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NAVIGATING CHALLENGES IN THE JUST ENERGY TRANSITION: POLICY AND INSTITUTIONAL DYNAMICS FOR IMPLEMENTATION IN NORTH MACEDONIA

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Abstract

Despite the multiple crises that have challenged the political leadership and slowed down the just energy transition process in the Republic of North Macedonia, the past few years marked significant milestones in the energy and climate sector. The country undertook serious international commitments for enhanced climate action and energy reforms with the submission of the Nationally Determined Contribution to the Paris Agreement and the endorsement of the Sofia Declaration on the Green Agenda for the Western Balkans in 2020 followed by an adoption of an action plan. The decarbonisation roadmap was underpinned with the preparation of the first integrated National Energy and Climate Plan and the agreement on the 2030 energy and climate targets at the 2022 Ministerial Council of the Energy Community. Some efforts to provide pathways to reach those targets have been made also on a national level. However, regardless of the attempts to encompass all the relevant policies and measures in the respective planning documents in a holistic manner, their implementation remains unsuccessful and the institutional approach is fragmented. The climate and energy portfolios continue to be

divided among the competent authority in charge of the environment and the competent authority for energy, that lack the needed capacities deriving from the climate and energy legislation, even in the most restrictive sense of their understanding. The institutional mechanisms for operationalization of the broader concept of energy transition is completely missing, limited to the ad hoc coordination by different institutions. This arrangement does not deliver the needed institutional setup which would facilitate the systemic shift that the just energy transition prerequisites. This paper analyses the obligations deriving from the undertaken climate and energy commitments, the national documents transposing those obligations and their inter-relation with the competent institutions, as well as the capacities for their comprehensive planning, implementation and monitoring.

Keywords: NECP, Western Balkans Green Agenda, climate and energy targets

1. Introduction

Just transition as a concept is very prominent in the policy discussions and regulatory efforts, while still having a broad and varied understanding. Its concrete application is contextual, factored by time and geography, as well as economic, social and cultural dimensions. Together with climate action, it is an area where practice is preceding theory and literature. In that manner, one common used understanding is the definition emerging from its labour-oriented origin,[1] which is seeing it as "greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind" (International Labour Association, 2024). Scholarly debates on just transition appeared more recently and multidisciplinary engagement with the concept has led to divergent interpretations, resulting in multiple and ambiguous definitions (Wang and Lo, 2021: 2).

The common denominator is that it encompasses various dimensions, as a set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy (IPPC, 2023: 119-130). It is also the clear manifestation and biggest challenge that the climate agenda has presented to the national governments.

The overall idea for a need to transition into a clean and fossil free energy system, apart from the local pollution, derives from the climate obligations i.e. mitigation commitments. In that way the climate change challenge is largely an energy challenge. This is why the clean energy agenda is interconnected with the climate agenda. While there are many discussions on what climate governance is and how it gets translated on a national level, regardless of the tendencies to integrate these two policy areas, it is still very often the case that the energy sector is governed independently.

The Republic of North Macedonia (or shortly: North Macedonia) is a country vulnerable to climate change, with an ambitious emission reduction commitment, and an energy system heavily relying on coal. This results with coal phase out being the turning point for its achievement of the set greenhouse gas emission reduction target. This also places North Macedonia's authorities among those challenged by the just energy transition process.

[1] More at: What is the just transition and what does it mean for climate action? 20 February 2024, https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/ (August 15, 2024)

Until recently, traditionally these two sectors have been governed on a national level by two key institutions in the Government of the Republic of North Macedonia, namely the Ministry of Environment and Physical Planning and the Ministry of Economy. Yet, regardless of the fact that these two portfolios were legally allocated as competences for the named state authorities, different internationally induced processes were often being addressed by other institutions as focal points, such as the case with the previous cabinet of the Vice Prime Minister for Economic Affairs managing the Green Climate Fund related activities. Two months ago, with the establishment of the new Parliamentary majority (right before the establishment of a new Government), the energy portfolio for the first time was elevated as a sole area of responsibility for a specialised Ministry for Energy, Mining and Mineral Resources.

The institutional mechanism for operationalization of the broader concept of energy transition is still not recognizable, remaining limited to the ad hoc coordination by different institutions. This arrangement has failed to deliver the needed institutional setup which would facilitate the systemic shift that the just energy transition prerequisites, until today.

