

# Evaluating Kosovo's Decision to Refuse the Gas Pipeline Project: Geostrategic losses and gambles

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# EVALUATING KOSOVO'S DECISION TO REFUSE THE GAS PIPELINE PROJECT: GEOSTRATEGIC LOSSES AND GAMBLERS

## INTRODUCTION

Sustainability has become the way of the future. In a post-pandemic world, world leaders have dubbed investments on digital and green transitions as the best way forward to build back better and propel economic recovery. The Republic of Kosovo still suffers serious pollution and energy security problems, although this is a topic of repeated discussion in Parliament and with development partners.

Compared to other countries in the Western Balkan region, Kosovo lags behind in terms of energy efficiency and supply diversification. While countries such as Albania and North Macedonia have bought into American LNG and Serbia is promoting itself as a gas transit route via new trans-border energy projects, Kosovo remains dependent on its outdated and unreliable coal-fired thermal power plants.

The current government plan is to upgrade the outdated power plants and, primarily, move head on with a green transition to establish a cyclical economy and ensure renewable energy sources. For this reason, Albin Kurti's government took the controversial decision of rejecting an investment from the United States in the amount of USD 200 million to build a trans-border natural gas pipeline, connecting Kosovo to North Macedonia and further to Greece's Trans-Adriatic Pipeline.

This policy paper will analyze the proposed gas pipeline agreement and project, led by the United States' federal agency Millennium Challenge Corporation, as well as similar natural gas trans-border projects across Europe. Furthermore, the paper delves into the implications this government decision can have on US-Kosovo bilateral relations, as well as the future of Kosovo's energy plans and overall energy security.

## I. GAS PIPELINE: WHAT IS IT AND WHAT IS ITS PURPOSE

With the world as globalized as it currently stands, transportation systems to move goods and materials over long distances are a hot commodity. Pipelines are able to transport many different goods, from sewage to water and, most commonly, goods for energy purposes. The latter category includes oil, biofuels, liquid petroleum gas and natural gas. Large distribution networks are crucial for transporting fuel and energy commodities around the world. However, since pipelines are built beneath the soil and therefore hidden, citizens are mostly unaware of networks' existence and transportation work. The case this paper will explore concerns a natural gas pipeline linking several Western Balkan countries, and funded by the United States government.

Among the wide variety of distribution pipelines, natural gas pipelines transport natural gas from gas production wells (or import/export facilities) in order to distribute it directly to ports, cities, homes, or to other export facilities to further continue the dissemination. Larger lines of transmission pipelines transport the good to cities, whereas the smaller service distribution lines connect the main lines to local end-points, such as homes and businesses.

In it being an energy transportation system, it is absolutely essential that regulatory and mandated oversight is correctly executed to ensure its safety. This encompasses safety measures at the level of pipe design, construction and maintenance to prevent spills of the hazardous gas.

## II. THE US-PROPOSED GAS DISTRIBUTION PROJECT FOR KOSOVO

The United States has been involved in boosting Kosovo's energy sector for some time. Through grants and projects, the main objective is to reduce poverty through economic growth, be it via investments in energy reform for power system balancing, gas sector development or electricity distribution. Narrowing it down to the project this paper explores, the grant and execution are handled by the Millennium Challenge Corporation (MCC), a US federal agency promoting economic growth and reduced poverty. Back in 2017, the MCC and the Government of Kosovo had already signed a USD 49 million threshold program<sup>1</sup> to implement policy and institutional reforms which addresses electricity supply shortcomings and the high heating costs by encouraging energy efficiency investments and promoting cleaner and cheaper energy sources for heating. Additionally, the program seeks to optimize private sector financing to enable independent power producers to bring additional energy supply online.

In addition to the ongoing threshold program laid out above, the MCC's Board of Directors selected Kosovo to develop a compact program<sup>2</sup> in September 2018 to develop the country's energy sector. The MCC's 2019 Annual Report notes as follow-up, that "the Government of Kosovo proposed projects to address the economic challenges related to excess demand for electricity and unpredictable energy supply. With assistance from MCC, the Government plans to conduct feasibility studies to assess the viability of developing its natural gas sector, balancing the power system with energy reserves, improving electricity distribution, and strengthening energy sector institutions and policies"<sup>3</sup>. In line with this, a feasibility study in the amount of USD 6.9 million took place<sup>4</sup>, wherein the Kosovar government decided to advance with projects on "gas sector development and energy reserves creation with the intent to facilitate renewables integration, relieve Kosovo's dependence on coal, and achieve decarbonization goals"<sup>5</sup>. In 2021, Kosovo was awarded a total grant of USD 200 million to provide for "updated and reaffirmed access to reliable and affordable energy as a constraint to Kosovo's economic growth"<sup>6</sup>. Kosovo was the only European partner country selected for 2021, along with other developing and undeveloped countries in Asia and Africa. Given the long period of time elapsed, MCC's official websites underlines that "following Kosovo's parliamentary elections in February 2021, MCC is engaging with the new government to confirm Kosovo's continued commitment"<sup>7</sup>. However, discussions with the new Albin Kurti government did not end up running smoothly, as we now know.

The United States project proposal seeks to fund natural gas distribution linking Western Balkans countries by building a new gas pipeline starting in Greece. The US natural gas would be imported from Greek Alexandroupoulos port, connected to the TAP (Trans-Adriatic Pipeline) network sources, and reach Kosovo through North Macedonia. Energy experts and politicians alike saw the gas pipeline proposal as a way to deviate Kosovo, and indeed the Western Balkan

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<sup>1</sup> Millennium Challenge Corporation, "2017 Annual Report: Unlocking Opportunity - MCC Partner Countries That Completed Compacts in Fiscal Year 2017", March 2018, online via: <https://www.mcc.gov/resources/story/story-ar-2017-unlocking-opportunity>.

