green jobs.[1]

These challenges could be addressed through the development and implementation of a Green Industrial Policy (GIP), which would support Kosovo's energy transition and decarbonization, compliance with EU climate policies and at the same time create new economic opportunities and increase competitiveness. This could be promoted through fiscal instruments, grants, and subsidies, such as: subsidizing investments in energy efficiency, increasing financing for energy-generation investment projects, deployment of auction-based Power Purchase Agreements (PPAs) and Contracts for Difference (CfDs) that protect producers from market risks, and developing skills-training programs for green jobs.

Investments in renewable energy sources and transition away from coal-based

1 GAP Institute. A framework for Green Industrial Policies in the Western Balkans. 2025.

electricity generation would improve energy security, reduce greenhouse gas emissions and air pollution, and reduce health problems caused by air pollution. Simultaneously, effective energy efficiency measures in industry and buildings would reduce energy consumption and production costs. In addition, investments in renewable energy sources and energy efficiency measures, could create high-productivity and better-paid jobs. Through such investments and commitment, Kosovo could attract foreign investments from European companies that seek to nearshore production and diversify supply chains.[2]

A Green Industrial Policy would also play a crucial role in addressing the skills mismatch that may emerge during the transition. Through aligning education institutions and vocational training providers with industry needs, workers dependent on coal industry can gain new skills for green jobs, and thus benefit from new employment opportunities created during the transition. In addition, Kosovo has significant opportunities to expand prosumer models by supporting households and businesses to generate their own electricity through solar installations, which would reduce energy costs and increase energy independence. These opportunities combined with energy efficiency measures, can also contribute to reducing energy poverty and lowering household expenditures. Orientation in such policies, may ease Kosovo's access to EU, international financial institutions and other donor funds dedicated to the green transition. In this way, Kosovo could receive financing to support renewable energy deployment, industrial modernization, innovation, workforce development and environmental improvement.[3]

1.1. Energy system overview

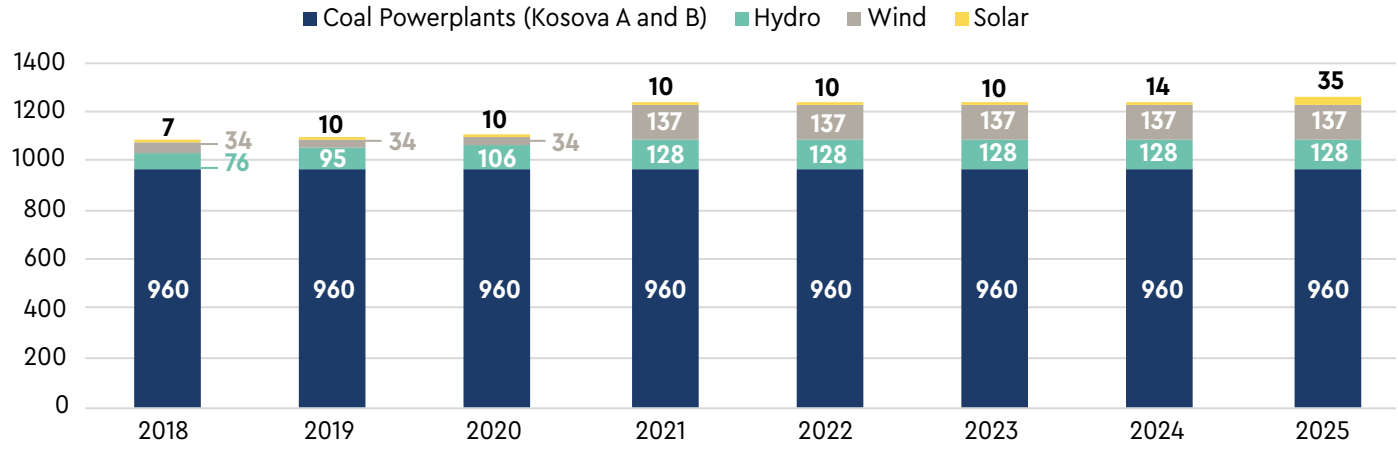
Kosovo's energy system remains heavily dependent on lignite, making it one of the most fossil fuel-dependent electricity systems in Europe. Electricity generation is primarily based on the two aged lignite-fired power plants, Kosovo A and Kosovo B, which continue to provide the main domestic electricity supply. Historically, more than 90% of Kosovo's electricity generation has come from coal, while renewable energy sources have played a limited role.[4] Lignite continues to dominate Kosovo's electricity mix in 2025. Out of a total operational electricity generation capacity of approximately 1,261 MW, lignite-fired power plants account for 960 MW, or around 76% of total installed capacity. The remaining 24% consists of renewable energy sources, including hydropower, wind power and solar photovoltaic installations. Specifically, installed hydropower capacity reached 128.5 MW, wind power 137.2 MW, and solar power 35.5 MW in 2025.[5]

During the period 2018–2025, Kosovo's total operative generation capacity increased from approximately 1,076 MW in 2018 to 1,261 MW in 2025. Importantly, this increase was driven almost entirely by renewable energy investments, as coal-fired generation capacity remained unchanged at 960 MW throughout the period. Among renewable energy investments, wind energy recorded the highest expansion. Installed wind capacity increased from 33.8 MW in 2018 to 137.2 MW in 2025, following the commissioning of a new wind farm. Hydropower capacity also increased from 75.5 MW to 128.5 MW during the same period. Solar energy, while starting from a very low base, increased from 6.6 MW in 2018 to 35.5 MW in 2025, including the addition of six new photovoltaic plants with a combined capacity of 21.5 MW during 2025. As a result, renewable energy sources increased their share in installed generation

2 Ibid
3 Ibid
4 OECD. Energy Prices and Subsidies in the Western Balkans. 2025.
5 Energy Regulatory Office (ERO). Annual Report 2025.

capacity from approximately 11% in 2018 to around 24% in 2025. Nevertheless, lignite remains the dominant source of electricity generation capacity.[6]

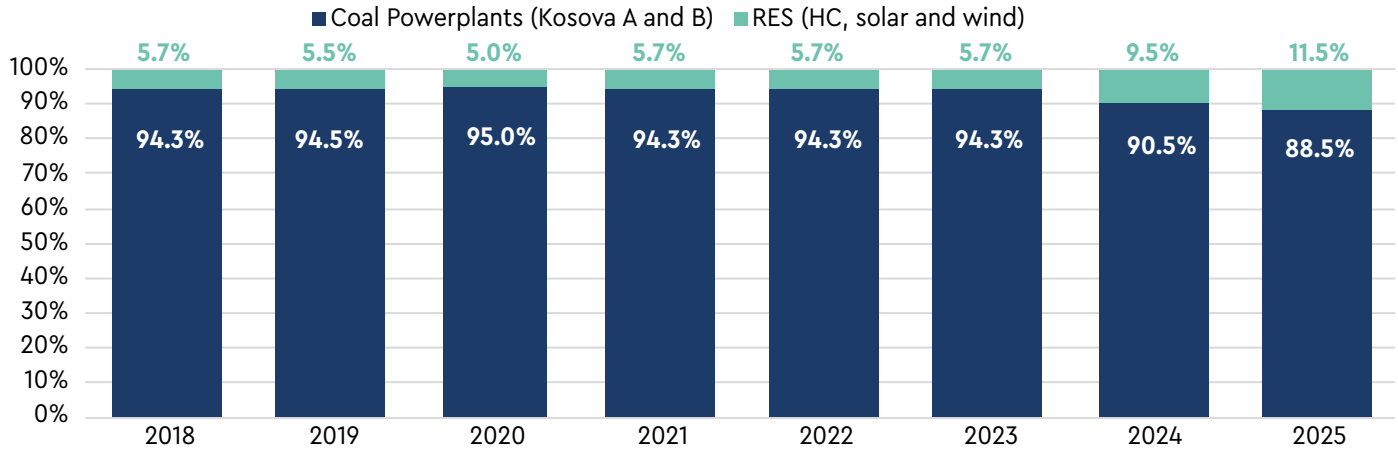
Figure 1. **Total operative capacity for electricity production in Kosovo (MW) 2018 – 2025**



Source: Energy Regulatory Office

During 2018–2025, electricity generated from Kosovo A and Kosovo B ranged between approximately 4,687 GWh and 5,983 GWh annually, while renewable electricity production varied between 303 GWh and 768 GWh. In 2025, Kosovo A and Kosovo B produced approximately 4,687 GWh of electricity, representing around 88.5% of total domestic electricity generation. Renewable energy sources generated around 612 GWh, accounting for 11.5% of total generation. This represents an increase compared to 2018, when renewables contributed less than 6% of total electricity production. The largest increase in renewable electricity generation occurred between 2021 and 2023, reflecting the commissioning of new wind projects and improved integration of renewable energy into the system. Renewable generation reached a peak of approximately 768 GWh in 2023 before declining in 2024 due to hydrological conditions, but remained significantly above historical levels.[7]

Figure 2. **Annual cumulative electricity production (%)**



Source: Energy Regulatory Office

6 Energy Regulatory Office (ERO). Annual Report 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025.
7 Energy Regulatory Office (ERO). Annual Report 2025.

The broader energy system also relies on oil products and biomass for transport and household energy consumption.[8] Kosovo possesses substantial lignite reserves estimated at approximately 12.5 billion tonnes, among the largest in Europe, but has no domestic oil or natural gas production and currently lacks the infrastructure for producing electricity from gas.[9]

Nevertheless, there has been some gradual progress in Kosovo's energy transition through investments in wind and solar energy. These investments have been supported by local regulatory framework such as the Energy Strategy 2022–2031[10], the draft National Energy and Climate Plan (NECP)[11], and growing alignment with European Union climate and energy policies. The adoption of the Law on Climate Change in January 2024 established a stronger climate governance framework and supports the implementation of decarbonization measures, including renewable energy expansion and future carbon pricing mechanisms.[12]

A factor to be considered in diversifying the energy mix in Kosovo is price regulation and government subsidies in electricity prices. The current subsidy model regulates electricity tariffs for consumers by offering below market prices. Household electricity prices were estimated to be around 40% lower than market prices before 2023, while in 2023 they were approximately 90% below international market prices. A report by OECD[13] argues that even though such subsidies are important against energy poverty, they are not targeted well and consequently, it is estimated that 20% of the poorest households receive only 8.2% of the total value of electricity price support. In this way, regulated prices may reduce incentives for investments in energy efficiency and renewable energy sources. Households and businesses may have less incentives to reduce electricity consumption and invest in energy-saving technologies due to a lower regulated electricity price. Similarly, private investors may be less interested to invest in renewable energy sources due to uncertainty regarding future market returns and competition from subsidized electricity. Besides these actual regulated prices, Kosovo used subsidies in deployment of renewable energy too, through feed-in tariffs which guaranteed fixed tariffs for energy generated by renewable sources. These tariffs provided guaranteed revenues and lower risks for investors, and were effective in facilitating such investments.[14]

However, the evidence[15] suggests that there is a need to reform electricity pricing towards market-oriented support mechanisms, which would improve fiscal sustainability and support green transition. It is estimated that an increase of electricity prices by 19%, could generate additional revenues for Kosovo Energy Corporation (KEK) of more than 90 million euros annually. Additionally, higher prices would encourage energy savings and lower expensive electricity imports. On the other side, subsidies could be better targeted towards vulnerable households at risk of poverty. In this way, targeted electricity subsidies combined with market-oriented support mechanisms for renewables (such as: renewable energy auctions) would support Kosovo's energy transition and decarbonization process.[16]

8 German Watch. The Energy Transition in the Western Balkans. 2025.
9 Bankwatch Network. The energy sector in Kosovo. 2024.
10 Ministry of Economy. Energy Strategy of the Republic of Kosovo 2022–2031.
11 Government of Kosovo. Draft National Energy and Climate Plan for the Republic of Kosovo 2025–2030.
12 German Watch. The Energy Transition in the Western Balkans. 2025.
13 OECD. Energy Prices and Subsidies in the Western Balkans. 2025.
14 Ibid.
15 Ibid.
16 Ibid.

1.2. Renewable energy sources deployment

Kosovo has set a number of objectives for the medium-term and long-term (until 2050) for decarbonization and transition of the energy sector. At the national level, it has shaped its decarbonization agenda through two main documents: the National Energy Strategy of the Republic of Kosovo 2022–2031[17] and the Draft National Energy and Climate Plan (NECP)[18]. At the international level, Kosovo has committed to the Green Agenda for the Western Balkans[19], Energy Community targets[20], and European Union accession process. The National Energy Strategy of the Republic of Kosovo 2022–2031, was adopted in 2023 and is the primary strategic document for the energy sector for a ten-year period. It consists of five main strategic objectives: improving system resilience, decarbonization and promoting renewable energy, increasing energy efficiency, strengthening regional cooperation and market functioning, and protecting and empowering consumers. The strategy identifies renewable energy development as a key mechanism to move away from lignite-generated energy and reduce greenhouse gas emissions. It introduces measures to support the development of competitive auctions for renewable energy, support prosumers, develop battery storage, introduce carbon pricing mechanisms, and improving energy efficiency. Within each strategic objective, the strategy specifies specific objectives which entail targets for the year 2031 (Table 1).

