



Kosovo and Albania: Status of policy frameworks for increasing energy efficiency in buildings

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Multi-level structural support
for improving energy efficiency
in buildings in Kosovo and Albania



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Introduction

SITUATION GLOBALLY

“The greenest energy is the energy we don’t use”. This oft-cited sentence succinctly describes the role of energy efficiency in accelerating the green transition. Energy consumption in buildings accounted for 30% of global energy demand in 2022. Buildings are a crucial focus in the energy transition not only due to their already high share in energy consumption, but also because of the following trends and factors:

- ◆ Rapidly growing global floor area;
- ◆ Rapidly growing energy demand for space cooling;
- ◆ Longevity of buildings, heating and cooling infrastructure, and related appliances, which determines that construction and purchasing decisions made today will shape energy use for years or decades to come.

Global energy consumption in buildings has slowly but steadily increased in the past decade (by an average of 1.1% between 2010 and 2022)¹. Space heating represents the largest energy consuming end use in buildings. Although still dominated by fossil fuels, there lies significant opportunity in electrification, especially through progressively more widespread use of heat pumps, both in individual households and for district heating networks.

SITUATION IN THE WESTERN BALKANS

To facilitate the integration of Western Balkan countries into the European Union (EU), the Stabilization and Association Process (SAP) framework was established in 1999 (and further strengthened in 2003). Among other objectives, such as political stabilization in the Western Balkans, the aim of the SAP framework is to help the countries build their capacity to adopt and implement EU law and other European and international standards². As of February 2024, Kosovo holds potential candidate status, while Albania is a step further and holds official candidate status.

Compared to countries that joined the EU in the most recent enlargements (Croatia in 2013, Bulgaria and Romania in 2007, and the 10 countries who joined

1 <https://iea.blob.core.windows.net/assets/dfd9134f-12eb-4045-9789-9d6ab8d9fbf4/EnergyEfficiency2023.pdf>

2 https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/glossary/stabilisation-and-association-process_en

in the “Big Bang” enlargement of 2004), Kosovo and Albania will face a greater legislative challenge. The previous, relatively modest, volume and depth of energy-related legislation has been expanded substantially, with new legislative acts designed to create and integrate not only energy markets per se, but also the strategic visions of the Member States regarding their energy transition toward sustainability.

Kosovo and Albania have both been contracting parties of the Energy Community (EC) since 2006. Membership in the EC holds a significant role in the countries' paths to EU accession for several reasons:

- ◆ Harmonization with EU standards (energy policies, legislation, and regulatory frameworks);
- ◆ Access to the EU's internal energy market;
- ◆ Membership in the EC can catalyze infrastructure development in EU candidate countries (transmission and distribution grids, interconnections, pipeline systems);
- ◆ Support for energy reforms (the EC offers technical assistance, capacity-building programs, and financial support).

In this report, we provide an overview of existing relevant policies and documents in Kosovo and Albania, including a brief assessment of the extent to which they align with EU-level policies. We have conducted a comprehensive analysis of both primary and secondary data sources. Primary data was gathered through interviews conducted with representatives from public administration bodies and with experts specializing in energy policy. Additionally, secondary data derived from government reports and publications by the European Commission and the Energy Community has been utilized to provide a robust framework for analysis. Furthermore, quantitative data has been incorporated to augment the depth and precision of the findings presented within this report.

EU policy framework: Energy Efficiency and buildings

EU energy efficiency policy has gained momentum in the past years. Also globally, it has been recognized as critical in accelerating the energy transition, as well as enhancing energy security and affordability³. Although progress has slowed globally, the EU marked a 4.8% improvement in primary energy intensity in 2023 (and a remarkable 8% in 2022)⁴. At the same time, it must be noted that the