<sup>2</sup>*Ibid.*

<sup>3</sup> Millennium Challenge Corporation, "2019 Annual Report: Driving Progress - MCC Partner Countries That Completed Compacts in Fiscal Year 2019", March 2021, online via <https://www.mcc.gov/resources/story/story-ar-2019-driving-progress>

<sup>4</sup><https://newsbeezer.com/greeceeng/kosovo-kurti-deletes-us-gas-pipeline-from-greece/>

<sup>5</sup> Millennium Challenge Corporation, Compact Assistance: Congressional Budget Justification (CBJ): Congressional Budget Justification, FY 2022, May 2021, online via: <https://www.mcc.gov/resources/story/story-cbj-fy2022-compact-assistance>.

<sup>6</sup>*Ibid.*

<sup>7</sup>*Ibid.*

region at large, from the Russian energy market monopoly in the region. It is further argued that, for Kosovo, it would give the newborn country the opportunity to use natural gas as a temporary burning fuel until it has access to hydrogen<sup>8</sup>. On matters of construction, North Macedonia will be involved in the construction of its link to pipeline's gas terminal in Alexandroupoulos (around EUR 55 million, of which EUR 13 million secured through EU funds). In July 2021, neighbors North Macedonia and Greece signed an agreement for the construction of this pipeline linking both countries<sup>9</sup>.

The USD 200 million grants from the United States would be channeled through the MCC and its local branch, its branch the Millennium Foundation Kosovo (MFK). The project would diversify and widen the energetic map in the region in order to make supply more regular and eventually more sustainable.

### III. DELIBERATIONS BY THE KURTI GOVERNMENT AND NEGATIVE OUTCOME

2021 saw Albin Kurti accede to power as Prime Minister of the Republic of Kosovo once more. Since his return to the governing role, the main point of discussion between the Kurti cabinet and the incoming Biden administration has been the US proposed gas pipeline project. Discussions on the so-labelled US Gas Infrastructure Construction Project took place between the government led by Albin Kurti, and the MCC. The proposed cross-border project was moving forward in parallel to such bilateral Kosovo-US talks, as noted in North Macedonia and Greece's July 2021 agreement. The Greek Government even expressed willingness to support Kosovo in joining the project<sup>10</sup> and, in a July 2021 bilateral meeting between Kurti and the US Ambassador to Athens, "investment and energy" were among the discussed topics<sup>11</sup>. In terms of financing, the overall cost of the project for Kosovo was an estimated EUR 600 million<sup>12</sup>. The MCC, a United States' federal agency, pledged USD 200 million to Kosovo, and the remaining funds are said to have been guaranteed by the European Bank for Reconstruction and Development (EBRD) and the Western Balkans Investment Framework (WBIF)<sup>13</sup>.

Government deliberations were extensive concerning this project proposal for building a gas pipeline linking Kosovo to the TAP (Trans-Adriatic Pipeline). The main point of contention was the sustainability and how environmentally conscious would the investment be, in the long term. Dr Artane Rizvanolli, Kosovar Minister of Economy, raised the following question: "Is it better to use gas as a source that emits carbon dioxide, but less than burning coal, or is it better to aim for a straightforward transition to renewable energy sources? It is not clear at the moment, and this is something that we will study in the coming months"<sup>14</sup>. Indeed renewable energy is a key goal of

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<sup>8</sup>Euronews, "US pipeline project aims to create an energetic market in the region", 1 October 2021, online via <https://euronews.al/en/balkans/2021/10/01/us-pipeline-project-aims-to-create-an-energetic-market-amongst-countries-of-the-balkans/>.

<sup>9</sup>*ibid.*

<sup>10</sup>Politiko, "The Government of Kosovo rejects the American project for natural gas, AlbinKurti sets conditions", 17 September 2021, online via: <https://politiko.al/english/kosova/qeveria-e-kosoves-refuzon-projektin-amerikan-per-gazin-natyror-albin-kurti-i443693>.

<sup>11</sup> Republic of Kosovo – Prime Minister Office, "The Prime Minister of the Republic of Kosovo, AlbinKurti, met with the US Ambassador to Greece, Geoffrey Pyatt", 9 July 2021, online via: <https://kryeministri.rks-gov.net/en/the-prime-minister-of-the-republic-of-kosovo-albin-kurti-met-with-the-us-ambassador-to-greece-geoffrey-pyatt/>.

<sup>12</sup>Euronews, "US pipeline project aims to create an energetic market in the region", 1 October 2021.

<sup>13</sup> VOA, "Kosovatërhiqetngaprojektipërgazsjellësin", 30 September 2021, online via: <https://www.zeriamerikes.com/a/6252093.html>.