Table 1. **Energy Strategy of the Republic of Kosovo 2022–2031 – main energy transition and decarbonization targets**

Objective	Target (2031)	Progress (2025)
Increase electricity consumption by RES	At least 35% of electricity consumption supplied from renewable energy sources	Electricity consumption supplied from renewable sources is 8%
Increase RES installed capacity	Reach approximately 1,600 MW of installed renewable energy capacity	Installed capacity of renewable energy sources is 330 MW (including prosumers)
Reduce greenhouse gas emissions	Reduce GHG emissions from the power sector by at least 32%	GHG emissions were reduced to 6,366 ktCO2 +0.8%
Develop energy storage	Install at least 170 MW of battery energy storage systems	The project for the construction of the battery storage is in process with the MCC.
Increase energy efficiency	Achieve cumulative energy savings of 232.5 ktoe in residential and commercial buildings, and 33.6 ktoe in public buildings	Cumulative energy savings in residential and commercial buildings are 14.46 ktoe (2024) and in public buildings 21.79 ktoe
Expand district heating	Increase capacity of cogeneration from the public district heating to 280 MWth.	Cogeneration capacity from the public district heating is 140 MWth
Introduce carbon pricing	Establish the basis for a carbon pricing mechanism aligned with the EU ETS	No progress until now

Source: Ministry of Economy, Energy Regulatory Office

Despite gradual growth in renewable energy capacity in recent years, Kosovo remains significantly behind the targets set in the strategy for 2031 and continues to lag behind other countries in the Western Balkans.[21] The highest increase in capacity occurred in 2021, by the commissioning of the 103 MW SOWI wind farm, bringing the combined installed capacity of wind, hydropower and solar plants

17 Ministry of Economy. Energy Strategy of the Republic of Kosovo 2022-2031.
18 Government of Kosovo. Draft National Energy and Climate Plan for the Republic of Kosovo 2025–2030.
19 European Commission. Guidelines for the Implementation of the Green Agenda of the Western Balkans. 2020.
20 Energy Community. Decision of the Ministerial Council No. 2021/14/8MC of the EC. 2022.
21 International Renewable Energy Agency (IRENA). Renewable Energy Statistics 2025. 2025.

to around 275 MW.[22] With regard to renewable energy deployment, Ministry of Economy completed the first competitive solar auction in 2024 for a 100 MW solar park, with an awarded price of 48.88 euro/MWh.[23] The implementation of this auction has been supported by a Power Purchase Agreement (PPA), which is a long-term agreement between the energy producer and buyer at a certain price. In the meantime, upon approval from ERO, there is a plan that this PPA agreement will be converted into a Contract for Difference (CfD).[24] The CfD contracts are financial agreements with the government that create security for the producer by preventing loses from price fluctuations.[25] These incentives for investors, combined with appropriate industrial policies, would help reduce investment risks in the sector, and generate more sustainable revenues. However, construction of the solar park has not yet started despite the of most administrative procedures. According to the Ministry of Economy, the administrative phase is near completion, including the finalization of engineering, procurement and construction contracts, while the municipality of Rahovec has already allocated the land for long-term use. Delays have reportedly been linked to disagreements among investors.[26] At the same time, preparations for a 100 MW wind auction have continued, with the Ministry of Economy launching the call for technical and financial bids by the end of 2025 following the prequalification process.[27]

Regarding the objective of energy efficiency, there has been some progress during the last years. The Kosovo Energy Efficiency Fund, since its establishment in 2020, has contributed to investments to upgrade public buildings through thermal insulation, replacement of doors and windows, and modernization of heating systems. Progress has also been recorded in the residential sector, where subsidy schemes for insulation, energy-efficient windows, heat pumps, and similar technologies have helped almost 4,000 households improve their energy performance, and have achieved energy savings of 14.46 ktoe. Nevertheless, despite these investments, achieving energy efficiency objectives of energy savings of 232.5 ktoe remains a challenge, especially in residential buildings. Until now, majority of efficiency investments have been oriented towards public buildings, regardless of the fact that residential buildings comprise the largest share of final energy consumption. Meeting the 2031 targets will therefore require a substantial increase in investments in residential energy renovations, alongside efforts to reduce electricity distribution losses, which remain relatively high.[28] At the same time, expanding energy efficiency measures could generate important economic benefits, including the creation of thousands of new jobs while reducing energy consumption and improving energy security.[29]

Another objective of the strategy is to develop energy storage systems, which plans to construct battery storage systems of electricity with a capacity of 340 MWh. The project is financed through the Millennium Challenge Corporation (MCC) and is currently in administrative phase. The MCC and Ministry of Economy have advanced procurement procedures, land transfer and site preparation for battery installation, and have established the public enterprise 'Energy Storage Corporation'.[30] Regarding expanding district heating through cogeneration, the current capacity of 140 MWth shows that the medium-term objective for 2024/2025 has been

22 Energy Regulatory Office. Annual Report 2021.
23 The Renewable Energy Source in Kosovo (RESKosovo). First solar auction in Kosovo. 2024.
24 Ministry of Economy. Contract Notice. Competitive Bidding Process/Internal No.:01-001-2023.
25 European Parliament. Overview of the diffusion of Power Purchase Agreements and Contracts for Differenceacross Member States. 2026.
26 Radio Evropa e Lirë. Asnjë panel në fushë: Cfarë po ndodh me parkun diellor millionësh në Rahovec? 2026.
27 The Renewable Energy Source in Kosovo (RESKosovo). 100 MW wind auction. 2025
28 Data sent from Kosovo Fund for Energy Efficiency and Ministry of Economy.
29 GAP Institute. Governments' support to improving energy efficiency as a response to mitigating (future) energy shocks Western Balkan 6. 2024.
30 Millennium Challenge Corporation (MCC). Second Anniversary of the MCC-Kosovo Compact Entry-into-Force. 2026.

achieved; however, the new project planned to double this capacity has not yet started.[31] Another target objective that has been set in the strategy is to introduce a carbon pricing system in order to reduce emissions, address CBAM-related costs in advance and create a Just Transition Fund that retains revenues domestically. However, until now there have been no steps taken towards this objective.[32]

Another national document that has set measurable targets and policy measures for the energy and climate commitments up to 2030, is the Draft National Energy and Climate Plan (NECP) 2025–2030.[33] This plan consists of five main dimensions: decarbonization, energy efficiency, energy security, internal energy market, and research, innovation and competitiveness. This document serves as a roadmap for Kosovo to achieve climate and energy targets adopted by the Energy Community Ministerial Council[34] in 2022. Specifically, it emphasizes greenhouse gas emissions, renewable energy deployment, improving energy efficiency, and strengthening energy security. It also highlights the need to address emissions from other sectors beyond electricity generation, such as transport, heating and industry. The dimensions set in this document were based on the dimensions of the Energy Union, and the objectives and measures set in the Energy Strategy of Kosovo were incorporated. Nevertheless, the NECP entails a wider range of dimensions in addition to energy, and compared to the Strategy, it covers a five-year period.[35]

Table 2. **Draft National Energy and Climate Plan 2025–2030 – main energy transition and decarbonization targets**

Sub-dimension	Target (2030)
Greenhouse gas emissions	Reduce greenhouse gas emissions by 16.3% by 2030, equivalent to approximately 8.95 million tonnes CO2
Renewable energy	Renewable energy is 32% of gross final energy consumption by 2030
	Renewable energy capacity is approximately 1,400 MW by 2030
Energy Efficiency	Limit final energy consumption to 1.8 Mtoe by 2030
Heating sector	Expand district heating through renewable projects such as Solar4Kosovo

Source: Government of Kosovo, Public Consultation Platform

In addition to the two national documents, Kosovo has also become a part of the Green Agenda for the Western Balkans through the adoption of the Sofia Declaration in 2020.[36] The Green Agenda has created a regional framework for the Western Balkans to achieve climate-neutral, resource efficient and competitive economy, and support the region's integration into the EU's climate and energy policy framework. The Agenda comprises of five main pillars: climate action (including decarbonization, energy and mobility), circular economy (particular waste, recycling, sustainable production and efficient use of resources), biodiversity (protecting and restoring the natural wealth of the region), fighting pollution of air, water and soil, and sustainable food systems and rural areas.[37] Kosovo, as a signatory party, has committed to achieve a number of set targets (Table 3).

31 Data received from Energy Regulatory Office
32 Data received from interviews with the Ministry of Economy
33 Government of Kosovo. Draft National Energy and Climate Plan for the Republic of Kosovo 2025–2030.
34 Energy Community. Decision of the Ministerial Council No. 2021/14/8MC of the EC. 2022.
35 Government of Kosovo. Draft National Energy and Climate Plan for the Republic of Kosovo 2025–2030. Last accessed: 1 June 2026
36 Regional Cooperation Council (RCC). Sofia Declaration on the Green Agenda for the Western Balkans.
37 European Commission. Guidelines for the Implementation of the Green Agenda of the Western Balkans. 2020.

Table 3. **Green Agenda for the Western Balkans – main energy transition and decarbonization commitments**

Pillar	Main commitments and targets
Climate Action, Energy and Mobility	Align with the EU Climate Law and contribute to the objective of climate neutrality by 2050
	Develop and implement a National Energy and Climate Plan (NECP)
	Reduce greenhouse gas emissions and decarbonise the energy sector.
	Increase the share of renewable energy and improve energy efficiency across all sectors
	Introduce carbon pricing mechanisms and progressively align with the EU Emissions Trading System (EU ETS)
	Gradually phase out coal subsidies and support a just transition.
Circular Economy	Increase resource efficiency and reduce waste generation.
	Promote recycling, reuse and recovery of materials.
	Support sustainable production and consumption patterns
	Develop circular business models and green industries
Depollution (Air, Water and Soil)	Reduce air pollution from industry, energy production and transport

Source: European Commission and Regional Cooperation Council

Kosovo has made some progress towards its commitments under the Green Agenda. More specifically, it has prepared the Draft National Energy and Climate Plan (not adopted yet), adopted the Law on Climate Change, expanded energy efficiency programs and implemented renewable energy auctions to increase the share of renewable energy in the energy mix. Nevertheless, as stated in the European Commission Kosovo 2025 report[38], there is still a need to accelerate progress on renewable energy deployment, in order to meet the ambitious targets set. More specifically, in Chapter 15 for Energy, the European Commission recommends that Kosovo should adopt its National Energy and Climate Plan (NECP) which is still a draft, and also the package of energy laws which align with the Electricity Integration package and Clean Energy Package. Moreover, the report recommends that the upgrade of the Kosovo B power plant and the decommissioning of the non-working parts of the Kosovo A power plant, should be done at a faster pace. In addition, the country should work to operationalize the Guarantees of Origin (GO) system by adopting disclosure rules and methodologies for calculating the residual mix. Regarding energy efficiency, the report for Kosovo highlights legislative and institutional gaps, which include the adoption of the new Law on Energy Efficiency and secondary legislation required to implement the law on the Energy Performance of Buildings. In addition, the report points out the need for additional financial resources, stronger institutional capacities for implementation and monitoring, and closer alignment with the EU acquis on energy labelling and eco-design.[39] With regards to Chapter 27 on Environment and Climate change, Kosovo has made limited progress, where the Ministry of Environment and Spatial Planning (MESP) slightly improved its administrative capacity, and approved the integrated waste management strategy and action plan 2024–2026. Nevertheless, the Commission's report recommends that Kosovo should ensure to take appropriate measures for protected areas and not allow them to become contaminated, amend the Law on waste management, and implement the Law on climate change.[40]

38 European Commission, Kosovo* 2025 Report, 2025
39 Ibid.
40 Ibid.

Up to now, renewable energy sources deployment in Kosovo has been slow, with a gradual increase in net installed capacity from 116 MW (2018) to 301 MW (2025). Nevertheless, there are some bigger projects in process, some of which have received licenses from the Energy Regulatory Office and are in construction phase, while some are planned through auctions by the Ministry of Economy. In total, there are around 700 MW new investments in solar and wind energy. These projects, once operational, are expected to play a significant role in improving energy security, reducing carbon intensity, and supporting Kosovo's commitments under the Green Agenda for the Western Balkans and the Energy Community framework. However, some of these projects have faced persistent delays, resulting in longer-than-expected implementation timelines. From the beginning of the administrative phase, these projects have experienced continuous delays, resulting in extended timelines before reaching operation.