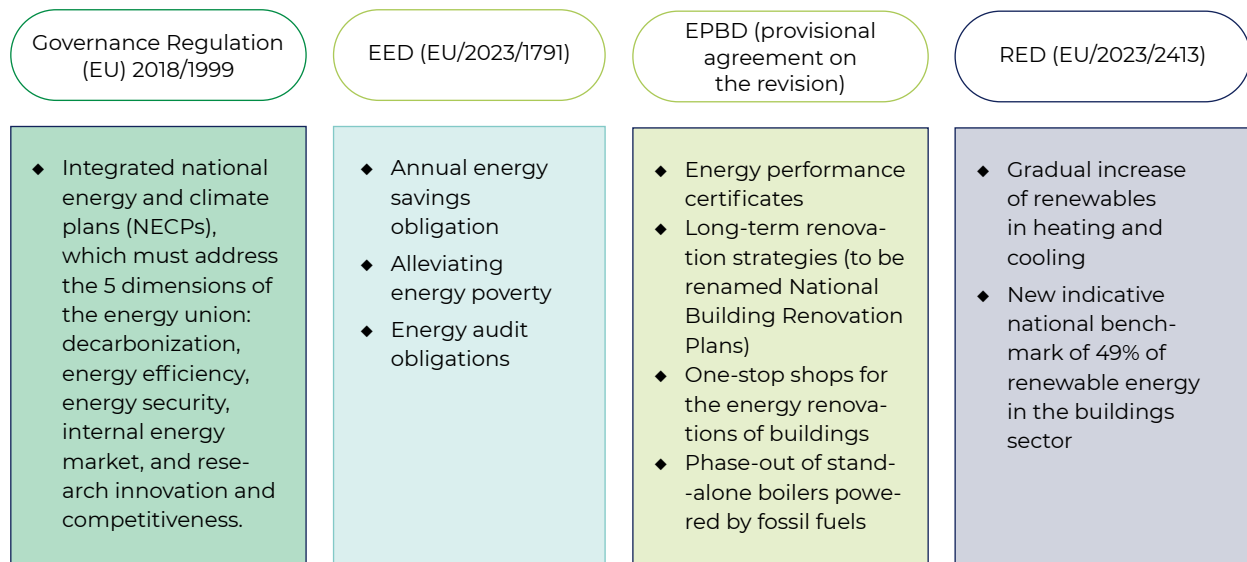
3 <https://iea.blob.core.windows.net/assets/dfd9134f-12eb-4045-9789-9d6ab8d9fbf4/EnergyEfficiency2023.pdf>

4 <https://www.iea.org/reports/energy-efficiency-2023/why-is-energy-intensity-progress-lower-in-2023-despite-significant-policy-action>

impact of new policies and technologies is not always immediate, and efficiency gains are realized over a period of years.

Over the past years, the European Union has made significant strides in advancing energy efficiency policy to mitigate climate change and enhance sustainability. Pieces of legislation such as Energy Efficiency Directive (EED), Energy Performance of Buildings Directive (EPBD), Governance of the Energy Union and Climate Action Regulation (Governance Regulation), and Renewable Energy Directive (RED) have been pivotal in setting ambitious targets and promoting energy-saving measures across member states. Figure 1 below presents key EU legislation concerning energy efficiency in the buildings sector and summarizes the aspects that most directly affect energy efficiency policy.

Figure 1. Key EU legislation regarding energy efficiency in the buildings sector



Source: European Commission

GOVERNANCE REGULATION

The EU's Governance Regulation of 2018 aims to enhance the Union's ability to achieve its climate and energy objectives, including those related to energy efficiency. Key aspects relevant to energy efficiency policy of Member States include the establishment of national energy and climate plans (NECPs), which outline each country's targets, policies, and measures to ensure progress towards EU-wide goals. The regulation emphasizes the importance of integrated approaches, coordination, and stakeholder engagement in developing and implementing these plans. It also introduces a framework for regular monitoring, reporting, and assessment of progress, enabling effective tracking of energy efficiency measures

and facilitating timely adjustments as needed. NECPs address the **five dimensions of the Energy Union**:

1. Decarbonization;
2. Energy efficiency;
3. Energy security;
4. Internal energy market;
5. Research, innovation, and competitiveness.

ENERGY EFFICIENCY DIRECTIVE

The EU has strengthened its Energy Efficiency Directive to curb energy demand. First adopted in 2012, the Energy Efficiency Directive (EED) was revised in 2018 and 2023, with the most recent revision significantly raising the EU's ambition on energy efficiency. The EED raises the energy efficiency target, **making it binding for EU countries to collectively ensure an additional 11.7% reduction in energy consumption by 2030, compared to the 2020 reference scenarios**.

Further, the revised EED puts a stronger focus on alleviating energy poverty by:

- ◆ Stronger requirements for Member States to empower consumers by raising awareness on energy efficiency;
- ◆ Emphasizing the creation of one-stop shops to provide technical and financial advice to consumers;
- ◆ Improving regulations related to split incentives for energy efficiency renovations between tenants and owners, or among multiple owners⁵.

ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE

In December 2023, EU legislators reached a provisional agreement on the recast of the Energy Performance of Buildings Directive. Measures in the revised EPBD include:

- ◆ Increased reliability, quality, and digitalization of Energy Performance Certificates;
- ◆ A gradual phase-out of stand-alone boilers powered by fossil fuels, starting with the end of subsidies to such boilers from 1 January 2025;

⁵ https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficiency-targets-directive-and-rules/energy-efficiency-directive_en#the-revised-directive

- ◆ One-stop-shops for the energy renovations of buildings for homeowners, small and medium-sized enterprises, and other stakeholders;
- ◆ National trajectories to reduce the average primary energy use of residential buildings.

The requirement for EU countries to submit national renovation strategies was initially introduced under the EED but has been moved to the EPBD to ensure greater alignment with other aspects of the energy performance of buildings. The Long-Term Renovation Strategies entail:

- ◆ A holistic framework for accelerating the energy efficiency of the EU's buildings stock;
- ◆ Milestones for 2030, 2040, and 2050;
- ◆ Overview of the national building stock;
- ◆ Actions that contribute to the alleviation of energy poverty;
- ◆ Policies and actions to stimulate cost-effective deep renovation of buildings⁶.

RENEWABLE ENERGY DIRECTIVE

Given the continuing rise in the EU's ambitions regarding the clean energy transition and the need to accelerate the deployment of renewables, the Renewable Energy Directive EU/2018/2001 was revised in 2023. The amending Directive EU/2023/2413 (RED III) entered into force in November 2023 and it foresees an 18-month period for Member States to transpose most of its provisions into national laws. A shorter deadline has been given for some provisions related to issuing permits for renewables. **RED III sets an overall renewable energy target of at least 42.5%, binding at EU level by 2030⁷.**

The Directive establishes sector-specific targets for, inter alia, buildings and district heating and cooling. New provisions set an indicative target of at least 49% share of renewable energy in buildings by 2030. Further, RED III foresees gradual increases in the renewable targets for heating and cooling, with a binding increase of 0.8% per year at the national level until 2026 and 1.1% from 2026 until 2030⁸.

6 https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficient-buildings/energy-performance-buildings-directive_en

7 https://energy.ec.europa.eu/topics/renewable-energy/renewable-energy-directive-targets-and-rules/renewable-energy-directive_en

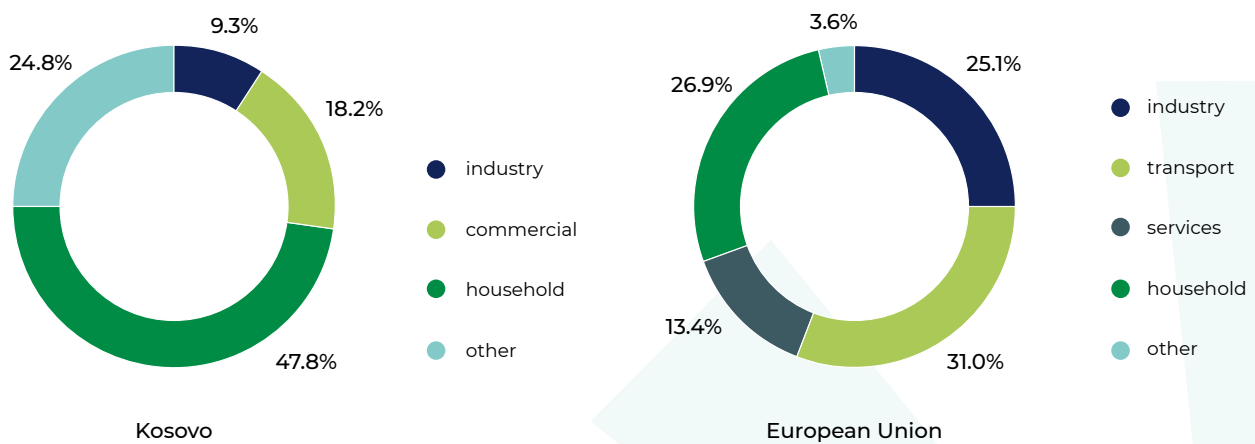
8 <https://sustainablefutures.linklaters.com/post/102ipy5/european-renewable-energy-directive-red-iii-updated-ambitious-targets-to-boost>

Kosovo's policy framework

In its path to EU accession, Kosovo currently holds potential candidate status. The country has made progress in the area of energy. Most recent policy developments include the adoption of a new Energy Strategy in March 2023, the launch of the first solar auction in May 2023, and continued investments in the energy efficiency of public and residential buildings.