<sup>14</sup> Balkan Green Energy News, "Kosovo shelves US-backed gas pipeline project", 5 October 2021, online via: <https://balkangreenenergynews.com/kosovo-shelves-us-backed-gas-pipeline-project/>.

the government, no matter the need to necessarily upkeep other sources of energy supply. It is said that Prime Minister Kurti set out strict conditions to the MCC concerning the project implementation and requested “additional clarification, such as *what the total cost would be, who would finance them, who would build the power plant, and it was said that it would be built in partnership. public-private. We would also have to take out large loans to complete the project, which would be repaid by customers. Decisions will not be made without knowing how much it will cost and without knowing what will be the price that the consumer will pay for energy*”<sup>15</sup>. Just recently in 29 September 2021, days before the rejection announcement, Prime Minister Kurti met with representatives of the MCC and thanked “the support that MCC has provided to the energy sector in Kosovo (...) in particular for their intensive work and cooperation with the Government in recent months”<sup>16</sup>. He moreover committed to continue working together in the coming years to benefit the energy sector and the economy of Kosovo.

The unmet conditions and inconclusive answers proved impossible to fulfill and the US-backed gas pipeline proposal was rejected by the Kosovo’s Kurti government. The Prime Minister was clear in arguing that the project should be shelved in order to undertake more studies and gather more information before committing Government and taxpayers’ time and money to such a big cross-border endeavor. The two key elements of negative deliberation were put forth as lack of convincing or even conclusive information on the global cost, and on it not being the best option for Kosovo’s energy transition. Upon notifying citizens and media of the Government’s refusal decision, Rizvanolli added that the deadline imposed by MCC was not flexible as to allow more deliberations on wider project implications for the country.

On the grant money already allocated by the US federal government to the Republic of Kosovo, the Minister of Economy reassured that it would not be lost. Instead, “funds would be directed to other energy projects focused on energy storage, electricity network and smart grid solutions, and skills for the labor force, especially women”<sup>17</sup>. This decision renders Kosovo the sole country in the Balkan region to have rejected natural gas supplies from a non-Russian source. In the region, Serbia and Bosnia and Herzegovina are Russia’s (namely Gazprom as key liquefied natural gas producer) main consumers.

#### IV. IMPACT ON KOSOVO’S ENERGY SECTOR AND IMAGE

Currently, it can easily be argued that the Republic of Kosovo’s energy map and security is in need of diversification of energy sources for power production and overall improvement, including on gasification. Kosovo’s energy and electricity is presently massively dependent (well over 90%) on two old lignite plans (Kosovo A and Kosovo B) operating since Yugoslav times, which contribute also massively to air pollution in the developing country. Kosovo has no oil or gas extraction nor gas import infrastructure. Due to this, Kosovo’s energy sector is quite inflexible and outdated.

The ongoing plan is to upgrade the [Kosova A and Kosova B](#) thermal power plants, in order to boost domestic energy generation and meet obligations Kosovo has as Contracting Party

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<sup>15</sup>Politiko, “The Government of Kosovo rejects the American project for natural gas, AlbinKurti sets conditions”, 17 September 2021

<sup>16</sup> Republic of Kosovo – Prime Minister Office, “Prime Minister Kurti received in a meeting the representatives of the Millennium Challenge Corporation (MCC)”, 29 September 2021, online via: <https://kryeministri.rks-gov.net/en/prime-minister-kurti-received-in-a-meeting-the-representatives-of-the-millennium-challenge-corporation-mcc/>.

<sup>17</sup><https://balkangreenenergynews.com/kosovo-shelves-us-backed-gas-pipeline-project/>

of the Energy Community since 2006<sup>18</sup>. The Yugoslav-era power plants have come to experience several service failures and power outages, and therefore are unable to import electricity, let alone serve citizens. An April 2021 note from the International Trade Administration (ITA) warned that “Kosovo is currently unable to generate enough electricity domestically to fully meet demand for energy.(...)There is a vital need for stable, base-load power generation in Kosovo that can meet demand”<sup>19</sup>.To heighten the need for better and more diverse energy sources, demand for electricity has long come to exceed supply, with electricity consumption and demand rising over 90% between 2000 and 2010. This problem and peak demand is not expected to decrease but rather keep escalating. The most conclusive way to improve this dependency on coal and outdated energy sources is to better connect it, via cross-border projects with neighboring countries and, therein, with existent oil or gas pipelines. Indeed the ITA underlined energy as the best prospect industry sector for the ‘newborn’ country. To further cite the World Bank, “given this background, the Government of Kosovo has prioritized the modernization and improvement of the country’s energy sector, and has asked its development partners, including the World Bank, European Commission, KfW, USAID, as well as other donors, for support and assistance”<sup>20</sup>. Energy use in Kosovo is mainly led by households, especially for heating purposes, yet is admittedly inefficient and uninsulated. Energy efficiency improvements or expansions are both in the interest of consumers and the government - US statistics estimate that the country loses over USD 300 million annually due to its unreliable energy supply<sup>21</sup>.

The Government of Kosovo is resolute in carrying out its key priority of investing in renewable energy sources and guaranteeing its energy sector is embarking down a clear sustainability transition. Measures include improving energy efficiency and either closing or upgrading the existent power plants, while always keeping an eye on securing affordable electricity for citizens.

Looking more specifically into the gas market in Kosovo, in order to fulfill obligations within the Energy Community, the government adopted the Law no. 05 / L-82 on Natural Gas on 13 July 2016, as part of the broader Third Package of Primary Energy Legislation. The Law defines the principles for the organization and functioning of the natural gas sector, as well as the authorization-issuing procedures for distributing, supplying, using and storing natural gas and operating systems<sup>22</sup>. When it comes to natural gas, the pros and cons of using this energy source are relatively even, which render decisions rejecting or agreeing to gas pipeline projects also relatively tense and difficult to deliver a conclusive positive or negative judgment on. A detailed look into the pros and cons of natural gas is provided below, in this same chapter.