Table 4. **Few planned/in construction new RES projects in Kosovo**

Project	Type of energy	Installed capacity	Implementation
Wind Park Zatriqi	Wind	70 MW	Completed (to enter into operation from July 2026)
SEGE Project	Solar	150 MW	In construction
Lindja Solar (auction)	Solar	100 MW	Administrative phase
Wind auction	Wind	100 MW	Administrative phase
Solar Park (KEK)	Solar	100 MW	Initial phase
Solar project Istog	Solar	150 MW	Initial phase
Solar project Junik	Solar	100 MW	Initial phase

Source: ERO, KEK, EBRD

1.3. Challenges in deployment of renewable energy sources and the need for One-Stop Shops (OSS)

Despite the positive developments, the implementation of renewable energy projects continues to face challenges. A number of projects remain in administrative or early development phases, while there are administrative and institutional constraints that delay project implementation. Some of the main factors causing delays in implementation, according to the Ministry of Economy, are delays in permitting and licensing procedures, limited grid capacity, property-related issues, and other administrative bottlenecks.[41] Administrative and institutional constraints are stated as a challenge in an OECD report[42] as well, and are pointed as complicated and involving different procedures across a number of institutions, which is time consuming. It has been estimated that in Kosovo it can take up to three years to complete the whole process, from the preliminary authorization to connection to the grid.[43] It has been noted that there is an absence of standardized procedures and overlapping institutional responsibilities which make the permitting process complex. In addition, procedural bottlenecks may also occur as a result of limited staff and inadequate technical training. At the same time, there are no designated zones for renewable energy sources deployment, which may cause prolonged project initiation.[44] Limited grid capacity, is also 8it is unable to manage the influx of renewable energy.[45] Similarly, the Energy Community identifies a number of constraints in permitting processes for renewable investments in Europe. It starts from lengthy and complex processes that involve several institutions (energy, environment,

41 Information received from interviews with the Ministry of Economy
42 OECD. Multi-dimensional Review of the Western Balkans. From Analysis to Action. 2022.
43 Ibid.
44 Panagiotakis, I. et al. Using the EU Environmental Permitting Framework to Promote the Energy Transition in the Western Balkans – The Case of Kosovo. 2025
45 REGlobal. Energy transition in Kosovo, Serbia, North Macedonia. 2025.

regulators, construction and grid operators), which may cause 3–10 years for wind investments and 2–6 years for solar investments in some countries. Another issue noted is unpredictability to complete all procedures, which may also be caused by grid connection procedures that can take up to 7 years in some countries, among others. Grid operators often operate independently and have exclusive competence, causing their procedures to not be integrated with the permitting process. Digitalization is also mentioned as a constraint, as a lot of steps in the permitting process are inefficient and not fully digitalized.[46]

The constraints listed above, such as delays and bottlenecks created by lack of coordination between institutions and also unclear responsibilities, highlight the need for more proactive reforms to streamline licensing processes, reduce bureaucracy, and improve incentives for renewable energy investors. In addition, they have created the need to establish single contact points which will provide guidance and facilitation for applicants during the permitting process. These contact points are called "One-Stop Shops (OSS)", and they serve as a centralized platform between project developers and public authorities, coordinating all administrative procedures and reducing the need for applicants to engage separately with multiple institutions. In addition to providing guidance on permitting requirements, environmental assessments, and grid connection procedures, OSS monitor the progress of applications, facilitate coordination between institutions, and use digital platforms for the submission, tracking, and management of permits. This enhances transparency, accountability, and efficiency of permitting procedures.[47] The European Commission has revised its Renewable Energy Directive (RED), which now requires Member States to establish these contact points to guide applicants during permitting processes and ensure compliance with deadlines. In addition, the revised Directive introduces a number of reforms which aim to further address constraints for the deployment of renewable energy projects (Table 5).[48]

Table 5. **Key amendments under the revised EU Renewable Energy Directive**

Key amendments under revised RED directive	Description
Expanded scope of permitting procedures	The permitting framework now covers renewable energy plants, hybrid projects, heat pumps, co-located energy storage systems, associated grid infrastructure, grid-connection permits, and environmental assessments.
Clear definition of permitting timelines	The permitting process officially starts once a complete application is acknowledged and ends with notification of the final decision.
Mandatory digitalization	By November 2025, all permit-granting procedures must be conducted electronically.
Strengthened One-Stop Shops (OSS)	Single Contact Points must guide applicants through all permitting stages, including environmental procedures, and ensure compliance with statutory deadlines.
Faster dispute resolution mechanisms	Applicants and the public must have access to simplified dispute settlement procedures, including alternative dispute resolution mechanisms.
Introduction of Renewables Acceleration Areas (RAAs)	Designated areas with low environmental risk where renewable energy projects benefit from streamlined procedures and shorter deadlines.
Streamlined environmental assessments	Environmental assessments must be coordinated or integrated into a single procedure where possible;

Source: Energy Community

46 Energy Community Secretariat. Permitting Reform and Renewable Energy. 2026
47 Ibid
48 Ibid

Based on the revised RED, the Energy Community Secretariat has provided three optional models of a Renewable Energy One-Stop Shop (RE OSS), based on their scope of responsibility. The most basic model is an information and guidance OSS, which acts primarily as an information hub by providing developers with comprehensive guidance on permitting requirements and project development procedures. While this model improves transparency and accessibility, it does not actively coordinate the permitting process. more advanced model is the coordinating OSS, which fully aligns with the Directive by serving as the sole point of contact for developers while coordinating interactions among all competent authorities. Although permitting decisions remain the responsibility of the relevant institutions, the OSS oversees the process, monitors deadlines, and facilitates communication to ensure timely decision-making. The most comprehensive model is the OSS with permit-granting responsibility. Under this approach, multiple permitting procedures are integrated into a single framework, allowing the OSS to issue one consolidated decision covering all relevant approvals and assessments. This model goes beyond the minimum requirements of the revised RED by significantly reducing administrative burden and creating a highly streamlined process for project developers.[49]

The permitting process in Kosovo comprises of a number of procedures and institutions, each with different responsibilities. Kosovo has established a One-Stop Shop[50] for renewable energy sources through Regulation no. 05/2018[51] under the Ministry of Economy, which aims to coordinate, cooperate and inform parties for the investment process in renewable energy sources. It operates mostly as a coordination and information mechanism, and functions through an Inter-Institutional Coordination Commission, which brings together all relevant institutions involved in the permitting process[52] (Table 6).

Table 6. **Institutional responsibilities of OSS Inter-Institutional Coordination Commission**

Institution	Main responsibilities in the permitting process
Ministry of Economy	Leads the OSS and Inter-Institutional Coordination Commission; responsible for energy policy and renewable energy targets
Energy Regulatory Office	Issues authorizations for construction and generation licenses; administers support schemes, certificates of origin, and power purchase agreements
Ministry of Environment and Spatial Planning	Issues environmental consents, water permits, and construction permits for projects above 10 MW; reviews Environmental Impact Assessments (EIAs)
Municipalities	Responsible for adopting Municipal Development Plans and spatial planning documents that identify areas suitable for the construction of power plants. Municipalities also issue construction permits for renewable energy projects below 10 MW and environmental permits for projects that do not require an Environmental Impact Assessment (EIA).
KOSTT	Provides transmission grid access and connection conditions for renewable energy projects.
KEDS	Provides distribution grid connection and connection cost estimates.

49 Energy Community Secretariat. Permitting Reform and Renewable Energy. 2026
50 Kosovo Renewable Energy Source Portal. 2026
51 Ministry of Economy. Regulation no.05/2018 on One Stop Shop for Renewable Energy Sources. 2022.
52 Ministry of Economy. Report on One Stop Shop Operational Manual. 2022

Ministry of Agriculture, Forestry and Rural Development	Grants rights for the use of forest land.
Ministry of Finance	Responsible for fiscal policies, customs, taxes, and renewable energy-related fiscal incentives.
Ministry of Industry, Entrepreneurship, Trade and Innovation	Supports businesses, business registration, and investment promotion.
Ministry of Local Government Administration	Regulates procedures for the use of municipal land and oversees municipal implementation of legislation.

Source: Ministry of Economy

More specifically, the mandate of the OSS in Kosovo is to provide investors with information and guidance on legal, administrative, and procedural requirements; monitor the development and progress of renewable energy investments; maintain regular communication with investors, the Energy Regulator, and all institutions involved in permitting procedures; coordinate and harmonize information among responsible authorities and facilitate cooperation between institutions to streamline administrative procedures, follow the status of permit applications, and assist in resolving delays or procedural obstacles through consultations and engagement with relevant authorities. In addition, it collects and addresses stakeholder recommendations, proposes legal and procedural improvements where necessary, and prepares information handbooks to guide investors and improve coordination and compliance with applicable legislation.[53] Nevertheless, it needs to be noted that the current OSS model in Kosovo is mainly an information-sharing mechanism, and has not shown any results in coordinating and reducing administrative burden in permitting processes. Moreover, it does not have the authority to enforce deadlines on institutions, make decisions or issue permits.

2. Carbon Border Adjustment Mechanism (CBAM) and Trade Exposure

2.1. CBAM mechanism implementation

The CBAM mechanism became fully operational on 1 January 2026, following a transitional period that lasted from October 2023 to December 2025. Part of the EU's "Fit for 55" package,[54] CBAM is the world's first fully functional border carbon adjustment policy, designed to put a fair price on carbon emissions embedded in imported goods into EU and prevent the so-called "carbon leakage". It initially covers imports of iron and steel, aluminium, cement, fertilisers, electricity, and hydrogen and applies to nonEU exporters, with limited exemptions for countries whose carbon pricing aligns with the EU Emissions Trading System (ETS).[55]

In practical terms, importers of these goods must register as authorised CBAM declarants and hold a CBAM account number to release goods for free circulation in the EU.[56] The first annual CBAM declaration and certificate submission is due 30 September 2027, covering goods imported during 2026 with certificates priced at the average quarterly EU ETS price for that year.[57] According to the

53 Ministry of Economy. Report on One Stop Shop Operational Manual. 2022

54 The 'Fit for 55' package is a set of legislative measures aimed to reduce EU greenhouse gas emissions by at least 55% by 2030 and support the EU's goal of achieving climate neutrality by 2050. European Council. Fit for 55.

55 Non-EU countries in this case refer to Norway, Iceland, Liechtenstein, and Switzerland that have aligned their emissions trading systems with the EU ETS. European Commission. The Scope of the EU ETS.

56 European Commission. CBAM Registry and Reporting.

57 European Union. Article 22. Surrender of CBAM certificates. EUR-Lex. Access to European Union Law.

EU Commission, the CBAM price for carbon intensity into the EU during the first quarter of 2026 was set at 75.36 euro per tCO2eq.[58] In addition, the declaration must include 1) the total quantity imported stated in megawatt-hours for electricity and in tonnes for other goods, and 2) the total embedded emissions in tonnes CO2 equivalent (CO2e) per megawatt-hour for electricity or per tonne for other products when actual emissions data are used.[59]

In the meantime, in February 2025, the EU Parliament adopted a few changes to CBAM under the Omnibus I simplification package.[60] As a result, a new de minimis threshold was established where "imports up to 50 tonnes per importer per year will not be subject to CBAM rules"[61] excluding the import of electricity and hydrogen.[62] Such changes were introduced to reduce administrative burdens with the main purpose of preserving competitiveness and supporting growth for small and medium enterprises which currently fall under this threshold.[63] In addition, declarants are required to indicate the total number of CBAM certificates to be submitted after accounting for any carbon price already paid in a third country and adjustments related to the free allocation of EU ETS allowances.[64]

Table 7. **CBAM Implementation Timeline**

October 2023 – December 2025	February 2025	January 2026	February 2027	September 2027	Until 2034
Transitional phase	Omnibus reform	Start of definitive phase	Certificate market opens	First financial settlement	Full regime
Quarterly emission reporting required No financial charges yet	De minimis exemption of 50 ton/year per importer	CBAM enters into force. Importers must register as authorised CBAM declarants	All CBAM certificates will be purchased on the common central platform	Declaration and submission of certificates	Gradual transition to full alignment

Source: EU Commission

2.2. CBAM sectoral exposure

Kosovo is among the third world countries whose exporters are directly impacted by the CBAM regulation. Kosovo exporters of iron and steel, aluminium, electricity, cement, and fertilizers are therefore subject to the new compliance requirements under CBAM mechanism. While Kosovo's CBAM-relevant exports represent a relatively small share of its total exports to the EU, the significance of the mechanism lies not in the volume of trade but in the compliance obligations and carbon costs it introduces for Kosovo exporters operating in these sectors.