Figure 2 presents a sectoral breakdown of final energy consumption in Kosovo and in the EU. The share of household consumption in Kosovo, at 48%, represents the largest share of final energy consumption out of all sectors and exceeds the EU average by as much as over 20 percentage points. Commercial and industrial activities account for a much smaller share (18.2% and 9.3% respectively), and thus households account for the majority of energy consumption in buildings. This entails that potential energy savings in Kosovo's residential sector could have a particularly strong effect on overall energy efficiency in the buildings sector, higher than in the EU.

Figure 2. Final energy consumption by sector, 2022



Source: Energy Regulatory Office of Kosovo (2023); Eurostat (2024)

Note: Some categories between the two graphs differ due to data limitations

Table 1 provides information about the interviews conducted for this report and Table 2 presents a summary of the status of key legislation and policies regarding energy efficiency in buildings that have thus far been enforced in Kosovo, constructed based on the interviews and official reports.

Table 1. Interviews

INTERVIEWEE	AFFILIATION	YEARS OF EXPERIENCE
1	Kosovo Fund for Energy Efficiency	5
2	Independent energy expert	20
3	Kosovo's Ministry of Economy	10

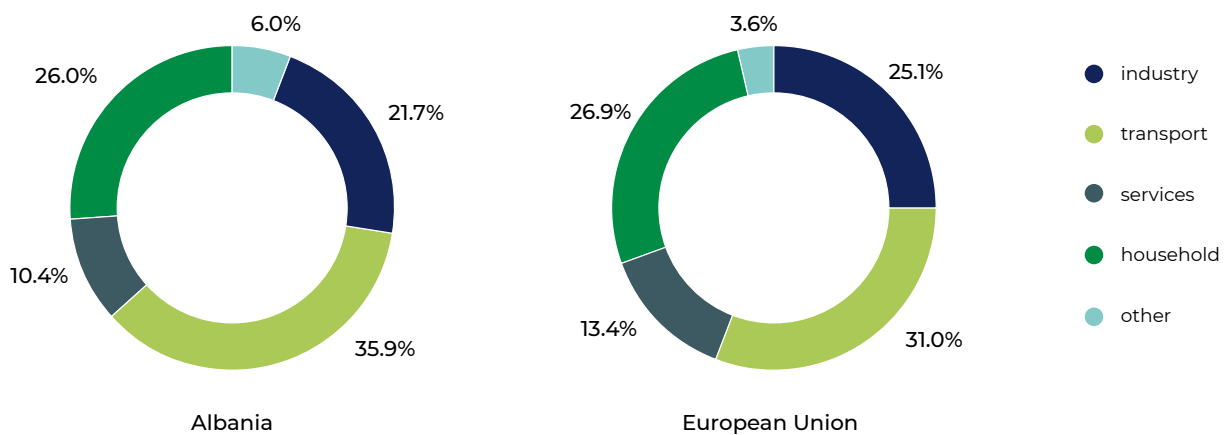
Table 2. Kosovo's policy framework

POLICY	DESCRIPTION AND STATUS
National Energy and Climate Plan (NECP)	Kosovo submitted its draft NECP. A 2022 - 2025 National Action Plan for Energy Efficiency was prepared to cover the gap until the NECP is adopted. Kosovo's NECP for 2025-2030 is in the final stage of drafting and will need to be aligned with the 2030 Energy Community targets.
Energy Efficiency Agency	The Kosovo Energy Efficiency Agency (KEEA) operates as an executive agency under the Ministry of Economic Development and is responsible for implementation of relevant policies presented by the Ministry.
2030 energy efficiency targets	2030 EE targets are outlined in the draft NECP and they, inter alia, implement Article 5 and Article 7 of the Energy Efficiency Directive.
Energy Efficiency Directive	Transposed in the Energy Efficiency Law of Kosovo, which is currently under amendment to adapt to the revised Directive.
Energy Efficiency Obligation Schemes	The implementation of EU Energy Efficiency Directive (EED) in the legal framework of Kosovo does include the implementation of obligation schemes but there remains a need to make those measures operational, especially taking into account the 2023 revision of the EED.