The lack of up-to-date infrastructure or natural gas market in the country renders it behind in the region when it comes to energy sources and connectivity. Indeed, gas pipelines and other similar projects are commonly presented to better connect the Western Balkan countries amongst themselves and with neighboring EU countries.

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<sup>18</sup> Energy Community, “Kosovo”, online via: <https://www.energy-community.org/implementation/Kosovo.html> [Accessed 4 November 2021].

<sup>19</sup> International Trade Administration, “Kosovo Country Commercial Guide – Energy”, last updated 4 October 2021, online via: <https://www.trade.gov/country-commercial-guides/kosovo-energy> [Accessed 4 November 2021].

<sup>20</sup> World Bank, “Energy in Kosovo”, last updated October 2018, online via: <https://www.worldbank.org/en/country/kosovo/brief/energy-in-kosovo> [Accessed 4 November 2021].

<sup>21</sup> International Trade Administration, “Kosovo Country Commercial Guide – Energy”, last updated 4 October 2021 [Accessed 4 November 2021].

<sup>22</sup> Energy Community, “Gas\_13/Albania-Kosovo Gas (ALKOGAP) – Brief project description”, <https://author.energy-community.org/enc-author-prd/enc/regionalinitiatives/infrastructure/PLIMA/Gas13.html> [Accessed 4 November 2021].

For instance earlier this year, in January, Serbia proposed the preparation of documentation for the construction of gas pipelines to Kosovo and to Montenegro<sup>23</sup>. The country's Minister for Energy highlighted "this gives Serbia the opportunity to receive gas from various suppliers"<sup>24</sup> to meet their goal of diversifying its sources of natural gas supply. The Minister added that "we will try to become a transit corridor, we will not deny any route that should pass through Serbia"<sup>25</sup>. The country is betting heavily on building energy infrastructures, including linking Serbia to Bulgaria by early 2023 via a gas link to therein be linked to EastMed, the planned pipeline connecting East Mediterranean energy resources to Greece via Cyprus. This tactic is very much unlike that of the Kosovar government led by Albin Kurti, which rejected the US-funded proposal for a gas pipeline project linking Kosovo to North Macedonia and Greece, and thereafter to the Trans-Adriatic Pipeline. Serbia's energy aspirations seem to lie on a different path than that of Kosovo, the latter which is adamant on going down the renewable sources investment.

To better understand gas pipelines as a project and investment, below is a short debrief on other key gas pipeline projects among the European and US markets, and their own impacts on foreign policy.

The Yamal-Europe Pipeline is a 4,107km natural gas pipeline covering Russia, Belarus, Poland and Germany since the 1990s. In terms of length, in Russia the pipeline runs 402km long, starting from the Torzhok gas hub and is owned by Gazprom, itself a key provider of natural gas to the Western Balkans. In the Belarusian and Polish sections of the pipeline it runs 575 and 683km long, respectively. The same four countries are also connected via the Druzhba oil pipeline, which dates back to the 1960s and links eastern Russia to Ukraine, Belarus, Poland, Hungary, Slovakia, Czech Republic and Germany. It is capable of transporting between 1.2 million and 1.4 million barrels of oil per day.

The Nord Stream 2 natural gas pipeline is a project currently underway in the Baltic Sea, yet has been delayed due to geopolitical and environmental tensions. Once completed the energy regulatory approval, the 1,200km pipeline will be able to provide 55 billion cubic meters of natural gas to Europe on an annual basis. The project is owned by Gazprom, a majority Russian state-owned gas company, and enables Russian natural gas to directly reach Germany (Vyborg to Lubmin). While it reads as a sound business deal, the project legitimizes Russian monopoly of gas or energy supply in certain Central and Eastern regions, and directly engages with the Russian state. At 2021's onset, the European Parliament called for the Nord Stream 2 pipeline project to be halted following Alexei Navalny's arrest at the hands of the Russian government, also in an attempt to deter further dependence on Russian energy sources for natural gas. This position was supported by the Biden administration, yet not by German Chancellor Angela Merkel. Furthermore, criticism was laid on it not following the European Green Deal's climate targets.

In a similar manner, in North America the oil Keystone XL Pipeline between the USA and Canada also sparked criticism. Environmentalists have warned that those particular oil sands entail an oil extraction process in requirement of more fuel, water and carbon. However, on the defenders' side, they remind that construction would create around 42,100 construction jobs

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<sup>23</sup> See News, "Serbia to start preparing projects for gas pipelines to Kosovo, Montenegro in 2021 - energy min", 29 January 2021, online via: <https://seenews.com/news/serbia-to-start-preparing-projects-for-gas-pipelines-to-kosovo-montenegro-in-2021-energy-min-729497>.

<sup>24</sup>*ibid.*

<sup>25</sup>*ibid.*

(albeit for the estimated temporary 2-year period), and contribute around USD 3.4b to the US' GDP.

Circling back to the Western Balkans, gas energy supplies derive primarily from Russia. Insofar, only North Macedonia and Albania have already ventured into gas distributions contracts with American LNG. Worth noting is Russian gas' lower distribution costs and closer geographical proximity, yet European countries at large have been engaging in efforts to resort more to US natural gas to diminish the present dependency on Russian supply.