58 75.36 euros per tonne of carbon dioxide equivalent. Energy Community Secretariat. CBAM Quarterly report. 2026/1.
59 Ibid. Article 6 on CBAM Declaration and Article 35 on Reporting Obligation.
60 The Omnibus Simplification I package is a set of measures aimed at lowering regulatory burdens and strengthening EU competitiveness, while still safeguarding economic, social, and environmental objectives. European Commission. Omnibus Package.
61 European Parliament. CBAM: Parliament adopts simplifications to the EU carbon leakage instrument. 2025
62 Ibid.
63 Calculations from the transition period 2023–2025 suggest that these SMEs account for around 180 thousand businesses. Although they are exempt, the EU still covers around 99% of emissions through large importers who account to only 10% of all importers but contribute most to carbon leakage. This design is intended to reduce burdens on small businesses while keeping full compliance focused on major emitters. Ibid.
64 When required, companies must also submit verification reports from accredited verifiers. The European Commission manages the system through a central CBAM Registry linked to national customs systems in all EU countries. Carbon Border Adjustment Mechanism – Taxation and Customs Union

During 2025, the total value of Kosovo's exports to the EU was equal to about 316 million euros. Of this, around 12% consists of goods with high carbon intensity that are subject to CBAM, equivalent to roughly 37.6 million euros in value.[65] Accordingly, the iron and steel sector are expected be the most affected by CBAM, accounting for about 72% of all CBAM covered exports from Kosovo to EU, followed by aluminium which represents approximately 27% of the total CBAM affected export value. In comparison, electricity and cement exports are estimated to be affected only marginally, each contributing around 1–2% of the total CBAM covered exports.[66] In addition, the banking sector's exposure to CBAM affected sectors remains limited, accounting for about 2.5% of total loans and 4.0% of corporate lending, suggesting a low level of risk, meaning that CBAM does not challenge the domestic financial stability.[67]

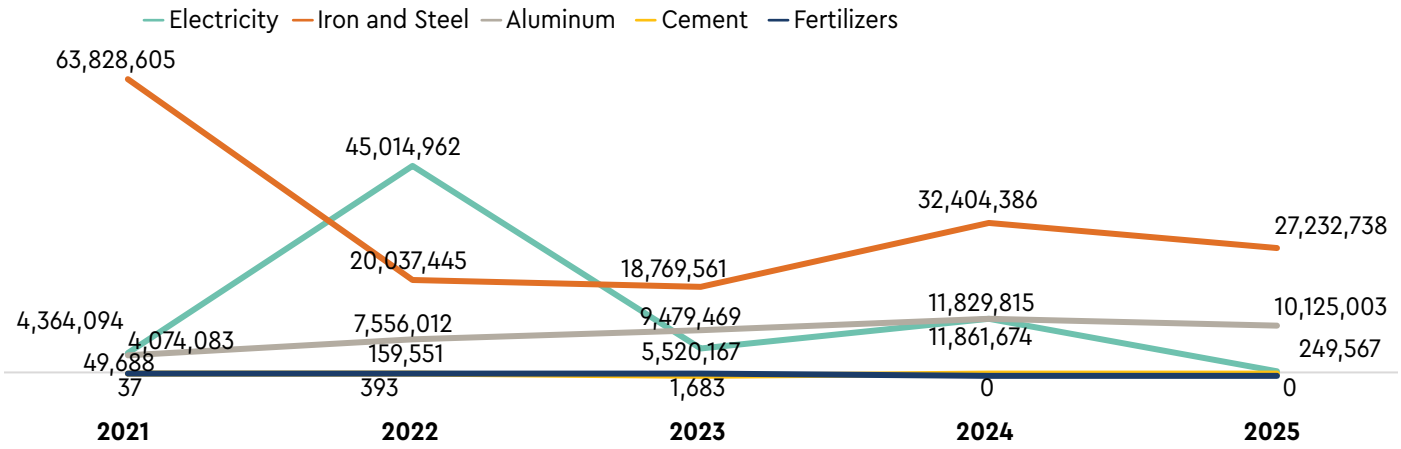
Table 8. **Exports of carbon intensive sectors to the EU by sector as a % of total value of exports in carbon intensive exports to the EU in 2025**

Export sector	Value in euros	Export sector as a % of total exports in carbon intensive sectors
Iron and steel	27,232,738.67	72.4%
Aluminium	10,125,002.64	26.9%
Electric Energy	249,566.92	0.7%
Cement	1,315.58	0.003%

Source: Kosovo Customs

Between 2021 and 2025, Kosovo's CBAM related exports to the EU were mainly concentrated in two sectors: iron and steel, and electricity.[68] Iron and steel remained the largest export category during the whole period, although export levels changed significantly from year to year. Electricity exports were highly unstable, rising sharply in 2022 to around 45 million euros, but declining quickly afterwards and becoming almost insignificant by 2025. In contrast, aluminium exports were generally stable over the years. Meanwhile, cement and fertilizers were more limited in volume. Hydrogen is excluded, as Kosovo does not export hydrogen.

Figure 3. **Kosovo's carbon intensive exports to the EU by sector, 2021–2025**



Source: Kosovo Customs

65 Kosovo Customs annual export data from 2021 – 2025.
66 Hydrogen and fertilizers are excluded from the analysis because no exports of these products were recorded in the reporting period.
67 Central Bank of the Republic of Kosovo. Financial Stability Report. 2024. p.67.
68 Kosovo Customs annual export data from 2021 – 2025.

In relation to this issue, several interviews were carried out with Kosovo exporters of goods falling under CBAM. The main findings indicate the following:

- There is a generally low level of awareness and preparedness regarding the EU CBAM among the interviewed Kosovo exporters. Most respondents reported having limited or no understanding of CBAM requirements, including reporting obligations and potential financial implications for exports to the EU market. Despite the ongoing implementation of CBAM, the interviewed companies stated that they have continued exporting at similar volumes and intensity, while several respondents noted that they had not yet received communication from their EU trading partners regarding additional CBAM-related costs or compliance requirements affecting their products.
- Interviewees emphasized that the government and relevant ministries have not adequately addressed the issue of CBAM, as there has been no structured sharing of information, training sessions, or official communication in the form of emails or guidance materials. This lack of information has contributed significantly to the low level of awareness among companies, leaving these exporters concerned and unprepared for CBAM implementation.
- Companies have started expanding their use of solar energy, with installed photovoltaic systems predominantly financed through their own capital. This shift is largely driven by the liberalization of the electricity market, which has increased their energy prices, making cost reduction the primary motivation for investing in renewables. At the same time, respondents highlighted a clear absence of government grants or targeted support schemes for renewable energy deployment, resulting in these companies bearing the full financial burden of investing in renewable energy sources. However, most of companies still rely on coal-based electricity supplied mainly by KEK for production, which continues to represent the dominant energy source in their operations.
- Even prior to the introduction of CBAM, private sector companies were already facing multiple operational and financial challenges. These include high transaction costs linked to EU payments, high bank maintenance fees, and various legislative and institutional constraints that affect their daily business operations. As a result, firms operate within an already high-cost structure, meaning that any additional financial burden, such as those potentially related to CBAM, would further increase existing pressures on exporters.
- For companies required to prepare CBAM-related reports, this process is considered challenging due to the need for detailed emissions data. Many firms struggle to accurately collect and report this information, particularly those without prior experience or systems for emissions tracking. Companies operating in the iron and steel sector also report a need for additional human resources to meet these requirements, which results in higher compliance costs.
  Despite the expected financial burden that CBAM may introduce in the coming years, few companies that already export to EU indicated that they do not intend to halt their exports. This position is grounded in the value of long-standing partnerships and the strong reputation they have with EU clients. Moreover, given that Kosovo exports are highly competitive in terms of prices, they remain confident that EU partners will continue cooperation despite potential additional costs. Even if for some reason this financial burden would be imposed in the exporter, discontinuing exports is not considered a proper option.

Case Study: The Impact of CBAM on the EuroMetal, a metal producer in Kosovo

Company profile: EuroMetal is a Kosovo-based metal products manufacturer that has been operating for around twenty years. Today, it employs around 80 workers and exports 90 percent of its production to EU markets, including Germany, Belgium, Italy, and Austria. Over time, the company has positioned itself within European supply chains, where maintaining price competitiveness and reliability. From this perspective, EuroMetal's growth has been shaped by its export orientation and its need to continuously adapt to external market pressures.

Awareness and engagement with CBAM: The company's awareness of the EU Carbon Border Adjustment Mechanism (CBAM) began not through domestic institutions, but through its EU-based trading partners. According to the finance manager of the company, it was during the transition phase that clients began communicating new reporting expectations, prompting the company to take early steps to understand and adapt to CBAM mechanism requirements. After this initial exposure, EuroMetal gradually incorporated CBAM-related practices into its operations. It now tracks emissions and reports export-related carbon data on a regular basis, often on a quarterly basis depending on client requirements. The company has also participated in a CBAM training session organized by the Kosovo Chamber of Commerce. At the same time, the respondent emphasizes that this level of preparedness is not widespread across the sector as many producers in Kosovo, in respondent's view, remain largely unaware of CBAM due to limited institutional communication, weak outreach, and insufficient technical guidance from public authorities.

Compliance and market impact: Despite its active engagement, EuroMetal does not perceive CBAM as an immediate threat to its export performance. The company claims that CBAM-related costs will fall upon the responsibility of the EU importers, particularly given product prices that are competitive positioning Kosovo quite well in EU markets. However, the respondent also underlines that compliance responsibilities and reporting is a responsibility of the exporter. In this sense, accurate emissions monitoring and transparent reporting are seen as essential not only for regulatory alignment but also for maintaining trust and continuity in relationships with EU clients.

Energy ese and carbon intensity: A key feature of EuroMetal's operations is its transition toward renewable energy. The company currently operates on 100 percent solar-powered electricity, following significant investments in on-site solar capacity. This change was driven by the company's own strategy, not by subsidies or external support, particularly as a result of rising electricity costs and the liberalization of the energy market. Over time, the company invested approximately 400 kW of solar capacity, fully financed from its own resources. In addition to covering its own energy needs, EuroMetal also sells surplus electricity to the market, creating an additional revenue stream and improving operational efficiency. More recently, it has been shortlisted for a grant to install battery storage systems, which would further improve the energy flexibility and self-consumption capacity.

Institutional context and remaining challenges: Despite these internal improvements, the respondent highlights significant institutional gaps in the broader CBAM ecosystem. One of the main concerns is the lack of accredited CBAM verification and auditing capacity within Kosovo, which accordingly creates challenges for compliance with EU requirements. Moreover, limited institutional engagement, insufficient technical guidance, and a lack of structured training programs as key barriers for exporters adapting to CBAM. In its view, while individual firms like EuroMetal are making progress, the absence of a coordinated institutional framework risks slowing down readiness for the new regulatory environment.

In the same line, according to an interview with representatives of the Kosovo Chamber of Commerce (KCC), awareness of CBAM among Kosovo businesses remains limited. KCC highlighted that many companies continue to face difficulties in understanding reporting requirements, calculating embedded emissions, and complying with the technical documentation required under the mechanism. To address these challenges, a practical guideline for businesses affected by CBAM was prepared by KCC,[69] outlining the main reporting obligations and compliance requirements under the mechanism. This institution further recognizes the need for improved awareness and additional training initiatives, particularly given that CBAM requirements are often complex and are expected to become increasingly demanding in the future.

Lower attractiveness for investment

Furthermore, an implication that relates to CBAM sectoral exposure as noted in the Energy Community is that CBAM may influence investment signals throughout the region, particularly in the electricity sector.[70] Investors increasingly consider carbon pricing and climate policy alignment when making long-term investment decisions. Delayed compliance with CBAM-related requirements may create regulatory uncertainty and discourage investment in renewable energy, industrial decarbonisation, and export-oriented industries.[71] Under CBAM, exporters must measure, monitor, and report the greenhouse gas emissions in their products using EU methods. This requires systems for tracking emissions, reliable data collection, and in some cases third-party checks. For many companies, especially SMEs, this can be technically difficult and expensive because of the extra reporting requirements. In practice, companies often need to set up new internal processes and train staff to meet these obligations. Some companies may also rely on external experts, which increases their costs further.

On the other hand, as a carbon-intensive product falling under CBAM, trade patterns indicate the cross-border volume of electricity imports from Western Balkan (WB) countries has fallen by approximately 25% in the first quarter of this year compared to the same period of 2025.[72] Costs related to CBAM and regulatory uncertainty likely reduced the attractiveness of electricity trade from the WB to the EU. As a result, higher-priced EU markets such as Italy, Romania, Bulgaria, and Croatia could not fully benefit from lower-cost electricity from the WB6.[73] Kosovo's electricity exports to EU countries made up 43% of total exports in 2021 and hit the highest volume at 71% in 2022, before declining significantly to just 0.5% in 2025.[74] Over the same period, the overall electricity exports actually grew significantly but driven almost entirely by regional non-EU neighbours.[75]

Table 9. Kosovo's electricity exports, 2021–2025 (value in euros)

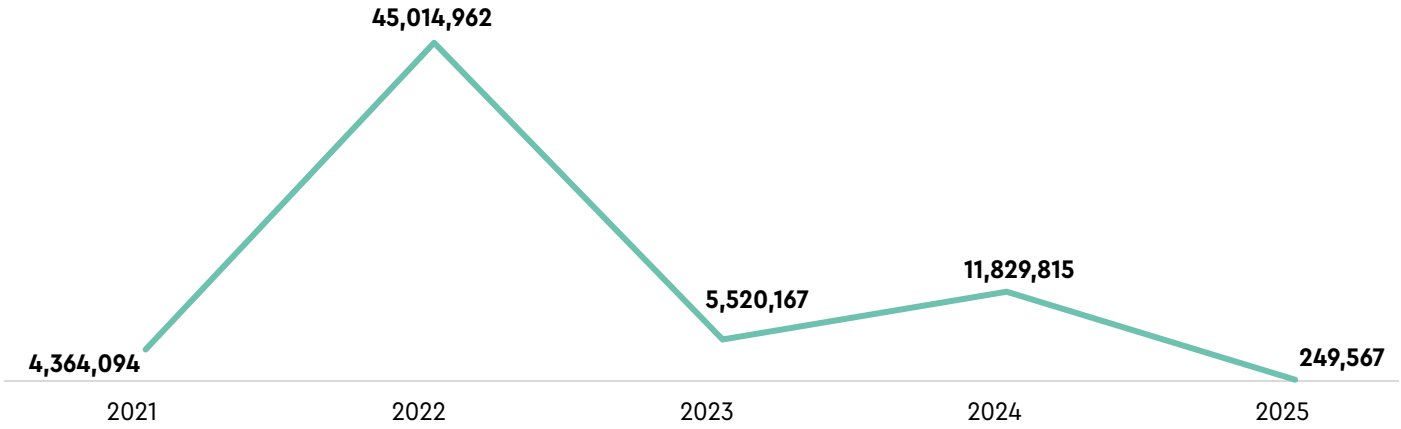
	2021	2022	2023	2024	2025
EU	4,364,094	45,014,962	5,520,167	11,829,815	249,567
Non-EU	5,724,234	18,202,890	14,541,086	138,641,105	54,920,254
EU as a %	43.30%	71.20%	27.50%	7.90%	0.5%

Source: Kosovo Customs

69 Kosovo Chamber of Commerce (KCC). The CBAM Step-by Step Guideline. 2024
70 Energy Community. CBAM Quarterly report. 2026/1. p.3.
71 Ibid.
72 Energy Community Secretariat. CBAM Quarterly report. 2026/1.
73 Ibid. p.7
74 Kosovo Customs annual export data from 2021 – 2025.
75 Ibid.

