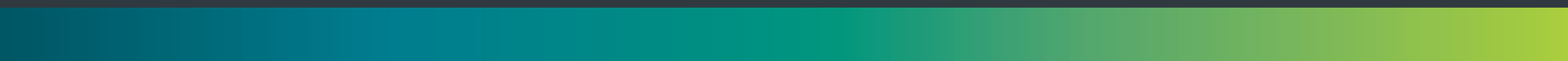




**FACTSHEET**

# ACCELERATING COAL TRANSITION (ACT) INVESTMENT PLAN FOR NORTH MACEDONIA



# BACKGROUND

If coal were a country, it would be the single largest greenhouse gas emitter in the world. There is no winning the fight against climate change without a just, rapid transition away from coal.

Coal-fired power plants are increasingly uncompetitive with renewable energy and out of step with a green economy. Coal-dependent countries have a once-in-a-generation opportunity to re-evaluate new coal assets being built, and re-purpose existing assets. Yet in the developing world, this is easier said than done, with coal deeply interwoven into economies, societies, and livelihoods.

The Climate Investment Funds' \$2.2bn Accelerating Coal Transition (ACT) investment program is a first-of-its-kind multilateral investment platform pioneering a transition away from fossil fuels and toward clean energy. It seeks to pilot solutions that engage with all aspects of the transition: Governance (e.g., policies and institutional reforms); people (i.e., a just transition for affected communities); and infrastructure (e.g., retiring and re-purposing existing coal assets). CIF selected North Macedonia as one of the pioneer countries for ACT investment alongside South Africa, Indonesia, the Philippines, India and the Dominican Republic.



# THE CHALLENGE

North Macedonia set a target to decrease GHG (greenhouse gas) emissions by 52% or achieve a net reduction of 82% GHG emissions by 2030 compared to 1990 levels in its enhanced Nationally Determined Contributions (NDC). In line with this NDC and international recommendations for transitioning to cleaner energy sources, the country is committed to a total coal phase-out before 2030, but must maintain energy security during the transition. Without support for strategic planning, energy transition financing and ensuring just transition, there is a risk of delaying implementation due to energy security and social concerns.

The nation is heavily reliant on energy imports and two coal-fired thermal power plants (TPPs), Bitola (installed capacity of 699MW) and Oslovej (installed capacity of 125MW), for its electricity production. These plants are significant contributors to pollution, emitting around 2.7 million tonnes of CO<sub>2</sub>, 113,823 tonnes of SO<sub>2</sub>, and 4,202 tonnes of dust annually. The country has experienced delays in shutting down these power plants due to the recent Covid19 pandemic and regional conflict and violence. Coal mining for electricity occurs in the Pelagonia and Southwest regions, and there are 20 coal mining locations with geological reserves estimated at 2.5 billion tons.

CIF's ACT program plays a catalytic role in supporting the green transition in North Macedonia and the Western Balkan region, by being a cornerstone for the Just Energy Transition Investment Platform, announced at COP28, with an aim to mobilize EUR 3 billion by 2030.

Through the ACT investment plan, North Macedonia aims to:

- Focus on the most affected regions: Pelagonia and Southwest;
- Prioritize the energy sector transformation due to its largest impact on GHG emissions;

- Recognize the need for grid enhancement, including storage solutions, to enable further integration of renewable energy sources and coal displacement;
- View human capital as a critical dimension across all investment activities.

# INVESTMENT PLAN HIGHLIGHTS

The ACT Investment Plan was developed by the government of North Macedonia in collaboration with the European Bank for Reconstruction & Development (EBRD) and the World Bank Group. It aims to support the country accelerate the shift from a primarily coal-powered economy into one that predominantly relies on renewable energy. This transition must be conducted in a socially just way that fosters economic opportunities in coal-reliant communities, while attracting climate-smart public and private investments. The plan also aims to enhance the participation of women in the labor force, particularly on green and digital skills.

ACT funding of \$85 million is expected to feature over \$591 million in co-financing from partner multilateral development banks, and the public and private sectors by 2030.

Specifically, North Macedonia's ACT plan consists of the following three components to catalyze the coal transition:

## **COMPONENT 1: RETIRING COAL ASSETS AND RE-POWERING WITH RENEWABLE ENERGY**

*(Financing: CIF concessional loan \$52 million, CIF grant \$4.8 million)*

This component will contribute to the country's NDC target via substantial reduction of energy sector emissions through full coal phase out ensuring environmental remediation and effective land use of former coal mining lands, including renewable energy deployment. The plan also ensures energy security through investments in grid strengthening, and storage solutions in the affected regions to enable re-powering with renewables. It will also promote access to alternative livelihoods for coal dependent communities by providing support for improving skills and creating jobs to ensure a just transition.

## **COMPONENT 2: SOCIO-ECONOMIC REGENERATION OF PELAGONIA AND SOUTHWEST REGIONS**

*(Financing: CIF concessional loan \$10.9 million, CIF grant \$3.1 million)*

This component will support existing companies in green transition and expansion to provide sustainable employment opportunities in green and climate-smart business segments. It will bolster broader human capital development via upskilling and re-skilling of the workforce and women and youth integration into the labor market. New climate-smart investments to support economic regeneration (e.g., smart agriculture, batteries, etc.) are expected, notably thanks to improved local infrastructure.

## **COMPONENT 3: ENERGY EFFICIENCY, CLEAN HEATING, AND DISTRIBUTED GENERATION PROGRAM**

*(Financing: CIF concessional loan \$13.6 million, CIF grant \$0.6 million)*

The component will reduce electricity demand through retrofits, enabling accelerated coal phase out and lowering energy costs and GHG emissions. Clean heating investments will improve air quality in Southwest and Pelagonia. Distributed generation will introduce new income and job opportunities for local communities.

# IMPACT

ACT will play a crucial role in the clean energy transition of North Macedonia, creating a sustainable and inclusive economy, including through the following:

- 824 MW of existing coal power generation assets accelerated for retirement by 2030
- More than 2,707 Ha of mine area remediated by 2030
- Additional installed renewable energy capacity of 400 MW and energy storage of 100MW by 2030
- Savings of over 2.7 million tons of CO2 emissions annually



## THE CLIMATE INVESTMENT FUNDS

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