North Macedonia is heavily betting on a cross-border gas infrastructure to import natural gas from Greece and, in parallel, has become shareholder in a gas storage and gas-fired plant with American gas in Greece. Albania has also been diversifying its energy sources, having signed contracts with Exxon Mobile and Excelerate Energy towards the building of an LNG Terminal in the port of Vlora, and with Italian Snam for an underground gas storage and pipeline to supply a nearby power plant. For its part, Montenegro recently initiated an Economic Dialogue with the US, among which the topics is energy sources diversification. Finally, Croatia, already an EU Member State but a Balkan and former-Yugoslav country launched an LNG Terminal with US natural gas, of which some will be able to reach the Bosniak-Croat entity part of Bosnia and Herzegovina. The Serb part, however, remains committed to Russian gas as energy source, having recently even increased consumption following the operationalization of the TurkStream in January 2021, a large pipeline connecting a Russian hub to a Turkish terminal and distribution network by crossing the Black Sea<sup>26</sup>.

## V. PROS AND CONS OF NATURAL GAS PROJECTS

The previous section detailed how the Kosovar energy sector may falter and remain ineffective by opposing natural gas projects, which neighboring countries have been investing on to expand energy distribution, boost reliability, and even decrease Russian dependence by contracting with American LNG. As a means to best assess the advantages and disadvantages the proposed US gas pipeline project could carry, this section presents the pros and cons of natural gas projects.

Concerning the 'pros', natural gas appears as a clean, efficient and environmentally friendly energy source. It has become broadly used and already widespread when it comes to infrastructure and power generation usage (i.e. heating). Of the main fossil fuels (coal, petroleum, natural gas), natural gas is the cleanest one: it emits 45% less CO<sub>2</sub> than coal and 30% less than oil for it burns quite efficiently and emitting low levels of pollutants<sup>27</sup>. Its comparative environmental advantages also include that it leaves no aftermath residue (unlike ash derived from coal), is safer to use than propane, a heavier gas, and pipelines can directly connect to end terminals or household appliances. Onto the human aspect, a gas pipeline project creates thousands of new construction job, albeit temporary ones, and has the possibility of creating certain permanent ones.

In Kosovo, the introduction of natural gas would diversify energy sources, enable increased reliability and efficiency of distribution, as well as attract private investors to further invest in Kosovo's gas sector. At a regional scale, it would also that enables the diversification of gas supply to the Western Balkan-Eastern Europe region. New pipelines or energy projects could

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<sup>26</sup>TurkStream official website, via <https://www.turkstream.info/> [accessed on 4 November 2021]

<sup>27</sup> Triple Pundit, "Natural Gas: Pros and Cons", 3 April 2012, online via: <https://www.triplepundit.com/story/2012/natural-gas-pros-cons/81896>.

boost the country's international image as a transit route, and its appeal in terms of transnational energy infrastructure partner.

Onto the 'cons', despite it being the cleaner fossil fuel, natural gas is regardless and non-renewable fuel resource which emits CO<sub>2</sub> when burned. Its chemical composition is 80 to 95% methane, a key greenhouse gas environmentalists are adamant to fade out - "Not only does methane contribute to climate change, it puts surrounding communities at risk of gas explosions, and exposes them to dangerously high levels of methane in the air they breathe"<sup>28</sup>. Natural gas distribution networks moreover require long distances, and storage spaces require utmost infallible security. While proponents of the resource will boast the underground infrastructure, critics highlight the environmental risks associated with drilling (also colloquially known as fracking). For instance, drilling into the soil releases chemicals which pollute water, massively increases the greenhouse gas footprint, and has been linked to earthquakes.

Among the main disadvantages is its explosive nature in being highly flammable. In other words, poorly maintained or faulty pipelines that transport liquefied natural gas may cause leaks and toxic explosions. As such, although underground pipelines may be considered safer and less intrusive to populations than other fuels' ground infrastructures, human error and unexpected natural disasters can lead to significant pipeline disasters. Natural gas incidents have proven harmful to the environment and populations. Important examples are improper land use and forest fragmentation to build the underground pipelines, and soil erosion due to rainfall may render underground pipelines more vulnerable to damage.

## VI. GEOSTRATEGIC LOSSES: DOMESTIC TURMOIL AND DAMAGED RELATIONS WITH THE US

It is clear that natural gas counts on both advantages and disadvantages for its usage by governments and populations. Not only in it being the lesser environmental evil among the main fossil fuels, but also because it can serve as an optimal transition until more sustainable resource alternatives are in place. It is no surprise that the Kosovar political scene was torn on what would be the best option for the country regarding moving, or not, forward with the United States' proposed natural gas agreement linking it to neighboring countries. Albin Kurti's government reviewed the proposal from the US Federal Government's USD 200 million grant, channeled by the Millennium Challenge Corporation (MCC) agency, to fund a natural gas distribution pipeline linking Kosovo to Greece's Trans-Adriatic Pipeline via North Macedonia. His decision to reject the US proposal came as a shock to some, and disappointment to others – both for the good that investing in natural gas networks could bring to Kosovo, and on the other side for the impact such refusal decision could have on Kosovo's relations with the United States, long considered its biggest ally.

Opposition parties criticized the Government decision, labeling it "a strategic mistake (...) against the interest of Albanians in the region"<sup>29</sup>, said the Democratic League of Kosovo (LDK). The Alliance for the Future of Kosovo (AAK) stated that "the rejection of the American gas pipeline project is a dangerous action against the interests of Kosovo and the United States of America"<sup>30</sup>. The decision to reject the US natural gas project was particularly opposed by AAK's Ramush Haradinaj. It was the former Prime Minister's government who, in 2017, "approved the proposal to benefit from the grant of the Millennium Challenge Corporation. (...) The

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<sup>28</sup>Fractracker Alliance, "An Introduction to Oil And Gas Pipelines", 14 June 2016, online via: <https://www.fractracker.org/2016/06/introduction-oil-gas-pipelines/>.