This paper analyses the policy and institutional dynamics for achieving just transition of the energy system in the Republic of North Macedonia, by examining the obligations deriving from the undertaken climate and energy commitments, the national documents transposing those obligations and their inter-relation with the competent institutions, as well as the capacities for their comprehensive planning, implementation and monitoring. In the drafting process, the authors utilised a comprehensive methodology that involved analysing relevant laws, bylaws, and official state documents–including strategies and action plans–alongside a review of comparative experiences and existing literature, complemented by empirical research to foster a nuanced discussion on the topic.

2. Literature overview

Decarbonisation is the key element that brings the climate and energy national agendas closer together. If the energy transition is a process of replacing fossil fuels with low or zero-carbon energy sources (UNDP, 2023: 6), the recent national commitments to carbon neutrality significantly influenced the speed and scale of the transition. This exacerbated the "justice" angle furthermore, requesting an unprecedented system transformation placing the socio-economic and environmental considerations at the forefront.

Within the international climate discussions and efforts (IPCC, 2014) attention has been brought to the fact that effective action to curb climate change depends on well-defined and efficient governance systems (European Environment Agency, 2021). Bearing in mind the nature of climate change as a typical global public issue, traditionally the process of its governance was always structured starting from the highest level, then working downward (Tan et al., 2022: 384-385). With the evolving understanding of governance in the wider sense, but especially the established need for effective and strong national climate frameworks, throughout the years a new governance regime for the global response to climate change was developed, which was finally established with the Paris Agreement in 2015 (*Paris Agreement 2015*).

National climate action efforts both in the mitigation and adaptation areas, can often involve complex governance challenges and new institutions and institutional arrangements (IPCC, 2014: 151). An increasing number of European countries have been adopting national frameworks to organise their climate actions and deliver the Paris Agreement objectives, often in the form of climate laws and national advisory bodies (European Environment Agency: 2021).

With the introduction of the carbon neutrality goal in the climate agenda, much stricter requirements for a systematic and integrated national climate governance system emerged. This also accelerated the development of just transition mechanisms[2] which would aim to ensure that no one is left behind in the transition.

In more general terms, the concept of governance is considered to have created the groundwork for transition studies because it can capture "the growing complexity of institutional structures, political processes, and social relations involved in the collective pursuit of public, common, or individual interests" (Moss, 2009). In literature however, the concept of just transition still remains ambiguous, encompassing different definitions and frameworks, which is why a need for an overview and consolidation of academic literature has been identified (Wang and Lo, 2021: 2). When it comes to the governance approach of just transition, scholars typically attribute a successful just transition to support from a broad and diverse coalition of actors, dedicated funding streams and to engagement with local initiatives (Wang and Lo, 2021: 6). As Wang and Lo point out, ''such an approach is essential to overcome the difficult political

[2.] More at "European Commission, The Just Transition Mechanism: making sure no one is left behind" https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en (August 15, 2024)

trade-offs that characterise a just transition'', but the inclusion of a range of stakeholders, such as labour unions, social movements, non-state actors, and some firms and international organisations also allows different actors to make their own interpretations, which needs to be managed accordingly (*Ibid*).

Literature shows that there are three specific phases of research that mark the beginning of energy justice research and practice, starting by its use as a term in practice by NGOs, followed by early use in academia in 2010 without it being addressed as a concept itself, resulting with its recent beginning to use in academia as a defined concept through the past decade (Heffron and McCauley, 2017: 2). There are growing voices in literature that place justice at the core of the energy transition, and that identifies how the energy sector is changing and focusing its modus operandi on the rights and obligations of different stakeholders (Heffron and McCauley, 2017: 1). As Heffron and McCaley note, "we can witness the rise of human rights, and how our legal institutions are more and more protecting human rights in response to different energy activities across the energy life-cycle and in the context of the different aims of justice" (Heffron and McCauley, 2017: 2). This scholarship identifies that apart from the possibility for a new law to be introduced to ensure justice happens; energy justice principles should also be applied when a dispute arises over an energy issue and the two parties go to the national legal courts to advance justice on a certain issue. By that a responsibility is placed on the national courts as well, to create the boundaries of what behaviour is permitted usually by a Government or an energy company (Heffron and McCauley, 2017: 3).

There has also been an increase in research that focuses on the set of policies and measures that are being implemented at a local scale by municipalities across the globe (Kousky and Schneider, 2003), identifying the local self-government as the ideal drivers for change leading the climate agenda (Anguelovski and Carmin, 2011), the energy planning (Rozhkov, 2023) and overall acceleration of the energy transition (Bayulgen, 2020).