Long-Term Renovation Strategy	The long-term strategy for energy efficiency (including renovation) is integrated into national policies through the Energy Strategy of the Republic of Kosovo for years 2021-2030. Energy Strategy of Kosovo for years 2021-2030 serves as a pre-document of the NECP, which itself will built on the milestones from the Energy Strategy 2021-2030. Kosovo's Building Renovation Strategy is currently undergoing amendments and requires immediate implementation, along with the Plan for nearly zero energy buildings.
Energy poverty action	There is no comprehensive official data on the number of citizens struck by energy poverty, nor is energy poverty defined by law. In January 2024, the Kosovan government began to implement subsidies for vulnerable families. 40,620 families who have qualified in the first group will benefit from the electricity subsidy. The subsidy is made within the piloting of the Program for the Support of Vulnerable Families, which is financially supported by the European Union.
Energy performance certificates	Energy performance certificates are mentioned in the Law on Energy Performance of Buildings but still require immediate implementation.

Albania's policy framework

Figure 3 presents a sectoral breakdown of final energy consumption in Albania and in the EU. The share of household consumption in Albania, as well as the shares for all other sectors, are comparable to the EU averages. Representing nearly over a fourth of the total final energy consumption, the residential sector holds significant potential for increasing overall energy efficiency.

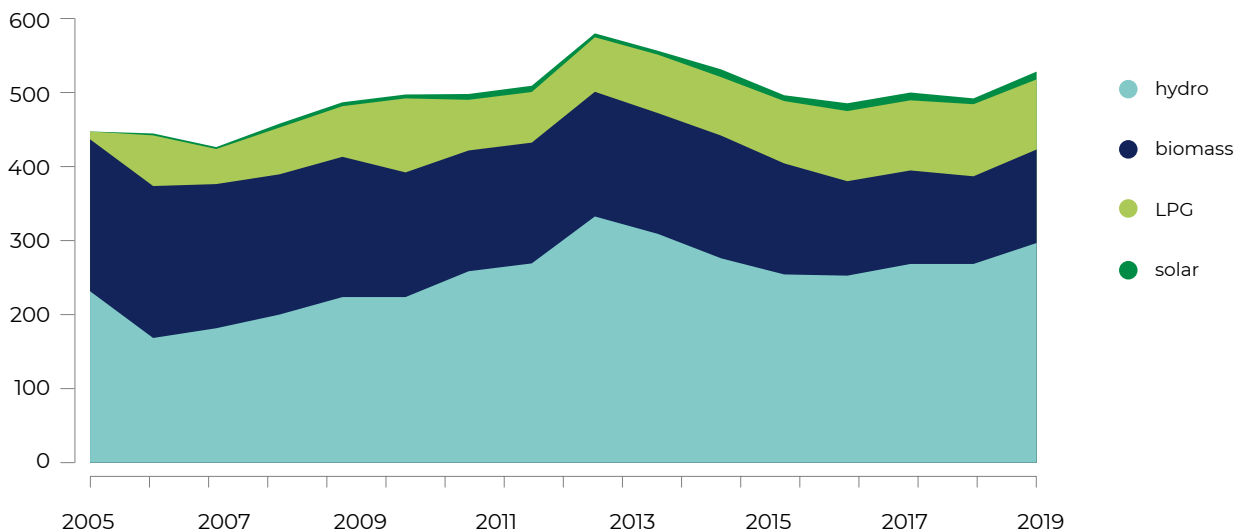
Figure 3. Final energy consumption by sector, 2022



Source: Ministry of Tourism and Environment of Albania (2022); Eurostat (2024)

Figure 4 presents a breakdown of final energy consumption in Albanian buildings by fuel. Data demonstrates that the shares held by each fuel have not changed significantly between 2005 and 2019 and that renewables have long dominated energy use in the country's buildings sector.

Figure 4. Final energy consumption in buildings in Albania by fuel, ktoe, 2005–2019



Source: Ministry of Tourism and Environment of Albania (2022)

Table 3 presents a summary of the status of key legislation and policies that have thus been enforced in Albania, based on an interview with a representative from Albania's Agency for Energy Efficiency and official reports.