<sup>29</sup> RTK Live, "Heated Debate at the Assembly Between Ruling and Opposition Parties", 19 October 2021, online via: <https://www.rtklive.com/en/news-single.php?ID=19905>.

<sup>30</sup>*ibid.*

developments that followed with the Kurti Government, politicization and tarnishing of the gas project, are scandalous, very harmful and endanger the implementation of one of the most important economic and geopolitical projects for the country and the partnership with the US”<sup>31</sup>. Moreover, it was also made known to the public that Kosovo’s President of the Republic, Vjosa Osmani, wanted the proposal to be approved and the grant to be taken on board. Tensions therein brew among the Government and ruling leaders in Prishtina.

As noted by opposition leaders, the biggest geostrategic loss for Kosovo is not so much the domestic tensions that followed Kurti’s decision. It was more so the damage the same decision could bring for the country’s relations with the United States, a key strategic ally and partner in Kosovo’s Euro-Atlantic path. The MCC itself denotes in its official website that the proposed funded projects “not only support stability and prosperity in partner countries but also enhance American interests”<sup>32</sup>. Moreover, it highlights that all projects, including the Kosovo Compact Program, are evaluated “to identify the appropriate actions the agency can take to support the Biden Administration’s fossil fuel policy objectives in the near term”<sup>33</sup>. As such, the Kosovar government’s decline of the USD 200 million agreement can be taken as a direct hit to US interests – in energy supplies and in influence over the region.

The digress in relations came at a time when US-Kosovo bilateral relations were very good following the newborn country’s intake of Afghan refugees in the aftermath of the Taliban takeover and withdrawal of US and NATO forces. In fact, just on 6 September a call took place between Secretary of State Antony Blinken and Prime Minister Albin Kurti, in which the former “thanked the Prime Minister of the Republic of Kosovo, Albin Kurti and the Government of Kosovo for their readiness and close cooperation to provide shelter to Afghan citizens and to save thousands of lives. In a telephone conversation he said that for the United States of America and President Biden, Kosovo is an extraordinary partner”<sup>34</sup>. This sentiment was underlined in a meeting President Osmani had with US Ambassador to Kosovo Philip Kosnett, on 14 September. Besides Ambassador Kosnett once more “expressing the gratitude of the US Government for the decision taken by the institutions of the Republic of Kosovo to provide temporary and immediate protection to persons at risk in Afghanistan’s internal conflict”<sup>35</sup>, expanding bilateral cooperation in the implementation of energy reform plans. Indeed September was a big month for US-Kosovo relations, also with USAID pledging an additional USD 3 million dollars to the Republic of Kosovo, amounting to a total grant of over USD 41 million for good governance and accountability, and for democratic and economic participation.

Moving forward, the hesitant approach by the Kosovar government with regards to US grants for big energy infrastructure may very well not play in its favor. The US government is adamant on diminishing the Russian quasi-energetic monopoly in the Western Balkans, and especially in key partners such as Kosovo wherein American LNG is not available. Kurti’s decision

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<sup>31</sup> TXT Report, “Kurti invited him to a meeting on the gas pipeline project, Haradinaj responds with a letter: Politicization and tarnishing of the gas project is scandalous”, 30 September 2021, online via: <https://www.txtreport.com/news/2021-09-30-kurti-invited-him-to-a-meeting-on-the-gas-pipeline-project-haradinaj-responds-with-a-letter--politicization-and-tarnishing-of-the-gas-project-is-scandalous.HyIJ0u7VK.html>.

<sup>32</sup> Millennium Challenge Corporation, “About MCC”, accessed 30 October 2021, online via: <https://www.mcc.gov/about>.

<sup>33</sup> Millennium Challenge Corporation, Compact Assistance: Congressional Budget Justification (CBJ): Congressional Budget Justification, FY 2022, May 2021.

<sup>34</sup> Republic of Kosovo – Prime Minister Office, “Secretary Blinken thanked Prime Minister Kurti: Kosovo is an extraordinary partner of the United States” 6 September 2021, online via: <https://kryeministri.rks-gov.net/en/secretary-blinken-thanked-prime-minister-kurti-kosovo-is-an-extraordinary-partner-of-the-united-states/>.

<sup>35</sup> Republic of Kosovo – President’s Office, President Osmani met with US Ambassador to Kosovo Philip Kosnett”, 14 September 2021, online via: <https://president-ksgov.net/en/news/president-osmani-met-with-us-ambassador-to-kosovo-philip-kosnett>.

to halt the gas pipeline project does not build confidence in bilateral relations, and does not play in favor of the efficiency, reliability and overall improvement of Kosovo's energy sector. Nonetheless, it is important to also consider the doors Kurti's decision may open, even if closing others.