The European Union's long term climate strategy and energy transition plans led forward the governance and citizen's engagement perspectives. The last half-decade of climate policy has proved that EU-level actions can incentivise stronger governance practices at the national level (Nick, Schöberlein, Dowe, 2024: 2). To help the EU reach its 2030 climate and energy targets, the Regulation on the Governance of the Energy Union (*Regulation (EU) 2018/1999*)[3] set common rules for planning, reporting and monitoring for

[3]. More at: Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending

member states, while also ensuring that the EU planning and reporting are synchronised with the ambition cycles under the Paris Agreement. One of the key tools of the Regulation are the integrated national energy and climate plans, encompassing five dimensions of the energy union: decarbonisation (greenhouse gas reduction and renewables), energy security, energy efficiency, internal energy market and research, innovation and competitiveness[4]. With the European Green Deal, the target for the EU's energy and climate strategy was set to achieve climate neutrality by 2050. As a way to facilitate such a transition, the European Commission launched the Clean Energy Package where the citizens are empowered to push the energy transition in the member states. The EU has over the years developed and confirmed its vision for a more decentralised and democratic system based on renewable energy, with citizens in the central role in the energy transitions (Wahlund and Palm, 2022: 1).

While energy democracy and energy citizenship are central to this debate, the literature shows that these two concepts exist in parallel and are sometimes even used as synonyms, indicating active citizen participation, such as adopting renewable technologies, joining energy communities, supporting local initiatives, and participating in policy decision-making (Wahlund and Palm, 2022: 2). What needs to be further outlined and analysed, is the relationship between them (*Ibid*).

The role of the institutions and comparative experiences

Up till now within the ongoing climate related discussions, very often the quality of institutions was mostly analysed through the lenses of its vulnerability to corruption. Namely strong and functioning institutions are needed to prevent climate action from being undermined.[5] Research has also shown that institutional quality plays an important role in supporting the effective implementation of climate policies, and that institutions and cultures have an

Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (Text with EEA relevance.) OJ L 328, 21.12.2018

4. More at: Governance of the Energy Union and Climate Action, European Commission https://climate.ec.europa.eu/eu-action/climate-strategies-targets/governance-energy-union-and-climate-action_en (August 15, 2024)

5. More at: Strong institutions are essential for effective climate action, 19 July 2020, https://unfccc.int/news/strong-institutions-are-essential-for-effective-climate-action, (August 15, 2024)

effect on people's willingness to pay for climate change policies, at the same time (Chaikumbung, 2023).

There is a growing interest in the analysis of the so-called specific climate institutions, although their understanding is not obvious. There is a division in academic literature on institutions. The narrow view identifies formal, especially governmental, agencies and organisations as the most relevant institutions, while there is also a broader understanding of institutions as ''decision-making centres and locations of authority of various kinds, captured in concepts like polycentricity'' (Tyler and Hochstetler, 2021: 4). This extensive interpretation is increasingly used in the context of climate governance (*Ibid*).

Challenged by the scale and scope of the climate agenda, many countries have restructured government agencies or developed new institutions to oversee the needed climate reforms (Mildenberge, 2021: 72). There are very few examples of institutional displacement or conversion with a creation of new bodies explicitly to provide an integrated and coordinated state response to climate change (Dubash, 2021: 15-16). In the case of the UK, after the Government enshrined in law an economy-wide Net Zero by 2050, it adopted a Net Zero Strategy for all sectors of the economy to support the transition. Under its Climate Act it established a Climate Change Committee as an independent, statutory body to advise the UK government on emissions targets and to report to Parliament on the mitigation and adaptation progress (Department for Energy Security and Net Zero and Department for Business, Energy and Industrial Strategy, 2022). Germany on the other hand established institutions explicitly to solve coordination problems (Dubash, 2021: 15-16).