Kosovo's electricity exports to EU member states peaked at 45 million euros in 2022, led by Slovenia by 25.3 million euros and Denmark by 16.3 million euros, before declining sharply in the following year (2023). A partial recovery to 11.8 million euros followed in 2024, but by 2025 exports had collapsed to just 249,567 euros (for further details on country destinations, see Annex Table 2).[76] Electricity exports to the EU declined after 2022 because the temporary export boom driven by exceptionally high European electricity prices during the energy crisis faded, while Kosovo's structural constraints such as production shortages, and rising domestic demand continued to limit export capacity.[77]

Figure 4. Kosovo's electricity exports to EU, 2021–2025 (in euros)



Source: Kosovo Customs

CBAM introduces additional challenges for Kosovo's electricity trade. Beyond increasing the cost and reducing the attractiveness of electricity exports to the EU, CBAM affects all Western Balkan countries in a similar manner, potentially encouraging electricity trade within the region rather than with the EU market.[78] Furthermore, CBAM complicates Kosovo's efforts to integrate its electricity market with neighbouring countries and the EU. Market coupling with the EU is not compatible with CBAM unless Kosovo aligns its carbon pricing system with EU rules and secures an exemption. At the same time, deeper integration into the EU electricity market remains important for Kosovo, as it can enhance energy security, improve market liquidity, and facilitate the integration of renewable energy sources.[79]

A recent Energy Community analysis suggests that CBAM is already affecting electricity trading patterns between EU and Western Balkan countries, contributing to lower electricity flows and weaker market integration.[80] The largest risk for Kosovo concerns the electricity sector. Since Kosovo's electricity generation is heavily dependent on coal power plants, exported electricity has a high carbon intensity.[81] The EU regulation provides the possibility of a time-limited exemption for electricity imports from Energy Community countries, but only if they achieve electricity market coupling with the EU and meet several climate and energy policy conditions. Delays in implementing the required reforms reduce the likelihood of securing such an exemption in the near future.[82]

76 Kosovo Customs. Open Data: Trade Balance. 2021 – 2025.
77 IMF Selected Issues. Bella, D.B and Thaqi, S. Kosovo's Electricity Sector Challenges and Opportunities. 2023.
78 Republic of Kosovo. Office of the Prime Minister. National energy and climate plan of the Republic of Kosovo 2025-2030. p. 120.
79 German Economic Team (GET). CBAM Implications for Kosovo and its electricity sector. 2025
80 Energy Community. New Report shows profound electricity market changes in South East Europe as CBAM takes effect. 2026.
81 Ibid.
82 Energy Community. The Secretariat launches new Energy Community CBAM Readiness Tracker. 2024

In 2025, the European Commission initiated a public consultation on the possible expansion of CBAM to downstream products, with a particular focus on goods that are intensive in steel and aluminium use. This reflects provisions within the CBAM Regulation requiring an assessment of whether the mechanism should be extended further along the value chain in order to address the risk of carbon leakage.[83] In addition, different from the existing EU ETS, which covers energy intensive industry sectors,[84] in 2023, a new system so-called EU ETS 2 was developed. This new system addresses CO_2 emissions from fuel use in buildings, transport, and additional sectors, especially small industries outside the existing ETS scope.[85] EU ETS 2 aims to stimulate investment in building renovation and low-emission transport alternatives and will become fully functional starting from 2027.

Although EU ETS 2 will not apply directly in Kosovo, it is expected to have indirect effects through higher transport costs and EU market integration. By increasing fuel prices within the EU, it will raise logistics costs, which may make Kosovo exports more expensive and less competitive, especially for transport intensive goods. Over time, it will also increase demand for low-carbon products, putting pressure on Kosovo exporters to improve efficiency and reduce emissions to remain competitive in EU markets.

2.3. Some policy implications of CBAM

As Kosovo does not have a carbon tax or ETS in place, its exporters currently have no domestic carbon pricing mechanism that would qualify for a credit under CBAM rules. [86] If Kosovo had a carbon pricing mechanism recognized by the EU, such as an ETS or carbon tax, the carbon costs already paid by domestic producers could be deducted from the CBAM obligation. This, among others, would allow carbon-pricing revenues to remain in Kosovo rather than being transferred through CBAM payments in the EU. Delayed compliance with CBAM-related requirements poses several risks for Kosovo. Some of the direct risks include the following:

Loss of competitiveness in EU Markets

If Kosovo delays aligning its policies with CBAM requirements, exporters of CBAM-covered goods, will face higher effective carbon costs when accessing the EU market. Given that EU importers must purchase CBAM certificates reflecting the embedded emissions of imported goods, making carbon-intensive products less competitive relative to EU-produced alternatives.[87] For Kosovo, the immediate trade impact is somewhat limited because CBAM-covered exports currently represent a relatively small share of total exports. However, the mechanism could discourage future expansion of carbon-intensive exports to the EU.[88]

Change in trade flows

CBAM may redirect trade toward countries with cleaner production methods. An OECD analysis suggests that imports into the EU could shift away from carbon-intensive suppliers toward more carbon efficient producers. Countries

83 European Union. CBAM: Public consultation on the extension of CBAM to downstream products. 2025
84 European Commission. Scope of the EU ETS.
85 Ibid. ETS2: Buildings, road transport and additional sectors.
86 European Commission. Carbon Border Adjustment Mechanism.
87 Pietras. J,.Konrad Adenauer Stiftung. European Union Climate and Energy. The EU Carbon Border Adjustment Mechanism: Opportunities, Challenges and Risks Ahead. 2026.
88 Tahmisoğlu. Y., German Economic Team. CBAM Implications for Kosovo and its electricity sector. 2025.

that fail to decarbonize may lose EU market share.[89] The European Commission similarly claims that CBAM is designed to create a fair competition between EU and non-EU producers by aligning carbon costs, which can result in reduced market share for exporters that do not decarbonize. Over time, exporters that invest in cleaner production or face domestic carbon pricing will be better positioned to maintain access to the EU market, while high-carbon producers risk replacement in EU supply chains.

3. Just Transition, Employment, and Skills

3.1. Regional and social impact

Moving toward a low-carbon economy is critical for addressing climate change, but it also poses major labor market challenges as workers in fossil-fuel and other carbon-intensive sectors may face job losses if the transition is not carefully managed.[90] This risk is especially evident in regions reliant on coal, oil and gas, or heavy manufacturing, where limited economic diversification makes local communities more vulnerable to structural economic shocks.[91]

To reduce the impact of the green transition on labor markets and workers, several countries have started to develop employment and skills strategies, roadmaps, or action plans.[92] The European Parliament, in its solution on job creation and the just transition, notes that decarbonisation must be socially fair, ensuring that no worker or region is left behind. It also highlights a "right to job-to-job transition" through access to free reskilling and upskilling, and highlights the Just Transition Fund,[93] as a key instrument for addressing the social impacts of the green transition.[94]

Kosovo has not yet developed a comprehensive 'just transition' framework equivalent to the EU Just Transition Mechanism. The Energy Strategy 2022–2031, predicts gradual decarbonisation of the energy sector and increased renewables, which directly creates the need for workforce adjustment, especially in coal dependent regions. [95] The Energy Community Treaty obligations,[96] are also pushing Kosovo toward alignment with EU climate and energy rules, which indirectly forces preparation for transition related employment shifts.

In this line, Kosovo Energy Corporation (KEK), a public company which owns and operates generation assets for electrical energy, accounts to 3,323 employees in total,[97] primarily within thermal power plants and lignite mining operations.[98] The age structure of KEK's workforce poses a significant challenge to the long-term sustainability of Kosovo's energy sector. With an average employee age of 58 and only around 7% of workers aged 19–30, a large share of the workforce is approaching retirement. [99] The number of workers who retire during the year

89 OECD. What to expect from the EU Carbon Border Adjustment Mechanism? 2025.
90 Calice. P., Murciego. M.G., World Bank Blogs. From coal dust to green jobs: The employment imperative in the low-carbon transition. 2025.
91 Ibid.
92 OECD. Employment and Skills Policies for the Green Transition. 2025.
93 The Just Transition Fund, part of the EU's 2021–2027 Cohesion Policy, supports regions most affected by the shift to climate neutrality to reduce regional inequalities, alongside a platform that helps countries and regions access related support. European Commission. Just Transition Fund.
94 European Parliament. Just Transition in the World of Work. 2025. p.10.
95 Ministry of Economy. Energy Strategy of the Republic of Kosovo 2022–2031.
96 Energy Community. Kosovo reporting.
97 KEK SH.A. Annual Report 2024.
98 Atlas Institute, Coal Workforce in Kosovo. 2025
99 Ibid. p.30.

is close to 200 workers,[100] while the fact that around 19 of employees are between 61 and 65 years old means that a large number of workers are expected to retire in the coming years.[101] This creates a risk of losing experience and technical knowledge, while the low number of younger employees may make it difficult to replace retiring workers and maintain the necessary workforce in the years ahead. These challenges are particularly relevant in the context of a just transition, which requires workers to develop new skills and adapt to changing technologies. The age structure of KEK's workforce may face greater difficulties in retaining current skills while at the same time in new skills development.

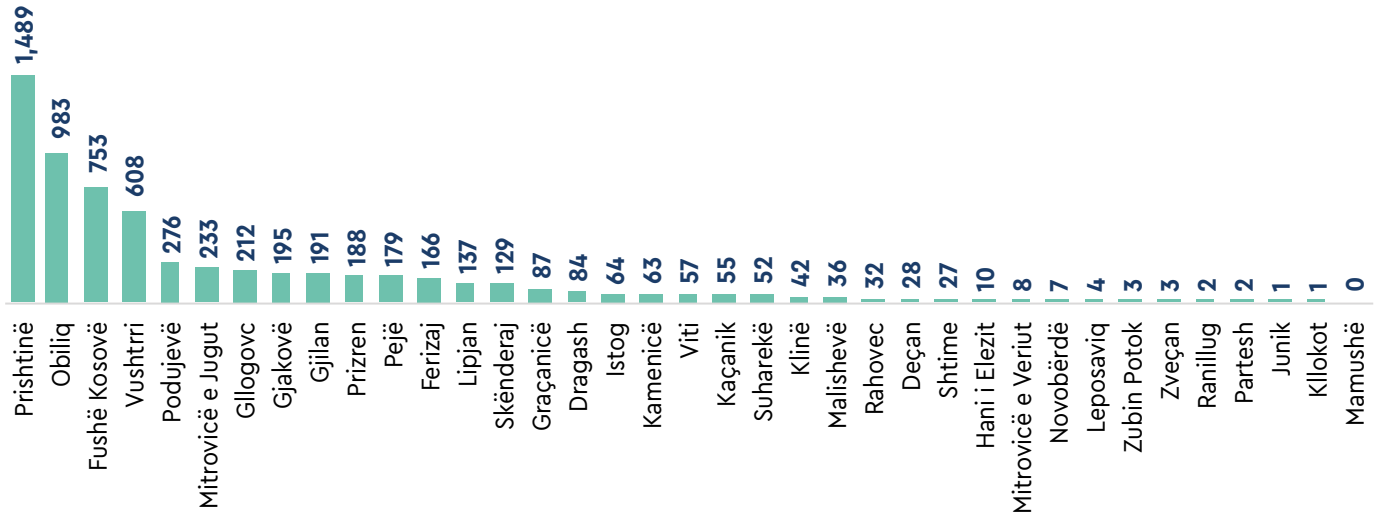
Table 10. **Age structure of KEK's workforce**

Age	<18	19–30	31–45	46–60	61–65
Percentage	0.1%	7.4%	23%	49.6%	20%

Source: Atlas Institute

A large part of Obiliq area, about 65–68% is owned by KEK, meaning that the sector is a determinant of both economic and environmental developments in that territory. Based on 2024 national census data, in the electricity, gas, steam and air conditioning supply sector, the number of employees was equivalent to 7,407 people or 1.7% of total employees in Kosovo.[102]