## VII. GEOSTRATEGIC WINS: DEDICATION TO CYCLICAL ECONOMY AND EUROPEAN GREEN TRANSITION

The rather inconclusive analysis between natural gas' advantages/pros and disadvantages/cons reveals that any decision in favor, or not, of building LNG infrastructure is open to discussion and different opinions. In it being the cleaner fossil fuel, it can be sold as a useful temporary bridge between fossil fuel energy sources and a sustainable energy sector reliant on renewable sources. However, such an investment, albeit temporary, carries financial burden and, clearly, that was something the Kosovar government was not willing to commit to while in parallel repeatedly stating their commitment to Kosovo's green transition to renewable energy sources. In a 25 September speech at the Socio-Ecological Forum in Skopje, Kurti underlined that "The circular economy, one of the main blocks of the Green Agenda for the Western Balkans, is a tool that can lead us to sustainable economic growth. This model will also reduce, reuse and manage our waste, and develop new clean industries and eventually generate new jobs"<sup>36</sup>. Directly alluding to gas investments, the Prime Minister added that "Power generation and transportation within the city remain our biggest contributors to gas emissions and also lead to pollution of our cities. The question is not whether or not to transition, but when and how. (...) Kosovo generates its energy mainly from coal, with very limited amounts coming from hydropower plants and wind. Switching from coal to gas despite having a smaller impact on emissions, it is a transition from one fossil fuel to another. One that we have for another that we do not have. In that case, we would have to make the transition twice"<sup>37</sup>.

For this reason, the Government was adamant on conducting feasibility studies to make sure the proposed US gas pipeline agreement was in the country's best interest. Not only because it would imply resorting to gas, a new fossil fuel energy source albeit a cleaner one than coal, and it would imply a sizeable investment by the Kosovar state despite US and EU-related grants funding the project. Albin Kurti stated before the audience in Skopje, already after his refusal vis-à-vis the United States went public, that "We are fully committed to pursuing a clean energy transition and investing in renewable energy, such as wind and solar energy, and in energy efficiency by remodeling our homes, but we need some time and especially financial support so that this process does not interrupt the economic growth which brings our people out of poverty"<sup>38</sup>.

The current official 2021-2025 government plan presented by the Albin Kurti reflects precisely this – page 40 reads: "We will be committed to creating favorable conditions for sustainable and affordable energy supply, for all citizens and enterprises of Kosovo, taking into account the impact on the environment. In this regard, increasing energy efficiency and increasing the diversity of energy sources play a key role"<sup>39</sup>. Natural gas would always be a short-

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<sup>36</sup>Republic of Kosovo – Prime Minister Office, "Prime Minister Kurti at the Socio-Ecological Forum in Skopje: We are fully committed to pursuing a clean energy transition", 25 September 2021, online via: <https://kryeministri.rks-gov.net/en/prime-minister-kurti-at-the-socio-ecological-forum-in-skopje-we-are-fully-committed-to-pursuing-a-clean-energy-transition/>.

<sup>37</sup>*Ibid.*

<sup>38</sup>*Ibid.*

<sup>39</sup>The Programme of the Republic of Kosovo 2021-2025, May 2021, pg.40.

term measure, for the long-term investment plan remains in sustainability and renewable sources. To create conditions for sustainable energy supply, the Government pledges to “work on improving the management of existing energy capacities, as a basis for the security of energy supply and the right path during the transition of energy decarbonization. We will implement environmental measures in the Kosovo B power plant and decommission the non-functional assets of Kosovo A. We will pay special attention to examining the feasibility of all opportunities for the development of the natural gas system, as well as the creation of a more competitive energy market”<sup>40</sup>. More specifically, the Government is keen on investing in circular economy practices to promote an “integrated and sustainable development, which is necessary for the public health, social and economic development of the country”<sup>41</sup>. A clearly laid-out example is that of integrated waste management, including reviewing the law on waste from the Mineral Extraction Industry and improving waste infrastructure by boosting public companies for waste collection, expanding landfills and building recycling centers and wastewater treatment plants.

Kurti’s aims for Kosovo’s energy sector may, however, be too ambitious – moving towards a green economy requires broad social and political consensus<sup>42</sup>. While the Prime Minister and cabinet alike boast their aims as realistic and data-driven on how to improve energy efficiency and diversify energy, the fact remains that not all parties agree with the way forward. Even if the final overall objective of combating pollution and improving energy efficiency is shared, sharp divisions remain on how to reach it and, most importantly, on which partners to rely on along the way.

To implement these aims, the Government will put forward a National Development Strategy (NDS) which “allows for liaison with the Sustainable Development Goals, the Green Agreement and the European integration agenda. (...)Economic recovery also offers an opportunity to focus on a greener and more environmentally-friendly economy”<sup>43</sup>.

The overall unwavering bet on Kosovo’s green transition and on renewable energy sources is very much aligned with the European Green Deal. During the Ministerial Council for European Integration’s second meeting, held on 11 October, the Prime Minister reiterated that Kosovo, as potential candidate country, is “expected to significantly improve environmental protection based on the long-term vision for the whole region and the continent, set out in the European Union Green Deal and the Green Agenda for the Western Balkans. In this regard, and as we still face energy insecurity, we need to significantly improve energy efficiency and increase the use of renewable energy, which will also enable us to diversify energy sources”<sup>44</sup>.As a member of the Energy Community, alongside EU Member States and candidate countries, Kosovo committed to meet mandatory renewable energy sources targets by 2020. In agreement with that, it adjusted the legal framework and is seeking to boost hydropower, wind, photovoltaic, and biomass generation. The International Trade Administration warns that “New baseload generation will be needed to provide a flexible back up and baseload for new renewable energy generation and allow Kosovo to decommission its aging coal plants and meet decarbonization

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<sup>40</sup>*Ibid*, pg. 40.

<sup>41</sup>*Ibid*, pg.35.

<sup>42</sup> Republic of Kosovo – Prime Minister Office, “Prime Minister Kurti was received in a meeting by the EU Commissioner for Energy”, 28 April 2021, online via: <https://kryeministri.rks-gov.net/en/prime-minister-kurti-was-received-in-a-meeting-by-the-eu-commissioner-for-energy/>.