However, institutional layering, meaning the adding of new responsibilities or features to existing institutions, is a more common approach. US is one of those countries, where the climate approach mirrors other policy domains, such as the energy policy (Mildenberge, 2021: 72). But they have also been an example of the crossing of energy justice into practice, with the decision in 2021 of the then newly elected President to appoint a Deputy Director of Energy Justice in the Department of Energy.[6]

In many countries institutional layering is achieved with the ministries of environment having typically been tasked with coordinating the actions of other departments related to mitigation. Yet the regulative scope of environment

6. More at: Northeastern Global News, Shalanda Baker is bringing her energy justice mission to the Biden administration, https://news.northeastern.edu/2021/01/23/shalanda-baker-is-bringing-her-energy-justice-mission-to-the-biden-administration/ (August 15, 2024)

ministry is often limited, their ability to engage sectoral interests poor, and their standing within ministerial hierarchies frequently low. (Dunbash, 2021: 15-16). This issue is prominent in India but also present in Germany, where the environment authority struggles to influence the transport sector, and in South Africa, where the environment department has had little success in reducing emissions across different sectors. The institutional arrangement is further complicated by the layering of climate responsibilities on finance ministries. In the case of South Africa, the Treasury implemented an economy wide carbon tax without aligning it with the environment ministry's emission limit goals, while in Brazil, the finance ministry developed emissions trading proposals independently of the environment ministry's parallel efforts. (Ibid) Many countries attempt coordination through inter-ministerial committees to implement cross-sectoral coordination, however there is very limited evidence that these committees successfully manage climate policy integration, as these committees often lack a cohesive framework for understanding sectoral connections and mechanisms for linking various policy areas and authority relationships. An alternative approach is to give heads of government a more prominent decision-making role without formal institutional support, such as the cases of the Indian Prime Minister's Office and the specialized office in the U.S. White House. The impact of these informal coordination efforts varies by context, as in situations where climate issues are less politically charged, such as in India's solar energy sector, these mechanisms can effectively stimulate and incentivize mitigation actions. However, in cases where there is significant political division over specific sectors, these coordination efforts often fall short. (Dunbash, 2021: 15-16).

On the other hand, despite of the complex institutional and regulatory framework managing the countries energy policies, several countries have established Just Transition Commissions as legal tools to advise governments on just transition planning, monitor the impacts of other policies on just transition and enable stakeholder engagement.[7] There are currently at least ten forms of such a commission in the following jurisdictions: Canada, Germany, Scotland, Australia, Ireland, New Zealand, the USA (Appalachia), South Africa, the EU and the UN (Heffron, 2021).

In the recent special report on strengthening energy systems, prepared by the United Nations Development Program, inclusive and effective institutions are identified among the four key entry points for just transition (UNDP, 2023: 10).

[7.] More at: What is the just transition and what does it mean for climate action? 20 February 2024, https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/, (August 15, 2024)

Integrity, competence, collaboration and transparency are considered as the preconditions for inclusive and effective institutions, in that regard.

For instance, apart from the benefit from general political stability, sound regulatory frameworks, effective governance and secure property rights, like with any other investment (Brunnschweiler, 2010), the analyses have shown that complex and lengthy bureaucratic procedures and corruption are decisive for the achievement of the needed level of investment in renewable energy (Stojilkovska and Kolovrat, 2024: 21), especially for citizen-led projects.

3. Research and Discussion

The initial step for a country's energy transition journey is typically to commit to emissions reduction targets and eventually a Net Zero target that is enshrined in legislation, followed by development of specific roadmaps, such as comprehensive and integrated energy and climate plans, and then an establishment of a robust institutional framework with effective regulatory mechanisms (UNDP, 2024: 12).

Apart from setting up regulating institutions in the energy domain, such as agencies, electricity regulators, among others, and broader climate regulatory bodies, in order for them to be able to execute a substantial mandate, they need to be suitably resourced. This includes appropriate authority, budgets and staff (UNDP, 2024: 16). In the UN recommendations for the establishment of coherent just transition governance systems, it is observed that agencies could be supported by a National Taskforce, an Oversight Board, and other bodies, but that these bodies alone would be insufficient for the mandate at hand (*Ibid*). An appropriately established framework of regulatory institutions can help to assign roles and responsibilities to various actors in the energy sector afterwards, including asset owners and operators, energy suppliers, standards bodies, market operators, consumers, etc (*Ibid*).