Figure 5. **Employment in electricity, gas, steam and air conditioning, 2024 census data**

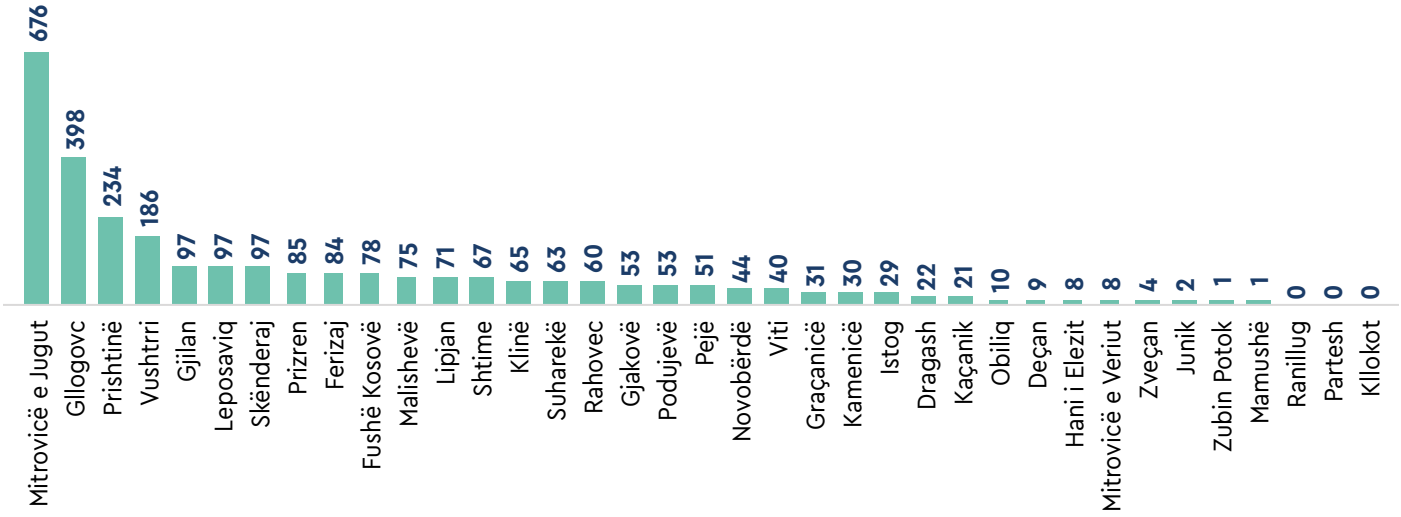


Source: Kosovo Agency of Statistics (KAS)

From the geographical perspective, Prishtina dominates significantly with 1,489 workers, followed by Obiliq with 983 workers, Fushë Kosova with 753 workers, Vushtrri with 608 workers, and Podujevë with 276 workers. On the other hand, employment in mining and quarrying accounts for a small share of 0.6% of total employment in Kosovo. The 2024 census data show that around 2,850 people are currently employed in mines and quarries.[103] Further, employment in this sector is heavily concentrated in a small number of municipalities. South Mitrovica has the highest number of employees in mining and quarrying with 676 workers, followed by Gllogoc with 398 workers and Prishtina with 234 workers.

100 KEK. Annual reports for 2023 and 2024.
101 Kosovo Energy. KEK needs generational change – Over 600 employees to retire in the next three years. 2025
102 Out of this total, 6,901 are men and 506 are women, Kosovo Agency of Statistics (KAS). Thematic report Labor Market Data by Municipalities, ReKos 2024. 2026.
103 Out of this total, 2,658 are men and 192 are women. Ibid.

Figure 6. Employment in mines and quarries, 2024 census data



Source: Kosovo Agency of Statistics (KAS)

According to the Ministry of Economy, implementation of the 2012–2025 Mining Strategy has improved the mining sector by expanding production capacity, developing modern facilities, and enhancing overall performance.[104] The exploitation of mineral resources is one of the key pillars of economic development and job creation in Kosovo.[105] The mining sector makes a significant contribution to the state budget given the fact that mineral rents and licenses for quarries and mines in 2025 were equivalent to 25.5 million euros.[106] Further, according to earlier estimates, the overall indirect contribution of mining activity to budget revenues is estimated at between 150 and 200 million euros per year. [107]

However, this fiscal importance and the fact that the mining sector remains a key source of employment in certain regions of Kosovo, poses a challenge in just transition of the country. This concentration of jobs in carbon intensive industries raises important considerations, particularly regarding future employment security and the need for targeted reskilling and regional development policies.

3.2. Policy frameworks and social protection

One of the main challenges of the energy transition in Kosovo is the slow development of renewable energy sources (RES) and the continued coal dependence. Renewable energy currently accounts for only around 8% of total final energy consumption,[108] while more than 90% of electricity generation is still generated from coal.[109] This high reliance on coal means that a significant share of employment in the energy sector remains directly linked to lignite-based electricity production. In this context, KEK remains the largest employer in the sector.

Knowledge and awareness of the just transition concept remain limited among workers.[110] Research findings indicate that limited awareness, combined with the absence of structured training programs and clear transition planning, has

104 Ministry of Economy. Progress Report for the year 2022 of the Implementation of the Mining Strategy, 2012–2025. p.4
105 Ministry of Economy. Mining Strategy of the Republic of Kosovo 2012–2025, 2012. p.7.
106 Ministry of Finance. Annual Financial Report 2025. p.19.
107 Ministry of Economy. Progress Report for the year 2022 of the Implementation of the Mining Strategy, 2012–2025. p.6
108 Including prosumers.
109 OECD Development Centre. Energy Prices and Subsidies in the Western Balkans. 2025. p.272.
110 Atlas Institute. Coal Workforce in Kosovo. 2025.

contributed to scepticism among workers. [111] As such, many employees expect coal-based electricity generation to continue for years to come, reducing the perception that the shift toward renewable energy represents an immediate or short term change. Therefore, they continue to view coal production as a stable source of employment and do not expect significant job risks, primarily due to ongoing investments aimed at maintaining and upgrading existing electricity generation power plants.[112] As a result, initiatives related to reskilling, upskilling, and long-term career planning have received limited attention.

In the context of just transition, Kosovo is a contracting party to the Energy Community and is obliged to adapt into its national legislation relevant elements of the EU energy acquis.[113] This includes provisions from the Electricity Directive (EU) 2019/944, which among others, requires countries to assess the number of households in energy poverty and, where relevant, implement measures to address it.[114] However, Kosovo does not yet have a legally established definition of energy poverty in its national framework. The Energy Strategy of the Republic of Kosovo 2022 – 2031 does briefly refer to vulnerable consumers in its fifth specific objective, but there is no clear definition of how to effectively approach these groups of consumers and as such, this prevents the accuracy in measuring the problem.[115] Tackling energy poverty is considered an essential component of a fair energy transition, a priority also emphasized in the European Green Deal.[116]

Beyond protecting vulnerable consumers, a just transition also requires addressing the social and economic consequences of decarbonization for workers and communities that depend on fossil fuel industries. International experience shows that developed countries that have had high dependency on coal as a source of electricity have undertaken steps toward energy transition taking into consideration the transfer of workers' skills. One such example is the so-called Res-skill project that targeted six coal dependent countries including: Austria, Bulgaria, Germany, Greece, Poland, and Romania, with a focus on transitioning coal workers into the renewable energy sector, particularly wind and solar.[117] The main finding was that skills transferable across different countries and regions, given that the coal sector shares a similar value chain and skills profile globally. Accordingly, "because of comparable skill requirements, coal workers in principle are predestined to fill positions in the renewable energy sector. "[118] Moreover, the technical competencies of coal workers are not limited to wind and solar energy production but they are applicable to other renewable energy sources such as hydropower and biomass as well.[119]

In particular, Germany, as part of its dedication in moving toward a greener energy country especially by phasing out coal production within the country, has introduced early retirement deals for miners, as part of its plan to phase mining and is continuing the same for phasing out coal entirely until 2038 the latest.[120] The German government has even established the Commission for Growth, Structural Change and Employment to develop a consensus on phasing out coal and to support a just transition while minimizing its social and economic

111 Ibid.
112 Ibid.
113 Energy Community. Energy Community Body of Law (acquis)
114 European Union. EU-Rex. Document 32019L0944.
115 Ministry of Economy. Energy Strategy of the Republic of Kosovo 2022–2031.
116 Ibid. Green Deal Agenda. Document 52019DC0640.
117 OECD. Reskilling coal industry workers for the renewables energy sector. 2024
118 European Commission. RES-Skill: Reskilling Coal Industry Workers for the Renewable Energy Sector.
119 Ibid.
120 Since the 1960s, underground miners aged over 50 and surface workers aged over 57 have been eligible for early retirement funded by the national government. GIZ. Just (Energy) Transition as an interdisciplinary transformation challenge: Learning from the German experience. 2023. p.18–19.

impacts.[121] In addition, promotion of new investments has been extended in those regions such as automobile, light manufacturing, and electronic sectors, as well as extension of qualification and career centers, due to the urge of having additional qualification that go beyond formal education.[122] This included allowances for mine workers to attend those training centers as a retention of employment especially among the youth and other similar social policies that have proven to be effective.[123]

Overall, the experiences of Germany and other coal dependent countries illustrate that a just transition extends beyond the phase-out of fossil fuels and requires coordinated labor market, social protection, and regional development policies. For Kosovo, where the energy sector remains both economically and socially significant, these lessons are particularly relevant in terms of broader regional decarbonization commitments. It is important to recognize that jobs will be lost during the transition but more and better jobs can be created than are lost, providing significant opportunities for many.[124] These losses could be compensated by job gains in sectors related to renewable energy sources, energy efficiency, construction, in the forestry and forestry related sectors.[125] It is a competence of institutions to improve job matching and mobility, ensuring that structural changes in the economy do not translate into long-term unemployment.[126]

3.3. Reskilling and workforce development

Reskilling and workforce development are critical to ensuring a just energy transition in Kosovo, particularly given existing skills mismatches and a vocational education and training system that remains insufficiently aligned with the requirements of a low-carbon economy.[127] As the energy sector gradually phases away from coal, targeted reskilling and upskilling measures will be essential to support affected workers and ease their integration into green industries.[128] Several initiatives have contributed to strengthening skills relevant to the energy transition, although efforts remain limited. KEK operates a dedicated training centre that provides programs tailored to the needs of its operational units and external participants.[129] In 2024, approximately 118 candidates completed training courses, primarily in mechanical technologies, management, and administration,[130] however, no training programs specifically related to a just energy transition have been developed to date.[131]

The private sector has also played a role in workforce development. Since its establishment in 2013, KEDS Academy has trained around 800 participants, equipping them with skills demanded by the energy sector.[132] Similarly, the TechEco Pathway program has provided approximately 75 participants with industry relevant skills over a 24-month period, including competencies related to renewable energy technologies.[133] Other initiatives have focused directly on renewable energy deployment such as the SolarCollab project that delivered

121 World Resources Institute. Germany's Coal Commission: Guiding an Inclusive Coal Phase-Out. 2021
122 GIZ. Just (Energy) Transition as an interdisciplinary transformation challenge: Learning from the German experience. 2023. p.17- 19.
123 Ibid. p. 8, 17- 19.
124 GAP Institute. A framework for Green Industrial Policies in the Western Balkans. 2025. p.50.
125 Ibid.
126 Western Balkans 6. Kosovo Country Compendium. Country Climate and Development Report. 2024. p.30.
127 Ibid.
128 Ibid.
129 Atlas Institute. Coal Workforce in Kosovo. 2025.
130 Kosovo Energy Corporation. Annual report 2024.
131 Atlas Institute. Coal Workforce in Kosovo. 2025.
132 KEDS Energy. KEDS Academy-where the journey to success begins. 2025.
133 Balkan Green Foundation. Solarcollab: A youth-led energy transition. 2023

specialized training in solar energy and photovoltaic panel installation for university students.[134] In addition, UNDP Kosovo implemented a six-week pilot training program on solar panel installation, providing 28 professionals with practical skills relevant to the energy transition.[135] The Helvetas EYE project further supported workforce development in the renewable energy sector by facilitating the training and certification of Kosovo's first certified solar engineers for the design and installation of photovoltaic systems.[136]

Higher education institutions are also expanding opportunities in energy related fields. At the University of Prishtina, the Thermoenergetics and Renewable Energy program enrolled approximately 150 students between 2022 and 2025.[137] The university also hosts a Centre for Renewable and Sustainable Energy, which offers courses and certificate program in energy sustainability. [138] Private higher education institutions, including RIT Kosovo[139] and UBT College[140] provide programs in energy engineering, renewable energy, and energy policy. Nevertheless, dedicated educational and training programs focused specifically on just transition principles, workforce reskilling, and support for communities affected by decarbonization remain limited.

