



## Kosovo: *Starting from scratch*

With one of Europe's largest reserves of brown coal and a treasure trove of various minerals, Kosovo should be heading for a bright future. However, the energy and mining industries have been neglected and the infrastructure is outdated. Reactivating these industries will take foreign investors, good management and large amounts of money.

| by *Anke Truijen*

'Look,' geologist Zenun Elezaj says with pride, as he points to the new flag of Kosovo; 'the golden country.' On February 17 2008, Kosovo declared itself independent and its new flag depicts an image of the country in gold against a background of blue. After Nato bombings expelled the Serbian troops

of Slobodan Milosevic, Kosovo was placed under the monitoring of the United Nations (UNMIK) in 1999. Now that the country is independent, it has placed its hopes on a centuries-old mining tradition and its wealth of natural resources. Kosovo has unusually large amounts of natural resources.

'It is full of brown coal here,' Elezaj says after we leave the capital, Pristina, behind us and drive across the hilly landscape to the north. Kosovo's largest electricity plant is located in this coal-rich environment, flanked by two smaller power plants that emit thick columns of smoke. With



The Kosovo A power station, just outside Pristina on the way to Mitrovica, is located in an area that is very rich of brown coal. Photo: Anke Truijen

approximately 14 billion tons of brown coal reserves, Kosovo has the largest store of brown coal in Europe after Germany and Poland. ‘We have the best mining conditions in Europe, which is extremely attractive to investors,’ says Elezaj.

Elezaj works for the Independent Committee for Mines and Minerals (ICMM). The committee was appointed by UNMIK and functions as a mining and minerals regulator. Last year, the committee authorised an airborne geophysical study of Kosovo to determine and quantify the metals and minerals present in the earth. The conclusion is that there is more gold, nickel and chromium than expected, and that the quantities of aluminium, copper, lead and zinc are large enough to have commercial potential.

Despite Kosovo sitting on “mountains of gold”, there is little to be seen of it in daily life. The country struggles with power shortages and inactive, antiquated mines and industries. It is precisely the neglected energy sector that must become the driving force for economic development and a viable independent future for

Kosovo. The question is, how, when the energy sector been neglected so badly in the recent past?

#### Electricity problems |

It is a daily routine for the Krasniqis. When the power fails, father Ali takes a few candlesticks from the cupboard to light

*‘Independence will make it easier to privatise and find investors’*

up the living room and mother Emine finds the gas burner to make coffee. ‘In the winter, we spend eight hours a day without electricity, and in the summer about 5 hours. And we have to pay anyway,’ Ali says.

Power failures are not new in this country of two million citizens. ‘Since the end of the war, €1 billion have been invested in the energy sector but impact and development are lagging,’ Blerim

Rexhi, the second man in the Ministry of Energy and Minerals, says. Like many well-educated Kosovans, he studied abroad and returned at the age of 38 to take on a highly responsible job to help his country. Bowls filled with glistening stones, excavated from one of the many mines in Kosovo, sit on a table in his office. Rexhi summarises the causes of the current power crisis:

‘Corruption, mismanagement by local and international authorities, political instability and irresponsible behaviour by parties such as the KEK. Nobody has taken responsibility for this sector.’

The national electricity cooperation Korporata Energjetike e Kosoves (KEK) has a monopoly on electricity generation and owns the coal mines that feed thermal plants A and B, adjacent to the power plant outside of Pristina. The Kosovan prime minister publicly held KEK accountable



Photo: Anke Truijfen  
Lignite (brown coal) fired power station Kosovo B just outside Pristina.



Photo: Anke Truijfen  
Power lines in the centre of Pristina.

last February when a national energy crisis was proclaimed, saying that management had wasted millions and is responsible for the present problems.

#### Clean slate |

Nezir Sinani, head of communications at KEK, sighs when his organisation is called upon to defend itself again. 'We are under enormous pressure to perform but without help from the government and foreign investors, we just cannot do it', he says in a communist-style office in the centre of Pristina. 'That they attacked us in public is pure politics because the new government says it wants to start with a clean slate and has vowed to solve the electricity problems. But the energy sector is everybody's responsibility. The regime of Slobodan Milosevic never invested in it and Albanian workers were fired. After the war, mines and plants were demolished. We had to start from scratch while the demand for power increased substantially.'

KEK has been under fire recently because of corruption scandals and directors who were constantly being replaced. Even international management could not help the company lose its poor image. Sinani goes on the defensive again. 'During the past years, investments have been made in transmission lines and parts of the plants. As far as corruption is concerned, we have been fighting that, too: in the past month we have fired 50 or 60 people. But we do

not have enough money to fix everything.' Technical losses and unpaid bills are part of the reason why KEK does not have steady earnings. But there is also a mismatch between production capacity and demand. 'We can produce a total of approximately 840MW, but if we want to provide 24 hours of power a day, we need 900MW,' Sinani says. Kosovo imports electricity from Serbia and from traders at prices three or four times higher than their own. Right after independence, there was a fear that Serbia would boycott energy supply to Kosovo. But that never happened. 'That would affect the entire region as our transmission lines are strategically located and it would cost Serbia money,' say Rexhi.

#### Trepca mine |

Kosovo's greatest hope is the Trepca mine in the north. Zinc, silver and lead are converted into products like batteries, and street vendors in Pristina sell the glistening stones from the largest mine in the region. The mine itself is not in stellar condition. One of the complexes is on a deserted terrain surrounded by rusted, broken machinery. The best years were during the Yugoslav period, when it was the top earning export business with an output of 700,000 tons annually. In the surrounding villages, most people are unemployed. Because of a lack of investment and over-exploitation by Belgrade authorities in the 90s, only three of the eight mines are

functional, at only 10% of their capacity. The mine workers are mainly occupied with pumping water out of the mines as a result of maintenance arrears. The investments required to make the mine fully operational are estimated at between €200 and €300 million.