North Macedonia's climate and energy agenda

North Macedonia is an EU candidate country, continuously working on its alignment with the EU's climate and energy acquis within its accession process. Within these efforts, as an emanation of the EU Green Deal target, the country together with its neighbours, has committed to carbon neutrality by

2050 endorsing a Green Agenda for the Western Balkans[8] back in 2020. This was followed by an adoption of an action plan a year later. On the other hand, within the United Nations Framework Convention for Climate Change regime, North Macedonia as party to the Paris Agreement and regardless of its status of non-annex 1 country, i.e. being a developing nation, was among the first economies that submitted its intended nationally determined contribution (hereinafter: NDC) followed by the adoption of an enhanced NDC. By that the Government pledged to a 51% reduction of greenhouse gas emissions by 2030 compared to 1990 levels, which is a net reduction target of 82%, based on a coal-phase out plan.[9] Yet it was only in December 2022, during the Ministerial Council of the Energy Community, that North Macedonia undertook a legally binding obligation to achieve headline climate and energy targets by 2030, confirming the NDC declared greenhouse gas emission reduction, and adopting new energy efficiency and renewable energy share targets. This was a result of the longer process of regional facilitation by the Energy Community, in line with the Decarbonisation roadmap until 2030 and beyond, encompassing the transposition and implementation of the clean energy package and further strengthened by the addition of the electricity integration package in 2022.

However, regardless of these undertaken obligations that require an incremental systemic transformation on national level, up until recently, the country has mostly incorporated the added obligations by the approach of institutional layering. Namely the Ministry of Environment and Physical Planning has been the focal point for all UNFCCC related obligations as well as reporting to the EU on the approximation of the vast majority of the climate acquis, whereas the Ministry of Economy managed the energy portfolio (which is about to change per recent administrative lay out reforms). With the adoption of the updated Energy Development Strategy[10] up till 2040, whose green scenario was the basis for the enhanced NDC, new energy legislation was set on track, which also envisaged the creation of new bodies, such as the Energy Efficiency Fund. However, none of these were established, and the leading competences were concentrated in the energy department within the Ministry of Economy.

The Ministry of Economy had the mandate to lead the policies and implement the obligations deriving from the Law on Energy, Law on Mineral Resources, Law

8. Sofia Declaration on the Green Agenda for the Western Balkans, 10 November 2020 | DECLARATION/DECISION, https://www.rcc.int/docs/546/sofia-declaration-on-the-green-agenda-for-the-western-balkans-rn

9. Enhanced Nationally Determined Contribution submission by the Republic of North Macedonia, 2021

10. Strategy for Energy Development in the Republic of North Macedonia till 2040, 2019.

on Energy Efficiency and the Law on Biofuels. The Ministry has also presented a new draft Law on Energy and a draft Law on Renewable Energy Sources last year[11], aiming to transpose the requirements deriving from the clean energy package. In 2024 the ministries were reformed, in such way that the Ministry of Economy was transformed into Ministry of Economy and Labour, while a new Ministry of Energy, Mining and Mineral Resources was founded. The Ministry of Energy, Mining and Mineral Resources is now gradually taking over the competences in relation to energy from the former Ministry of Economy.

The Ministry of Environment and Physical Planning has submitted the NDC to the Paris Agreement and prepared the first Long-term Strategy for Climate Action with an action plan, encompassing economy-wide measures with a perspective up until 2050. The Ministry has also prepared a draft Law on Climate Action[12], that apart from transposing some of the elements of the EU acquis related to monitoring, reporting and verification of emissions, also made an effort in institutionalising the climate intersectoral coordination by 1) envisaging an obligation to incorporate climate perspectives in the development of all sectoral policies by the other organs, 2) proposing the establishment of a national coordination mechanism for climate action, consisted out of a high level organ - National coordination council for climate action, a National council for sustainable development and a Scientific advisory body. Although this draft law was presented in the beginning of 2022, after the public consultations, it has not been moved forward in the legislative procedure.

National competent authorities, capacities and recent added areas of regulation

As already pointed out, up until recently the Ministry of Economy was the key authority in the area of energy. The Ministry of Economy was the competent authority for the policy development and implementation of several crucial laws. In addition, an Energy Agency existed, as an independent administrative authority which answered to the Government of the Republic of North Macedonia. The Energy Agency basically cooperated closely with the Ministry of Economy in the area of energy, as it was tasked with: 1) preparation of mid-term and long-term strategies and development plans, as well as developing a database for energy in the Republic of North Macedonia; 2) preparation of

11. Draft Law on Energy and Law on Renewable Energy Sources, https://economy.gov.mk/mk-MK/news/nacrt-predlog-zakon-za-energetika-i-zakon-za-obnovlivi-izvori-na-energija.nspx (August 15, 2024)