In addition, the Energy Strategy highlights that the energy transition requires training of both existing and new energy professionals.[141] It expects cooperation between government, academia, industry, and development partners to align education and vocational training with sector needs, focusing on areas such as renewable energy integration, electricity markets, and energy auditing, while also promoting gender inclusion. The strategy further emphasizes increasing graduates in energy-related fields to support the transition. However, it provides limited detail on addressing existing skills mismatches or on targeted reskilling measures for workers affected by the transition. This raises concerns about the preparedness of the current workforce to adapt to structural changes in the energy sector and the risk of leaving affected workers without adequate support during the transition.

3.4. Social safeguards and public engagement

Kosovo has established a formal legal basis for environmental and public consultation. [142] The Kosovo National Assembly adopted a Law on Environmental Impact Assessment, which aims to ensure that projects with significant environmental impacts are granted to be build/invested only after an assessment has been carried out and suitable mitigation measures have been put in place.[143] This framework requires public participation and transparency during project approval procedures. Projects with significant environmental impacts, including many renewable energy developments, must undergo public consultation before receiving environmental consent.[144],[145] In practice, institutions such as the Energy Regulatory Office (ERO) and the Ministry of Economy regularly publish draft renewable energy laws, rules, and support mechanisms for stakeholder consultation and invite comments from citizens, businesses, municipalities, and civil society.[146]

134 Ibid.
135 UNDP. 28 Solar professionals ready for the green job market. 2023.
136 Helvetas Enhancing Youth Employment (EYE). Kosovo's first certified solar engineers.
137 University of Prishtina. Thermoenergetics and Renewable Energy.
138 Ibid. Center for Energy and Sustainability.
139 RIT Kosovo. Subplans- Energy Policy Studies.
140 UBT. Energy Engineering.
141 Ministry of Economy. Mining Strategy of the Republic of Kosovo 2012–2025, 2012. p. 40.
142 Energy Community. Kosovo adopts Law on Environmental Impact Assessment. 2022
143 Ibid.
144 Ministry of Economy. An A-Z Guide for Renewable Energy Investment in Kosovo. 2024.
145 REKO. Circular Economy Kosovo. Law No. 08/L-181 on Environmental Impact Assessment.
146 Ministry of Economy. Law on Renewable Energy Sources out for public consultations. 2022.

However, the Energy Community's 2025 Annual Implementation Report found that while Kosovo indicated the public consultation is integrated into the development consent procedure, in practice it remains limited, this way causing ineffective coordination and the proper incorporation of environmental conditions into final decisions.[147] Accordingly, policy planning has involved consultations, but these have mostly taken place between institutions rather than with local communities.[148]

For specific renewable energy projects, international funders have begun requiring community engagement as a condition. For instance, the World Bank's Kosovo Renewable Energy Preparation Support project requires strong stakeholder engagement during technical studies, including assessing community support for wind farm locations.[149] Although major renewable energy investments are increasingly concentrated in areas such as Obiliq, Mitrovica, and Istog, most notably the KEK Solar PV project in Obiliq,[150] the Bajgora wind farm in Mitrovica,[151] and the Istog solar PV developments,[152] public engagement is still shaped by donor level requirements rather than a consistent national consultation framework, leading to uneven levels of community participation across renewable energy projects.

Insights from two community events held in Vushtrri and Obiliq indicate that, overall, communities do not feel genuinely consulted in decisions that affect them. In Vushtrri, participants stated that citizens feel excluded from local decision-making on environmental and infrastructure projects. In Obiliq, residents acknowledged that the municipality holds public hearings, even exceeding the legal minimum of two per year, however, turnout is low and trust in the process is weak, with many citizens stating that they do not participate because they do not believe their input reaches decision-makers.[153]

In Obiliq, residents from communities located closest to the power plants report being the most affected by environmental impacts and receiving very limited information on transition opportunities or compensation schemes.[154] These residents have explicitly called for compensation measures such as reduced electricity tariffs or subsidies to address environmental exposure, highlighting comparisons with practices in developed countries, however, no such schemes are currently in place. Moreover, participants also expressed frustration that local residents are not prioritized for employment in KEK despite bearing the environmental burden, summarized in the statement: "We live with the pollution, but others get the jobs." A previously established cooperation between KEK and the municipal employment office (initiated in 2013), which enabled some local hiring, was cited as a positive model that could be restored, although participants suggest it is no longer functioning. On the other way, In Vushtrri, flood-affected households report significant energy affordability pressures and have called for municipal co-financing schemes to support access to solar energy.

147 Energy Community. Kosovo, Annual Implementation Report. 2024
148 Energy Community. National Energy and Climate Plan of the Republic of Kosovo 2025–2030.
149 The World Bank. Kosovo Renewable Energy Preparation Support (P505475). Concept Environmental and Social Review Summary Concept Stage. (ESRS Concept Stage). 2024
150 European Investment Bank. Key Solar PV- Global Gateway. 2024
151 European Bank for Reconstruction and Development (EBRD). Bajgora Wind.
152 Ibid. Kosovo Solar – Tucep – Veriq
153 Findings based on community events report from Obiliq and Vushtrri.
154 Krushevc, Mazgit, and Hade are localities closest to power plants in Obiliq.

4. Financing the Energy Transition

4.1. Investment needs and financing gaps

Based on the ambitious objectives and targets set by the Government of Kosovo with regards to the green transition process, there is a need for large investments in order to finance this process. These investments include energy efficiency, renewable energy generation, storage systems, renovation of existing coal power-plants, modernization of transmission and distribution networks, market integration and overall decarbonization of the economy. The two main national documents for the energy transition, Energy Strategy and Draft National Energy and Climate Plan, provide approximate estimations to achieve the set objectives and targets. For a ten-year period, the investment needs to finance the Energy Strategy are estimated to be around three billion euros. The highest value of investment pertains to new renewable energy capacities, at a value of 1.3 billion euros, mainly financed by the private sector, in combination with public funds and donor grants. The project with the highest investment needs from public funds is rehabilitation of the existing coal-fired power plants (Kosovo A and Kosovo B) in the amount 390 million euros. In addition, investments needs in energy efficiency are also in high, in the amount of approximately 350 million euros, financed through public and private funds, and grants.[155]

Table 11. **Investment needs estimation to finance Energy Strategy objectives (10-year period)**

Investment	Budget (million Euro)	Source of funding
Rehabilitation of the existing generating capacities of Kosovo A and Kosovo B	390	Public
New renewable energy capacities	1,300	Private, public, grants
New (joint) capacities in neighboring countries	200	Public, grants
Storage (battery) capacities	200	Grants, public
Transmission network investments	90	Public, grants
Distribution network investments	230	Private
Energy efficiency investments	350	Public, private, grants
Heating system investments	150	Public, grants
Customer protection and supply with the focus on vulnerable customers	150	Public, grants
Total	**3,060**	

Source: Ministry of Economy

Similarly, draft NECP has also listed investment needs to finance green transition in Kosovo, for a five-year period. The investment needs estimated for this period achieve the amount of approximately 1.9 billion euros. Among these, the biggest investments are in promotion of renewable energy (900 mln euro) and rehabilitation of the two power plants Kosova A and B (290 mln euro).

155 Ministry of Economy. Energy Strategy of the Republic of Kosovo 2022-2031.

Table 12. Investment needs to finance green transition – Draft National Energy and Climate Plan (5-year period)

Policies and measures	Budget (million Euro)
Controlled management of solid waste	10
Promotion of renewable energy in the electricity sector	900
Self-consumption scheme	96
Solar district heating	121
Feasibility study for the development of district heating systems in other municipalities	2
Energy efficiency obligation scheme	17
Renovation of residential buildings	65
Renovation of commercial buildings	30
Nearly zero energy buildings	60
Energy certification of buildings	0
Improvement and expansion of district heating systems of "Termokos" Prishtina and DH Gjakova	47
Renovation of central government buildings	7
Renovation of public buildings	10
Consumer information programs	0
Increased use of efficient technologies in the residential sector	14
Rehabilitation of TPP Kosovo B and one to two units of TPP Kosovo A	290
Improvement of cybersecurity in the energy sector	2
Modernization of networks and reducing network losses	127
Installation of battery storage capacity and education and trainings for skilled workers in the area of sustainable energy technologies	182
Total	**1,980**

Source: Government of Kosovo

The investment needs estimated in the Energy Strategy and draft NACP, show that in addition to government funds, there is a need for financing from other sources such as donors, International Financial Institutions, and the private sector. These needs have been estimated by a report[156] of the World Bank as well, which claims that Kosovo will need approximately 2.9 percent of GDP to achieve decarbonization objectives. This report estimates that Kosovo will need 760 million dollars of investments up to 2030, and 4.7 billion dollars in private and public investments up to 2050 to achieve the Net Zero emissions scenario for mitigation. Out of this value, 86.7 percent is expected to be financed by the private sector, mostly in transport, buildings, and power sectors, whereas the remaining 13.3 percent is expected to be financed by public funds.[157]

156 The World Bank. Country Climate and Development Report: Kosovo. 2024.
157 The World Bank. Country Climate and Development Report: Kosovo. 2024.

4.1.1 Role of public financing and IFIs

Kosovo's domestic public financing mechanisms for the green transition remain relatively limited compared to the scale of investment required. An existing financing public instrument, despite annual regular budget allocations, is the Kosovo Credit Guarantee Fund (KCGF), an independent public institution established in 2016 to improve access to finance for micro, small and medium-sized enterprises (MSMEs) through credit guarantees provided to financial institutions. Rather than lending directly, the KCGF reduces lending risks for banks and microfinance institutions by partially guaranteeing loans issued to businesses.[158] Within the framework of its Green Recovery and Opportunity Window (GROW), launched in 2023, the KCGF supports investments in energy efficiency and renewable energy, including building insulation, energy-efficient equipment and small-scale renewable energy projects such as solar, wind, biomass and geothermal installations of up to 400 kW. The provided guarantees through this facility amounted to approximately 3.2 million euros[159] by April 2026. This shows that the scale of support remains modest relative to Kosovo's transition needs.

Another relevant public instrument is the Kosovo Energy Efficiency Fund (FKEE), a key financing mechanism for advancing Kosovo's energy transition through investments in energy efficiency, by reducing energy consumption and improving building performance. By the end of 2024, FKEE had supported around 13.59 million euro in public-sector energy efficiency projects and disbursed around 10.35 million euro in residential-sector subsidies, reaching 3,875 households. Through these interventions, FKEE has helped lower energy costs, improve comfort in public and private buildings, and create a practical financing model for scaling energy efficiency as part of Kosovo's wider transition toward sustainable energy use.[160]

In addition, in order to address financing gaps for long-term investments, Kosovo has agreed to establish a Development Bank, which could become a key public institution for financing the green transition. The establishment of this institution is a part of a financing agreement with the World Bank under the Kosovo Financial Sector Development Project. The proposed Development Bank is expected to operate as a non-deposit-taking institution focused on addressing financing gaps in underserved segments of the economy. Importantly, it is projected as a strategic instrument for supporting investments related to the low-carbon transition, including renewable energy, energy efficiency, climate resilience measures, and investments required for exporters to adapt to the EU's Carbon Border Adjustment Mechanism (CBAM). The Bank is also expected to provide complementary financing instruments alongside the KCGF, including wholesale financing through commercial banks, co-lending arrangements, syndicated loans, and co-investment mechanisms with private financial institutions.[161] If effectively designed, the Development Bank could play a crucial role in crowding in private investment and addressing financing barriers that currently constrain green investments in Kosovo.

Despite the importance of domestic instruments, international financial institutions (IFIs) remain crucial to Kosovo's green transition. IFIs such as the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), KfW, and the European Union provide significant sources

158 Kosovo Credit Guarantee Fund. Mission and Vision. 2026.
159 Kosovo Credit Guarantee Fund, Portfolio Development. 2026.
160 Kosovo Energy Efficiency Fund. Annual Report 2024.
161 The World Bank. Project Appraisal Document on a Proposed Credit to the Republic of Kosovo for the project Kosovo Financial Sector Development. 2024.

of finance, technical assistance, guarantees and project preparation support. The European Union is a major source of funding for Kosovo's energy transition through the Instrument for Pre-Accession Assistance (IPA) and the Western Balkans Investment Framework (WBIF), through different financing mechanisms such as grants and loans. Until 2025, Kosovo received nearly 299 million euro in WBIF grants, supporting an estimated 2 billion euro in public investments, including renewable energy, energy efficiency, and district heating projects.[162] In addition, Kosovo has gained access to the EU's Reform and Growth Facility for the Western Balkans[163] through its Reform Agenda 2024–2027[164]. In 2026, the European Commission began disbursing 61.8 million euro in pre-financing to Kosovo under the Growth Plan, representing the first tranche of a broader package of 882.6 million in grants and concessional loans available until 2027. Infrastructure investments are channeled through the WBIF, creating an additional source of financing for strategic energy projects and helping Kosovo advance the objectives of its Energy Strategy and National Energy and Climate Plan (NECP).[165] Some of the reforms included in the Reform Agenda in the area of energy and green transition for Kosovo, which are expected to be implemented until June 2026, include: Adoption of the Law on Energy and Law on Electricity, and Drafting and adoption of a Just Transition Roadmap. These reforms if adopted by June 2026, would allow Kosovo to benefit from an amount of approximately 11 million euro.[166]

4.1.2. Role of private financing

Private financing, primarily through Kosovo's commercial banking sector, is expected to play a central role in financing the country's energy transition. Kosovo's banking sector is well-capitalized and has experienced a stable growth in lending through the years, making it an important source of financing for businesses investing in renewable energy and energy efficiency. However, lending remains concentrated in a limited number of sectors. As of April 2026, the largest share of commercial bank loans was directed to the services sector (64.6%), followed by manufacturing (19.2%) and construction (12.7%), while electricity, gas and water activities accounted for only 1.1% of the total loan portfolio. Agriculture represented 1.7% and mining 0.6% of total lending. The small share of lending directed to the electricity, gas and water sector indicates that commercial bank financing for energy investments remains limited compared to the investments required. This may be explained by the capital-intensive nature of energy projects, their longer payback periods and higher risks involved, and the need for specialized technical and financial expertise. Similarly, when analyzing loans to businesses by maturity, the data show that majority of business loans had maturities of between two and five years (37.2%) or between five and ten years (33.6%), while 18.5% had maturities of up to one year and 5.2% had maturities between one and two years. Importantly, only 5.6% of business loans had maturities exceeding ten years.[167]

162 Western Balkans Investment Framework. Kosovo. 2026
163 European Commission. Reform and Growth Facility for the Western Balkans. 2024
164 Government of Kosovo. Reform and Growth Facility for the Western Balkans. Reform Agenda of Kosovo. 2024
165 European Union. EU starts EUR 61.8 million pre-financing for Kosovo under the Growth Plan. 2026.
166 Reform Monitor. Database. 2026
167 Central Bank of the Republic of Kosovo. Time Series. 2026.