But Trepca is before anything else an emotional and political affair. The Trepca mine is run by Serbian and Albanian managers because the mines and processing plants are spread throughout the ethnically divided area surrounding the industrial city of Mitrovica. The Ibar River that runs through the city separates the Serbian community in the north from the Albanian community in the south. The past makes it difficult to determine who owns which part of the energy industry. The mine was previously run by Yugoslav and Serbian authorities and Serbia does not recognise Kosovo's secession. Furthermore, Belgrade still controls the Serbian-dominated north, which makes managing the Trepca mine complicated. Trepca's Technical Director, Beqir Maliq, says, 'Trepca is a political toy: the Albanian south has 80% of mineral wealth, but the north has more potential for development and processing. We are communicating with the Serbs but collaboration leaves a lot to be desired.'

Beqir Maliq was one of the employees who was fired, together with other Albanian

mine workers in the 90s, by Slobodan Milosevic because he wanted more Serbian control of the Albanian-dominated province. The Albanian protests that followed were seen in Kosovo as the first steps towards secession. Albanian Kosovans see it as the “national” uprising against Serbian oppression. ‘Investments were made under Milosevic rule, but that information is in Belgrade and we cannot access it. UNMIK, which has administrative control, has declared that nobody can claim those shares. There is little we can do here,’ says Maliq. There also appears to be a debt of €300 million that Maliq says is owed by Serbia. ‘That debt was created by Milosevic. When he fired the Albanian

interim government and the international community have missed the boat regarding those opportunities, according to Hall.

The former senator of the US state of Maine and director of a steel plant moved to Kosovo in 2004. In addition to his job as director, he established the Centre for Energy and Natural Resources that focuses on issues like policy development and sustainable energy projects.

According to Hall, the parties involved (the Kosovo government, UNMIK, and the Kosovo Trade Agency (KTA), which manages privatisation) are too focused on their own interests. ‘It seems as though the international institutions here want to

‘The ministry has recommended finding not a single but multiple investors for Kosovo C and to keep the mine separate. Otherwise a monopoly will be created in the electricity market and I will be able to predict right now who will be the new president in 2015,’ Rexhi says. According to him, the new Kosovo C plant also provides opportunities for export to surrounding areas that are struggling with electricity shortages, and a way to earn money for the reconstruction of the economy.

Chris Hall predicts Kosovo will be a future exporter of energy in the region. ‘Albania has already expressed an interest in collaborating. Albania is 95% dependent on hydropower plants, and Kosovo largely on brown coal. They could accommodate each other’s shortages by selling each other electricity in off-peak hours.’

Sustainable energy production can also be achieved, according to Hall. ‘Kosovo has the potential to build small 50MW hydropower plants, or generate energy by building wind turbines on the plateaus that stretch out to the mountains. And 50MW can be generated from waste incineration; there is an excess of it here! Although a cleaner method would be better.’

### *‘We have the best coal mining conditions in Europe’*

workers, there were not enough people to run the mines and many resources were stolen.’ The independent status will force Kosovan authorities to find a solution and find new investors, is Maliq’s positive outlook on the situation.

Rexhi is less optimistic. He says Trepca is too sensitive and too large a problem to solve quickly, despite its economic potential. ‘Trepca could be our (the government’s) grave if we were to tackle the problem now. To be honest, it is a hopeless situation because it is so politically sensitive (vis-à-vis Serbia), the mines are obsolete and the people in the region are emotionally involved. So I think a few years will have to pass before we can take the first steps towards privatising Trepca.’

#### Future |

‘The problems would have been much smaller,’ says director Chris Hall of the American University in Pristina, while enjoying a cup of coffee in the school cafeteria situated on the park-like grounds, ‘if someone had said “yes” in 1999 to investments in the energy sector. Then we would now have a new power plant and more operational mines.’ Political interests of the unorganised

control the industry by micro-managing the business so that it has become very difficult to open the market to investors, while the market here should be left to its own devices.’

Mechteld Henneke, spokesperson for EU Pilar, the UNMIK economic development programme, admits that little has changed over the past years. ‘There are many issues in the energy and mining industries, such as ownership rights, maintenance arrears, many years of obscurity about questions of status and transitional periods that have made it very difficult to put the sector back on its feet. But independence and a new jurisdiction will make it easier to privatise and find investors.’

This appears to be happening with the Kosovo C project. This new power station, with a capacity of 2100MW, will be linked to the new brown coal mine. New investments will also be made in the existing Kosovo A plant. Kosovo C is already known as the largest private investment (€3.5 billion) in Kosovo, and should be completed in 2015. Various foreign investors have already shown an interest, but the project has come to a halt following political disagreements.

Everyone agrees that based on its great wealth of minerals and of brown coal, Kosovo has a lot of potential. However, Rexhi says that things should be approached carefully. ‘Our mandate right now is to earn money to strengthen Kosovo’s economy. But we must constantly weigh economic growth against use of our minerals. We must also start paying attention to environmental requirements such as gas emissions and air pollution. This is why it is important that we develop a policy that will be beneficial to the entire country of Kosovo.’ ■

#### Links to Kosovo energy sector:

[www.ks-gov.net/mem](http://www.ks-gov.net/mem)  
[www.kosovo-mining.org](http://www.kosovo-mining.org)  
[www.euinkosovo.org](http://www.euinkosovo.org)  
[www.unmikonline.org](http://www.unmikonline.org)  
<http://kta-kosovo.org>