12. Draft Law on Climate Action, https://ener.gov.mk/Default.aspx?item=pub_regulation&subitem=view_reg_detail&itemid=77486 (August 15, 2024)

long-term and short-term programs for the Ministry of Economy to submit to the Government of the Republic of North Macedonia for adoption; 3) giving initiatives, proposing and coordinating the development of studies and projects for energy efficiency and renewable energy sources; 4) undertaking preparatory and coordination activities for the implementation of investment projects; 5) regional cooperation and coordination of regional projects in the field of energy; 6) preparation of proposals for laws, bylaws, technical regulations etc. in the field of energy; 7) performing other tasks in the field of energy. Thus, it is safe to state that the Ministry of Economy and the Energy Agency were operating in the same field. The Ministry of Economy as a hierarchically higher authority was dealing with policy development and was submitting proposals for laws, strategies, programs, etc. to the Government for adoption, while the Energy Agency was performing the day-to-day tasks such as data gathering and management and was drafting documents for the Ministry of Economy. Within the Ministry of Economy a Sector for energy existed, as an internal unit, composed of several departments: Department for electro energy, analysis, development and investment projects in the energy area; Department for fossil fuels; Department for energy efficiency; Department for sustainable energy sources and Department for strategic projects and strategic documents in the energy area.[13]

In 2024 a reform in the organization of the public administration authorities took place, as the Parliamentary majority adopted amendments to the systemic Law on Organisation and Operation of State Administrative Authorities. The Ministry of Economy became the Ministry of Economy and Labour, while a new Ministry for Energy, Mining and Mineral Resources was founded. The latter is undertaking the tasks of the former Ministry of Economy in the area of energy. This is an undergoing process, as it implies transfer of employees, adoption of a rulebook for internal organization and systematization of jobs in the newly formed ministry, and other necessary steps. The Energy Agency was also dissolved in mid-2024. All of its tasks were transferred to the Ministry of Energy, Mining and Mineral Resources as well. It is still early to analyse, i.e. to critically observe the work of the Ministry of Energy, Mining and Mineral Resources as this authority is yet to become fully operational. Even though it was founded by the amendments of the Law on Organisation and Operation of State Administrative Authorities adopted in June 2024, the Ministry is still in its inception phase, and how prominent the coal-phase out agenda will be is too soon to be assessed.

13. Organigram of the Ministry of Economy 2022, https://economy.gov.mk/mk-MK/organogram.nspx (August 15, 2024)

As for the climate, the key authority remains the Ministry of Environment and Physical Planning. Yet, the Ministry of Environment and Physical Planning has relatively weak capacities when it comes to the preparation and implementation of climate-related policies. The Ministry of Environment and Physical Planning has operated with only one state advisor for climate change (as an high-rank administrative servant/employee) for many years and a Department for climate change policies within the Sector for sustainable development and investments, which has never been fully resourced.[14] The climate area is regulated within the framework environmental legislation and a separate climate law still has been prepared, but not adopted.

Additionally, the Ministry of Transport (formerly Ministry of Transport and Connections) has a crucial role in developing policies for decarbonisation, as it is tasked with policy creation and implementation of the laws in the area of road traffic and infrastructure, the railroads and infrastructure, the air traffic and infrastructure, as well as with the residential and communal works and the appropriate infrastructure. Bearing in mind that the usage of renewable energy sources in the transport sector is quite low, as it is in cooling and heating in residential buildings, the Ministry of Transport should closely collaborate with the Ministry of Energy, Mining and Mineral Resources and the Ministry of Environment and Physical Planning on achieving better results in the future. As for maintenance of roads and railroads, there are several state companies (the Public Enterprise for State Roads, the Railways Ltd., the Public Enterprise Railways Infrastructure, the Public Enterprise for Main and Regional Roads, etc.)

Another essential authority in the area of energy is the Regulatory Commission for Energy, Water Services and Services for Communal Waste Management, more often referred to the Energy Regulatory Commission. The Energy Regulatory Commission is an independent regulatory body with the mandate to ensure safe, secure and quality supply to the energy consumers, i.e. to protect consumers, introduce and protect the competitive energy market, ensure nature and environment protection, etc. Speaking of the energy sector, the Energy Regulatory Commission work is substantial since it issues the licenses for producing electricity from renewable energy sources. The Energy Regulatory Commission also controls these producers.