<sup>43</sup>*Ibid*, pg.8.

<sup>44</sup>Republic of Kosovo – Prime Minister Office, “The Ministerial Council for European Integration held its second meeting”, 11 October 2021, online via: <https://kryeministri.rks-gov.net/en/the-ministerial-council-for-european-integration-held-its-second-meeting/>.

goals”<sup>45</sup>. The World Bank is one of the main international actors aiding Kosovo’s energy transformation into sustainable energy supply as means to enable growth, and reduce poverty – “projects are designed to improve energy efficiency, ease the policy and regulatory environment for renewable energy and energy efficiency, address the environmental legacy of the old power plants, upgrade power generation to meet demand, and improve water supply”<sup>46</sup>.

The Government of Kosovo has indeed highlighted the energy sector as crucial for national development and economic growth. The hope is to transform it from an obstacle into an opportunity, and this is translated into the National Development Strategy (NDS), reviewing the Energy Strategy and drafting the Energy and Climate Plan. For this end, the Ministry of Economy organized a “Fair Energy Transition in Kosovo” to provide information on technical and political decisions taken in the context of the National Energy Strategy. During this event, Prime Minister Albin Kurti in particular made prominent that the “energy sector should be transformed from an obstacle for the development of industries and the private sector into a new empowering opportunity for them”<sup>47</sup>. Presenters at the fair included the Energy Community Secretariat, the EBRD, USAID, the World Bank and the MCC.

One could argue that VV’s Albin Kurti is focusing more on national growth rather than putting foreign policy above all else and prioritizing relations with other countries instead of domestic issues. Linked to this, it can also be speculated just how this decision may favorably impact EU-Kosovo relations, in Kosovo making a bold decision in line with the European Green Deal’s goals and with the EU’s bet on a green transition for post-pandemic economic recovery. As such, green energy sources and cyclical economy measures could increase Kosovo’s leverage when talking to EU elite.

## CONCLUDING REMARKS

Energy supply conditions and priorities differ from country to country. In the case of the Republic of Kosovo, the elected cabinet led by Prime Minister Albin Kurti decided to decline a gas pipeline project proposed by the United States. The choice was justified in the government not seeking to indulge energy agreements rooted in fossil fuel use, and rather go down the renewable resources down. This important decision was presented as, albeit difficult, the best move to achieve national energy goals, and the ideal way forward to not burden the country with unjustifiable spending costs towards construction and maintenance of the infrastructure.

The decision is undeniably consequential. Firstly, it has the potential to damage political or socioeconomic US-Kosovo relations. Bilateral ties between the two countries are longstanding since before independence, with Kosovo noting the United States as a key ally and strategic partner. Yet Kosovo’s refusal of the proposed USD 200 million federal grant may strain further investment or create tensions amid the plans the United States has for Kosovo’s economic growth as a partner, and what the country itself has in mind for its own economic recovery aims. Secondly, the decision confirms the Kurti government’s adamant stance that a green transition is the best way into a smart post-pandemic economic recovery. The primary bet on cyclical economy

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<sup>45</sup> International Trade Administration, “Kosovo Country Commercial Guide – Energy”, last updated **4 October 2021** [Accessed 4 November 2021].

<sup>46</sup> World Bank, “Energy in Kosovo”, last updated **October 2018** [Accessed 4 November 2021].

<sup>47</sup> Republic of Kosovo – Prime Minister Office, “Prime Minister Kurti at the workshop “Fair Energy Transition in Kosovo”: We are on the verge of taking decisions that will define the energy sector in the coming decades”, 6 July 2021, online via: <https://kryeministri.rks-gov.net/en/prime-minister-kurti-at-the-workshop-fair-energy-transition-in-kosovo-we-are-on-the-verge-of-taking-decisions-that-will-define-the-energy-sector-in-the-coming-decades/>.

and sustainable energy may, still, open up stronger ties to the EU, in seeing Kosovo fully bet on a green path forward, much like its Member States and intended long-term plan.

As detailed throughout the paper in detailing the advantages and disadvantages of natural gas, this particular fossil fuel is the cleanest of the three, yet of course not a renewable source. This renders it a good transition option and, inevitably, quite a divisive opinion - some political leaders, such as Kurti, are adamant on not investing in it, whereas opposition parties consider such a refusal counterproductive to Kosovo's energy efficiency development. This paper argues that betting on betting on cyclical economy and energy sustainability instead of new, multiannual gas agreements is beneficial. At a time when US foreign policy faces unfavorable opinions in light of withdrawal from Afghanistan, it may be positive for Kosovo to follow the Government's stated and intended green path for economic recovery. In turn, it could potentially enhance Kosovo's playing hand when at the negotiating table with the EU, since such sustainable path aligns with the European Green Deal and favors green transition over US-Kosovo relations. However, needless to say, only time will tell if this move proved to be constructive or destructive, in the long-term.

## **Policy Analysis**

Policy Analysis in general is a policy advice paper which particularly aims to influence the key means through which policy decisions are made in both local and central levels of government. The purpose of Policy Analysis is to address, more in-depth, a particular problem, to examine the arguments related to a concerned policy, and to analyze the implementation of the policy. Through Policy Analysis, Group for Legal and Political studies seeks to stimulate wider comprehensive debate on the given issue via presenting informed policy-relevant choices and recommendations to the key stakeholders and parties of interest.



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