Figure 7. Total loans for businesses by sector (as of April 2026)

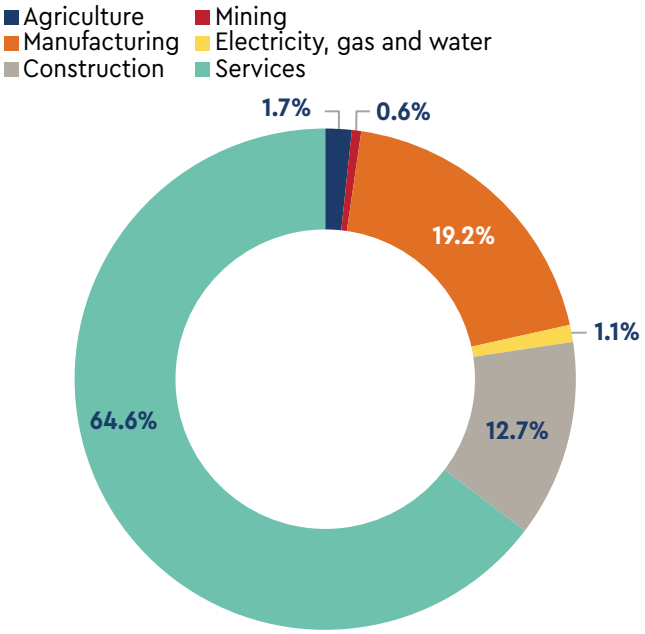
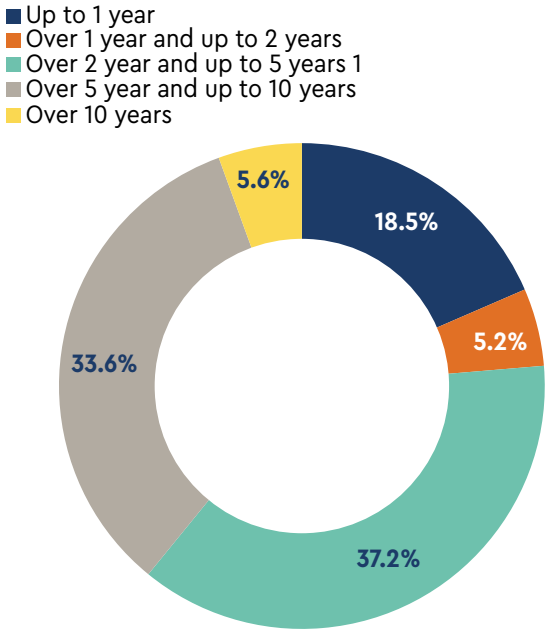


Figure 8. Loans for businesses by maturity



Source: Central Bank of Kosovo

This is significant because investments in renewable energy, energy efficiency, and electricity infrastructure projects typically require long-term financing due to their high upfront costs and extended payback periods.

The European Bank for Reconstruction and Development (EBRD) has been one of the IFIs involved heavily in supporting Kosovo's energy transition through using local financial intermediaries such as commercial banks to channel funding towards small and medium enterprises (SMEs) mainly for green investments. In 2025, the EBRD provided financing packages to commercial banks in Kosovo in the amount of approximately 61 million euro combining credit lines, risk-sharing mechanisms, and digitalization support.[168] A significant share of these funds is earmarked for investments in renewable energy, energy efficiency, resource-efficient technologies, and sustainable business practices under the EBRD's Green Economy Transition (GET) framework. These programs are complemented by EU-funded grants and technical assistance, helping to reduce investment costs and mobilize private capital.

While the investments required for energy transition and climate adaptation are substantial, the costs associated with inaction would be considerably greater. Based on estimations provided by the World Bank, if the required investments are not realized, the annual damages for the economy of Kosovo will achieve around 4.2% of GDP in 2050. Besides the economic consequences, there could be consequences of extreme events that lead to loss of lives, injuries, and destroyed livelihoods.[169]

168 The financing packages provided by the EBRD were: 20 million euro financing package to NLB Banka Prishtina, a 10 million euro loan to Banka për Biznes, and a 31 million euro package to Raiffeisen Bank Kosovo,.

169 The World Bank. Country Climate and Development Report: Kosovo. 2024.

5. Recommendations

Based on the analysis and findings of this report, the following recommendations are provided, according to the responsible institutions:

Ministry of Economy

- **Strengthen renewable energy permitting through an effective One-Stop Shop.** Kosovo should immediately upgrade the existing One-Stop Shop for renewable energy projects from an information-sharing mechanism into a functional coordination platform. It should track applications, coordinate institutions, monitor deadlines, identify procedural delays, and support investors through permitting, environmental approval, land-use and grid-connection procedures.
- **Expand targeted energy efficiency measures.** Kosovo should increase support for residential and public-building renovation through FKEE, including insulation, efficient windows, heat pumps, LED lighting and heating-system upgrades. These measures would reduce energy demand, lower household costs and improve energy security.
- **Scale up competitive renewable energy auctions and prosumer schemes.** Kosovo should institutionalize regular solar and wind auctions while expanding prosumer schemes for households, SMEs and public institutions.
- **Target industrial energy efficiency and self-generation.** Kosovo should establish dedicated support for manufacturing companies to invest in energy audits, efficient equipment, rooftop solar, storage and energy-management systems. This would reduce production costs and improve competitiveness under CBAM.
- **Develop a National Just Transition Roadmap.** Kosovo should establish a comprehensive framework to manage the social and labor-market dimensions of decarbonization, especially in coal-dependent regions. The framework should define institutional responsibilities and link energy, employment, social protection and regional development policies.
- **Create a Just Transition Fund.** A Just Transition Fund should support firms, particularly SMEs, in financing emissions-reduction and compliance investments. The fund should provide grants for decarbonization, co-finance energy audits and emissions-reduction plans, and support certification and verification costs.

Ministry of Industry, Entrepreneurship and Innovation

- **Strengthen CBAM verification capacity.** Businesses should receive clear information on authorized CBAM verifiers, while Kosovo should begin developing domestic verification capacity through training and accreditation support. This would reduce dependence on international verifiers and lower compliance costs.

KOSTT (Transmission, System and Market Operator)

- **Invest in grid capacity, storage and system flexibility.** Renewable energy expansion must be matched by investments in transmission and distribution networks, battery storage, digital grid management, balancing mechanisms and flexibility services. Without these investments, new renewable capacity will remain constrained by technical limitations.

KEK (Kosovo Energy Corporation)

- **Strengthen reskilling and green skills programs.** Targeted reskilling and upskilling programs should be expanded for workers in coal, mining and energy-intensive sectors. Kosovo should build on existing training initiatives and align vocational education with jobs in renewable energy, energy efficiency, storage, circular economy and green manufacturing.
- Introduce active labor-market transition measures. Kosovo should introduce measures such as early retirement schemes, wage subsidies, job-placement services and transition support for workers affected by decarbonization, especially in municipalities with high dependence on coal and energy-sector employment.

Kosovo Customs

- **Establish CBAM compliance infrastructure.** Kosovo Customs should systematically identify exporters of CBAM-covered goods, inform them of their obligations and provide targeted training on EU reporting requirements. This should be supported by a structured data-tracking system for embedded emissions in relevant sectors.

Kosovo Credit Guarantee Fund (KCGF)

- **Promote green finance and transition finance.** Green finance instruments should be expanded through the Kosovo Credit Guarantee Fund, commercial banks and other financial institutions. Dedicated green and transition finance products should support low-carbon technologies, energy efficiency and industrial modernization.

Cross-institutional recommendations

- **Adopt pending energy and climate legislation.** The Government of Kosovo should prioritize the adoption and implementation of the National Energy and Climate Plan, the new energy efficiency legislation, and the secondary legislation required for the Energy Performance of Buildings framework.
- **Develop a coherent green industrial policy.** Kosovo should use the energy transition as the foundation for a broader green industrial policy that connects renewable energy, energy efficiency, industrial modernization, circular economy, workforce development and export competitiveness.
- **Strengthen social protection and energy poverty policies.** Kosovo should introduce a clear legal definition of energy poverty and strengthen targeted support for vulnerable households affected by energy costs. Support should include targeted subsidies, energy efficiency assistance and community-level compensation measures in highly affected areas.
- **Improve institutional coordination and social dialogue.** National institutions, municipalities, trade unions, businesses and local communities should be included in structured dialogue platforms. This is essential to increase trust, improve transparency and ensure that workers and affected communities are part of transition planning.
- **Develop a domestic carbon-pricing roadmap.** Kosovo should prepare a roadmap for the gradual introduction of carbon pricing, potentially through an emissions trading system aligned with EU climate policy. Revenues should be directed toward industrial decarbonization, transition support and institutional capacity for monitoring, reporting and verification.

- **Ensure that, if established, the Development Bank should be positioned as a key green transition finance institution.** The planned Development Bank, if established, should include a clear green finance mandate, with financing windows for renewable energy, energy efficiency, industrial decarbonization, CBAM readiness, climate resilience and municipal infrastructure.
- **Mobilize blended finance with IFIs and donors.** Kosovo should combine public funding, concessional loans, donor grants and private capital into blended finance instruments for renewable energy, grid modernization, storage, district heating and building renovation.

Structural Reforms

- **Gradually reduce structural dependence on lignite.** Kosovo should prepare a sequenced reduction of coal dependence through renewable energy expansion, storage, energy efficiency, regional market integration and just transition measures.
- **Use future carbon-pricing revenues for transition financing.** If Kosovo introduces domestic carbon pricing, revenues should remain in the country and be earmarked for renewable energy, energy efficiency, industrial modernization, vulnerable households and just transition measures.
- **Promote regional economic diversification.** Kosovo should develop a dedicated regional development approach for Obiliq and surrounding municipalities to reduce dependence on KEK and mining-related employment. Incentives should target clean manufacturing, renewable energy services, digital industries and other alternative sources of local employment.
- **Establish a sustainable green finance architecture.** Kosovo should build a permanent green finance framework connecting the state budget, FKEE, KCGF, the Development Bank, commercial banks, IFIs and donor programs. This framework should include measurable climate outcomes, transparent reporting and clear criteria for eligible investments.
- **Align Kosovo's energy transition with EU and Energy Community frameworks.** Long-term reforms should ensure alignment with the EU Clean Energy Package, Energy Community obligations, the Green Agenda for the Western Balkans and future EU carbon-pricing rules. This alignment is essential for market integration, access to external finance, investor confidence and long-term competitiveness.

Annex

Table 1. Kosovo's Exports of CBAM Covered Products by Sector, 2021–2025 (value in euros)

	Electricity	Iron and Steel	Aluminum	Cement	Fertilizers
2025	249,567	27,232,738	10,125,003	1,315	0
2024	11,829,815	32,404,386	11,861,674	44	0
2023	5,520,167	18,769,561	9,479,469	0	1,683
2022	45,014,962	20,037,445	7,556,012	393	159,551
2021	4,364,094	63,828,605	4,074,083	37	49,688

Table 2. Kosovo's Exports of Electricity to Selected EU Member States, 2021–2025 (value in euros)

	2021	2022	2023	2024	2025
Slovenia	162,091	25,307,558	5,750	10,706,054	100
Denmark	2,593,675	16,331,788	5,514,417	1,060,884	213,375
Czech Republic	1,608,328	3,375,616	0	0	0
Greece	0	0	0	62,877	36,092

GAP INSTITUTE

GAP Institute is a Think Tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this Institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

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