Finally, it is important to mention the commercial companies which are involved in the energy sector: the state-owned company ESM (Elektrani na

14. Organigram of the Ministry of Environment and Physical Planning, https://www.moepp.gov.mk/sites/default/files/alfa/doc/organogram-ministerstvo-zivotna-sredina-prostorno-planiranje.pdf (August 15, 2024)

Severna Makedonija) is the electricity producer which further on controls the largest producers of electric power (two thermal power plants – REK Bitola and REK Oslomej and several hydro power plants). The Austrian company EVN is responsible for electricity distribution in North Macedonia since entering the market in 2006, while the state-owned company MEPSO is the country's electricity transmission system operator. Another company – MEMO DOOEL, fully owned by MEPSO is the operator of the organized electricity market.

Moreover, the Ministry of Finance and the authority within it called State Revenue Service, would have a new important role, if carbon taxes are introduced in the future as planned.

Broadly speaking, the anticorruption institutional framework is also relevant for the just energy transition process. As pointed out by the UNDP, studies show how in many countries the energy sector has already become a breeding ground for corruption (as there are indicators for inflated capital costs for new renewable energy projects, burdening emerging economies and hindering their capacity to expand renewable generation). Yet, it would be too burdensome for this paper to present the anticorruption institutional framework and its successes in details.

Municipalities must be highlighted for their potential to be a powerful player in the just transition process. Namely, even though national governments have traditionally been the main actors in the energy transition, in recent years it can be noted that subnational entities are undertaking decisive initiatives as well. However, in reality the Macedonian municipalities are facing numerous challenges which are questioning the success of the entire decentralization process in the country, which is a topic for a separate analysis. As a result, municipalities are basically little to not involved at all in energy and climate policies development at the moment.

To conclude, the institutional framework for energy and climate is quite fragmented, with various tasks given to multiple institutional factors, many of which are hierarchically on the same level. There is an absence of a specific institution which coordinates the climate and energy agenda. Instead multiple institutions have different tasks which are supposed to be carried out simultaneously for successful just energy transition. Thus, it is vivid that reforms in the institutional framework are necessary. Governments are responsible to steer the just energy transitions by balancing climate commitments with economic viability and social equity, which requires a more coordinated approach across the entire government (UNDP, 2023: 12). A fragmented institutional framework may result in incoherent policies and initiatives.

Integrated approaches

Regardless of the absence of specific institutions coordinating the climate and energy agenda, i.e. ensuring the just energy transition, there have been integrated planning efforts aiming at aligning the sectorial activities and providing the needed economy-wide system transformation which the climate commitments bring.

First effort of such kind was the development of the Strategy for Energy Development up until 2040, which incorporated a climate action element for decarbonisation of the economy and presented a vision and three scenarios: referring scenario, scenario for moderate transition and a green scenario. On the basis of the green scenario, the NDC up until 2030 was developed, which encompassed 63 policies and measures across many areas, such as energy, transport, waste, land use etc. The Long Term Strategy for Climate action and action plan, went a step further by presenting a cross-cutting/horizontal objective, in addition to the mitigation and adaptation objectives. This translated into measures that would provide a comprehensive cross-sectoral policy design and implementation for the green transition, actions related to education, research, and development, innovation, social inclusion and equal opportunities for women and men.

The biggest step forward in integrated energy and climate planning was however achieved with the adoption of the National Energy and Climate Plan (hereinafter: NECP) in 2022, deriving from the obligation to transpose the EU Governance Regulation. The document completely followed the structure of the Regulation providing policies and measures of the five dimensions of the energy union: decarbonisation, energy efficiency, energy security, internal energy market and research, innovation and competitiveness. Although it presented ambitious climate and energy targets, the lack of a legal basis for it at the moment of adoption made it not of a binding character. It does contain a coal phase out date, but without clear decommissioning plans for existing coal-powered plants, with exact timeline and financial resources secured. The document has only a reference to the just transition, without concrete indicators and targets. The development and consultation process of the NECP was considered exemplary, however it failed to result in a public consultation report showcasing this engagement, and ensuring the multi-level, wide participation in the preparation of such an important strategic document (Antonovska and Berishaj, 2022: 24). North Macedonia needed to revise its NECP by June 2024, providing the pathways to the adopted headline energy and climate targets up till 2030, while also incorporating the public consultation process inputs and

Energy Community Secretariat recommendations. The country has still not published a draft or announced formal consultation process up to the date of the preparation of this paper.