Table 3.

POLICY	DESCRIPTION
National Energy and Climate Plan (NECP)	Albania's NECP was adopted in December 2021. The country has not submitted an updated NECP.
Energy Efficiency Agency	The role, capacities, and operations of the EEA need to be further strengthened.
2030 energy efficiency targets	Updated targets need to be implemented under the upcoming NECP 2030.
Energy Efficiency Directive	The EED has been partially transposed. The Agency for Energy Efficiency is working to fully transpose the Directive by the end of 2024. There is still a need for a comprehensive assessment of the potential of high-efficiency cogeneration and district heating.
Energy Efficiency Obligation Schemes	The Ministry of Infrastructure and Energy adopted the EED law in March 2021 and has included the obligation schemes in the transposition. However, no actions have targeted the buildings sector specifically, and there are no mechanisms in place to monitor and/or enforce the obligations. According to the European Commission's Albania report for 2023, there remains a need to establish the scheme and to adopt labelling regulations.
Long-Term Renovation Strategy	The strategy has not been adopted. Work is ongoing as part of the Support for Low Emission Development project and the AEE is partnering with the European Bank for Reconstruction and Development regarding the document.
Energy poverty action	The Albanian Law on the Power Sector (OG 43/2015) provides the definition for a "vulnerable consumer" (Article 3). According to Article 95, vulnerability criteria are determined by the Ministry of Social Affairs in cooperation with the Ministry for Energy and the Ministry of Finance together with the state Energy Regulatory Entity. Vulnerability is also addressed by energy and social policies in accordance with the Social Strategy of the Energy Community (2013). However, energy poverty as such is not yet defined and/or systematically monitored. A Policy and Measures has been integrated within the NECP, setting forth the adoption of the definition, establishment of a national system for monitoring and recommending measures for the eradication of energy poverty based on EU Member States' experiences, study for the estimation of the number of people experiencing energy poverty and the reasons behind it.
Energy performance certificates	Energy performance certificates have been issued since February 2021. All new buildings or existing buildings undergoing a major renovation must fulfill the minimum energy performance requirements. However, the lack of public investments and government subsidies undermines the efforts.

Analysis and conclusions

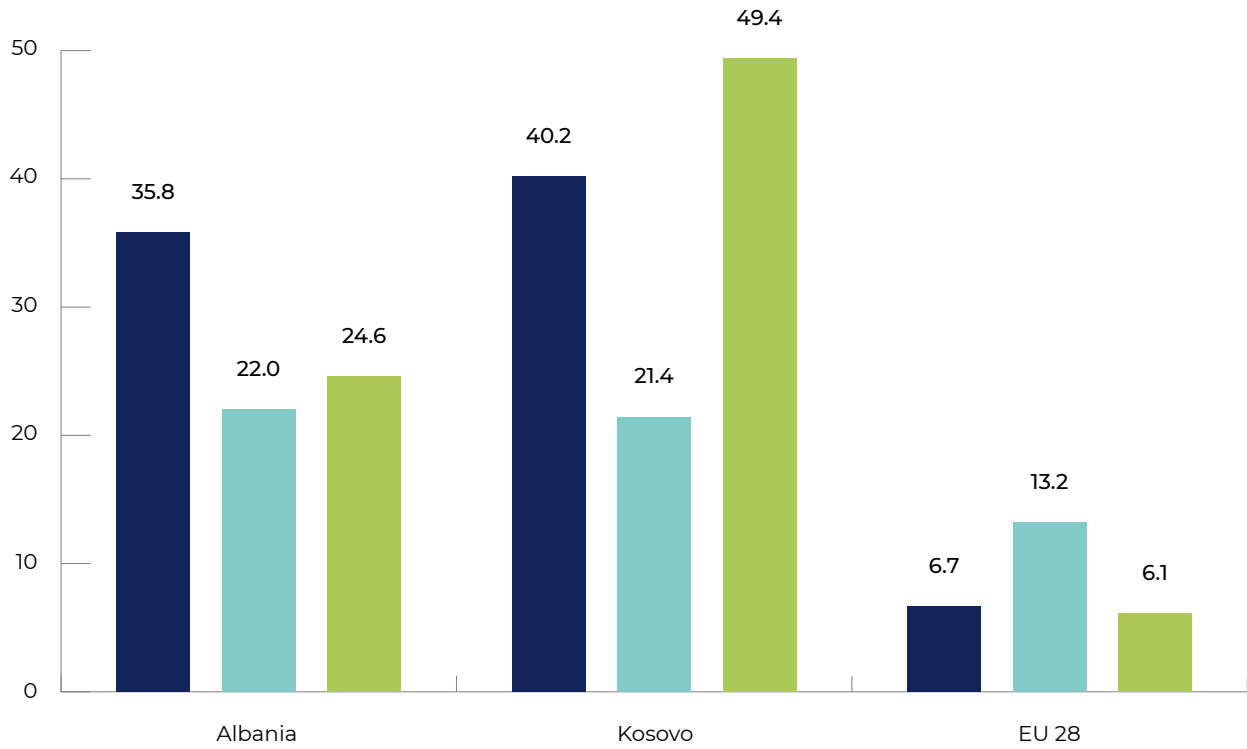
With Kosovo and Albania both set firmly on their paths to EU accession, they face the challenge of adopting and implementing a continually growing acquis. As the EU's ambitions have evolved and accelerated, the legislative burden has grown. A closer look at the two countries' efforts in aligning policies with EU standards reveals a common conclusion that the greatest challenge lies in the broader implementation of policies, rather than transposition itself – as in some cases provisions have been adopted into law but lack implementing measures. In some cases, there are also no legal acts of a lower-order to execute the higher-order stipulations.

