



# Roadmap for Biomass-Based District Heating PPPs in Kosovo

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# Purpose

- Structured guide for municipalities
- Institutional roles
- Compliance with PPP Law
- Promote sustainable heating

# Why Biomass District Heating?

- Reduces pollution
- Uses local biomass
- Improves reliability
- Supports renewable goals

# PPP Framework in Kosovo

- Legal base:
  - Law No. 04/L-045 on PPP
  - Law No. 05/L-052 on Thermal Energy
  - Law No. 05/L-084 on The Energy Regulator
  - Law No. 03/L-040 on Local Self-government
  - Law No. 08/L-258 on the Promotion of the Use of Renewable Energy Sources
- Key actors:
  - Municipality
  - PPP Unit
  - PPPC (PPP Committee)
- Key criteria:
  - Transparency
  - Value for money
  - Affordability

# PPP Legal & Institutional Framework

- PPP Law No. 04/L-045 allows PPPs in energy infrastructure
- PPC approval required for value-for-money & affordability
- PPP Unit provides technical support and oversight
- Municipalities & public utilities may serve as Contracting Authorities

# Energy & Renewable Energy Legislation

- Law on Thermal Energy regulate district heating
- ERO licenses generation/distribution & sets tariffs
- Renewable Energy Law (2024) aligns with EU green objectives & WB Green Agenda
- Introduces sustainability criteria for biomass fuels

# Municipal Responsibilities & Local Procedures

- Municipalities have exclusive authority over heating services
- PPPs require Municipal Assembly approval & multi-year budgeting
- Public utilities (POEs) play key roles in service delivery
- Asset leases and restructuring require local oversight

# Overview of the PPP Roadmap

- Project identification
- Feasibility study
- Approvals
- Tender preparation
- Procurement
- Monitoring



# Project Identification

- Identify needs
- Assess demand & biomass
- Pre-feasibility screening
- Consult PPP Dept
- Engage donors / IFIs
- Secure political buy-in

# Feasibility Study Purpose & Components

- Mandatory under law
- Technical, financial, legal, environmental & social analysis
- Demand & technical aspects
- Legal & institutional
- Financial model
- Risk & PPP structure
- VfM analysis

# PPP Unit Review and PPPC Approval

- PPP Unit
  - Compliance check
  - Recommend improvements
  - Competency check
- PPPC
  - Affordability
  - Risk allocation

# Tender Preparation

- Transaction advisors
- RFQ, RFP, Draft PPP Agreement
- Two-stage procurement
  - RFQ: shortlist bidders
  - RFP: detailed proposals

# Bid Evaluation & Contracting

- Technical & financial scoring
- Select preferred bidder
- Refine terms
- Ensure bankability
- Financial close

# Construction & Commissioning

- Design approvals
  - Review and validation of final engineering designs to ensure compliance with technical standards, regulatory requirements, and project specifications.
- Supervision
  - On-site oversight of construction activities to ensure adherence to approved designs, timelines, and quality benchmarks.
- Performance testing
  - Execution of functional and operational tests to verify that systems, and infrastructure perform according to design requirements

# Operation & Monitoring

- Contract Management Team
- KPIs & reporting
- Environmental compliance
- Contract adjustments:
  - Variations
  - PPPC approval for major changes

# Key Success Factors

- Strong feasibility
- Transparent tender
- Clear risk-sharing
- Skilled monitoring team



# Barriers & Enabling Factors

- Barriers: tariff affordability, procurement complexity, supply risks
- Institution Coordination challenges
- Enablers: strong PPP law, donor support, EU-aligned reforms
- Successful pilots (e.g. Gjakova biomass plant) show feasibility

# Concluding remarks

- The PPP framework is clear and investment-conducive
- PPP model remain significantly underutilized
- There is strong potential to apply PPP model in Kosovo's district heating sector
- Investments in biomass district heating supports renewable goals
- Limited local capacities for managing PPP processes