The first official just transition related document was the development of the Just Transition Roadmap[15] in 2023. The roadmap proposed a hybrid model for the country, as a way to benefit from the advantages and mitigate the disadvantages of implementing either a strict bottom-up or top-down governance approach. The process is envisaged to be led by the Government in the beginning, which would eventually delegate its responsibilities to the local stakeholders, after a capacity-building process is conducted. [16]

The roadmap suggested the establishment of a Council for Just Transition composed of relevant ministries that will politically steer the just transition and be chaired by the Minister of Economy as National Just Transition Coordinator. With the reorganisation of the state organs and the establishment of the new Ministry for Energy, Mining and Mineral Resources, the first session of this Council was held chaired by the respective Minister.[17]

The Just Transition Roadmap also envisaged the creation of a Just Transition Secretariat which would propose policies and measures to the Council and facilitate the implementation of the Council's Decisions, as well as several working groups that will operate and work in different sectors, Regional Fora and a National Investment Committee.[18]

This was then followed by the Just Transition Investment Platform, which was presented as an acceleration Coal Transition Investment Plan for North Macedonia. It contains three key components:

- Retiring coal assets and repowering with renewable energy,
- Socio-economic regeneration of Pelagonija and southwest regions and
- Energy efficiency, clean heating, and distributed generation program.

15. Just Transition Diagnostic: Just Transition Roadmap, Planet, May 2023

16. Just Transition Diagnostic: Just Transition Roadmap, Planet, May 2023: 10

17. The Ministry for Energy starts the implementation of the Just Transition Roadmap, available at https://365.com.mk/ministerstvo-za-energetika-pochnuva-implementacijata-na-patokazot-za-pravedna-tranzicija/ (August 15, 2024)

18. Just Transition Diagnostic: Just Transition Roadmap, Planet, May 2023: 10

Earlier this year, 85$ Million were approved by the Climate Investment Funds[19], for this platform.

It is worth mentioning that what is often criticized in light of all of the strategic documents enlisted so far is the fact that they have predominantly been prepared by outsourcing capacities for the competent authorities, with an international support. This approach has resulted with lack of ownership of the overall processes, but most importantly, the results, and low institutional capacities for their implementation.

4. Conclusion

The emerging concept of just energy transition is still not widely recognized in North Macedonia, while the current institutional framework is not adequate for the effective operationalization of a comprehensive energy transition. The fragmented and ad hoc coordination among various institutions has failed to provide the cohesive and robust institutional framework necessary for a systemic shift towards a just energy transition. This lack of a structured approach has hindered the implementation of policies and measures that are crucial for meeting climate and energy commitments. As an example, the country has already postponed the coal-phase out deadline from 2027 to 2030, and while the NECP is the reflection of the integrated approach, reality is not following it nor its targets.

To address these challenges, several key recommendations emerge. First, policy development must be more inclusive and coordinated, ensuring that 1) all relevant stakeholders are actively involved but also that 2) institutions have capacities to draft their policy documents and not be so dependent on outsourcing. This way institutions would have ownership over the policy documents, unlike at the moment where a discrepancy exists: external experts are most often preparing the documents which are later on supposed to be implemented by institutions. Second, the climate agenda needs to be mainstreamed in the work of all institutions, while institutional capacities must be build and maintained. It is unacceptable that only several individuals work on climate within the Ministry of Environment and Physical Planning, while an entire ministry is dedicated to energy, mining and mineral resources.

19. Climate Investment Funds Approves $85 Million To Launch North Macedonia Coal Phase-Out, available at https://www.cif.org/news/climate-investment-funds-approves-85-million-launch-north-macedonia-coal-phase-out#:~:text=WASHINGTON%20%2D%20Today%2C%20the%20governing%20board,coal%20and%20embrace%20clean%20energy (August 15, 2024)

While the work of the Ministry of Energy, Mining and Mineral Resources is yet to be observed, it can be noted right away that there is a serious lack of resources within the Ministry of Environment and Physical Planning. At the same time, the capacities need to also derive from the other relevant sectors and institutions, such as finance, transport and social affairs. Third, the Just Transition Roadmap must be fully implemented, especially in terms of the work of the Just Transition Council and the founding the Just Transition Secretariat, while equipping it with the necessary resources. Fourth, the Law on Climate Action is yet to be adopted by the Parliament of North Macedonia, which is a crucial prerequisite for a successful overall policy implementation. Finally, improving the capacity to absorb financial assistance is critical, ensuring that available funds are utilized efficiently and effectively to support the transition process.

By focusing on these areas, North Macedonia can strengthen its institutional framework, making it more resilient and capable of driving the systemic changes required for a just and sustainable energy transition.

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