Reports by the European Commission clearly state that both countries have made progress, although there seems to be a dissimilarity between the level of preparedness between them. For Kosovo, the EC has reported “some level of preparation” and “some progress”, while Albania has been reported as having achieved “between a moderate and a good level of preparation”. It appears that both countries are delayed in their NECP drafting, although work is ongoing.

Both countries lack legislative definitions of energy poverty, as well as the baseline data, and therefore no measures are in place to monitor it. This seems to be one of the most significant policy gaps, especially considering the EU's new measures aimed at the protection of vulnerable citizens, such as the Social Climate Fund.

At the same time, the rates of energy poverty in Kosovo and Albania are likely significantly above the EU average. Figure 5 features selected findings from the Survey of Income and Living Conditions (SILC), which shows whether households can provide warmth to their houses that is perceived as adequate by its members, whether they notice roof leakage, condensation, or damp creation, or whether they manage to pay their utility bills on time.

On a positive note, laws regarding vulnerable consumers that Albania and Kosovo have so far put in place do constitute a point of departure for establishing measures aimed at alleviating energy poverty.



- Inability to keep home adequately warm
- Total population living in a dwelling with a leaking roof, damp walls, floors or foundation or rot in window frames
- Arrears on utility bill

Source: Eurostat (2024b)

Figure 5. Selected SILC indicators for Albania, Kosovo and EU 28, 2020 (% of households)

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ABOUT THE PROJECT

As buildings account for the largest share of energy consumption in Europe, improving their energy efficiency and reducing their energy consumption are key pillars in the pursuit of a decarbonised building stock by 2050, contributing to the implementation of the European Green Deal.

Kosovo and Albania, both officially considered as potential candidates for EU membership, have some of the most inefficient building stocks and the two highest energy poverty rates (40% and 37% respectively) in Europe. Despite their plans to reduce energy consumption, Kosovo and Albania lack adequate policy frameworks to scale up improvements – especially in the residential building sector – and support measures that could accelerate renovation.

Drawing on evidence-based analyses, the project provides the governments of Kosovo and Albania with policy recommendations on how to improve the energy efficiency of buildings. The Kosovan and Albanian partners provide expertise based on the two national contexts and engage with local target groups, while the Polish and Hungarian partners share their expertise in EU policy. Training measures, workshops and consultations are organised to provide central and local administrations with the know-how and tools needed to develop long-term renovation strategies in line with EU policies, including the Energy Performance Certificate Framework.

One focus of the project is on energy poverty, which is particularly prevalent in Kosovo and Albania. Policy recommendations are developed, and guidance is provided to local authorities and the national government on how to disseminate information to citizens and the private sector on energy efficiency measures in renovations. Local governments, the private sector, and civil society are trained to establish one-stop shops as a means to facilitate and accelerate the climate-friendly renovation of buildings.

Supporting the implementation of EU climate and energy legislation in Kosovo and Albania can also help to pave their way to EU membership.

