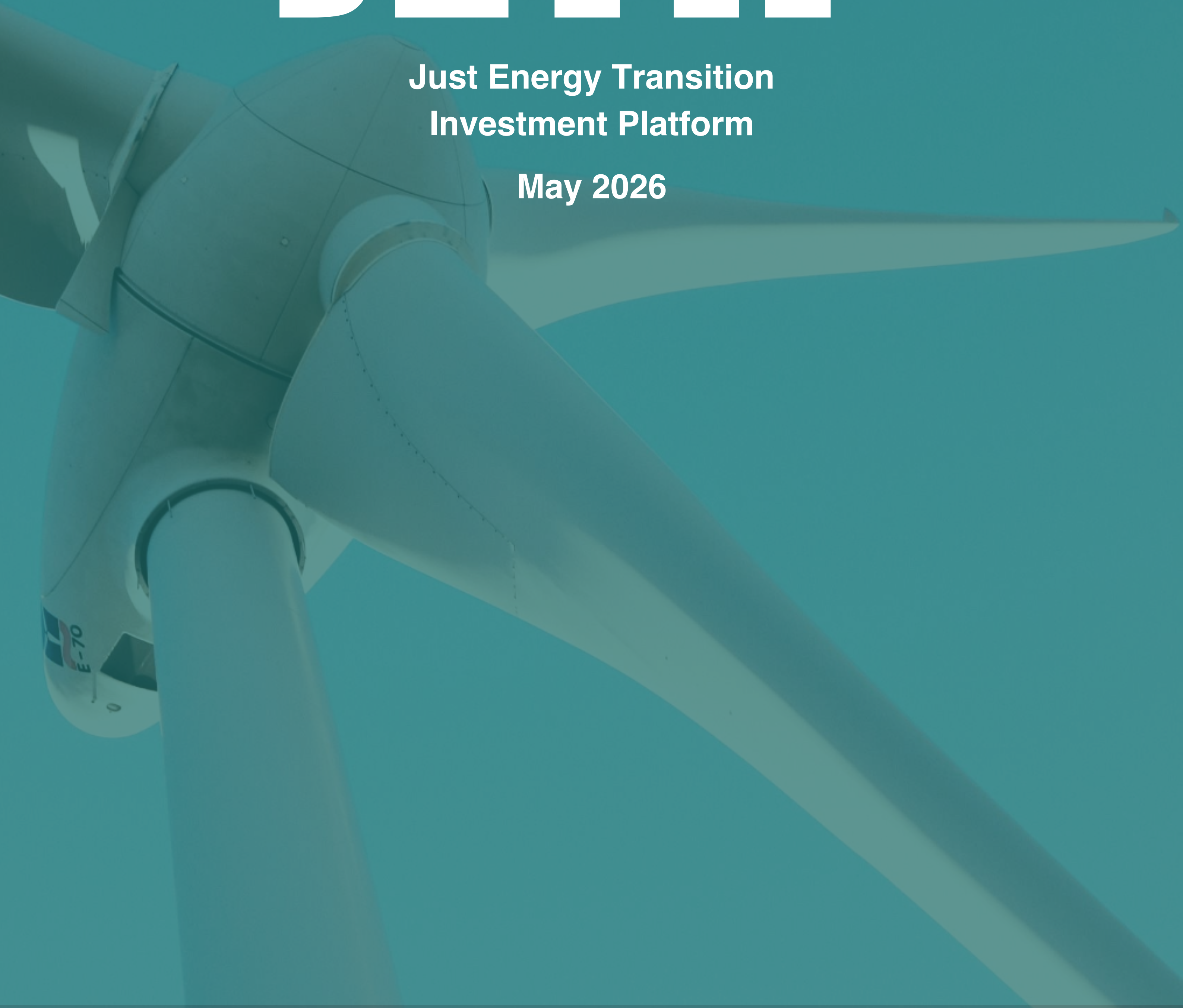
PROGRESS REPORT

JETIP

Just Energy Transition Investment Platform

May 2026



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ABBREVIATIONS AND ACRONYMS

ACT IP	Accelerated Coal Transition Investment Plan
AFD	Agence Française de Développement
BESS	Battery Energy Storage System
CEB	Council of Europe Development Bank
CDP	Cassa Depositi e Prestiti
CfD	Contract for Difference
CIF	Climate Investment Funds
EIB	European Investment Bank
EPC	Engineering, Procurement and Construction
ERC	Energy Regulatory Commission
ESM	Elektrani na Severna Makedonija AD Skopje
EU	European Union
IFC	International Finance Corporation
JETIP	Just Energy Transition Investment Platform
JT	Just Transition
JTC	Just Transition Council
JTR	Just Transition Roadmap
KfW	Kreditanstalt für Wiederaufbau
MEPSO	Macedonian Electricity Transmission System Operator
MoEMMR	Ministry of Energy, Mining and Mineral Resources
NECP	National Energy and Climate Plan
NOMAGAS	National gas company of North Macedonia
PROSPECT	Providing Renewable Opportunities through Solar and Education in Coal Territories
PVPP	Photovoltaic Power Plant
RES	Renewable Energy Sources
SME	Small and Medium Enterprises
SOE	State-Owned Enterprise
TA	Technical Assistance
TPP	Thermal Power Plant
TSU	Technical Support Unit
WBIF	Western Balkans Investment Framework
WPP	Wind Power Plant

PARTNERS

MDBs such as EBRD, World Bank, EIB, KfW, AFD, as well as CIF, Cassa Depositi e Prestiti (CDP), and Council of Europe development bank (CEB) have committed to supporting JETIP through direct finance and technical assistance, and to contributing co-financing or parallel financing to ACT pipeline projects. While the EU is not a formal signatory to JETIP - actively supports the Just Transition process in North Macedonia, including through technical assistance, grant funding, and alignment with broader EU accession and decarbonization objectives. The Platform’s project pipeline reflects an estimated total mobilisation of approximately EUR 3 billion from these creditors.

1. EXECUTIVE SUMMARY

The Just Energy Transition Investment Platform (JETIP) is North Macedonia's central coordination mechanism for implementing a fair, inclusive, and investment-driven transition away from coal. Launched at COP28 in December 2023, JETIP coordinates national and international resources to phase out coal, deploy 1.7 GW of renewable energy capacity, strengthen grid and storage infrastructure, and ensure that no community or worker is left behind. This second Progress Report covers the period from October 2025 through April 2026, a period that has seen JETIP move from planning and preparation to concrete financial commitments and construction. The headline achievement of the period is the signing, in December 2025, of EUR 87 million in sovereign-guaranteed loans from EBRD and KfW for the 134 MW Bitola 3 Solar Power Plant, the single largest renewable energy project ever financed on former coal mine land in North Macedonia and the first ever joint EBRD-KfW co-financing in the country. Simultaneously, contractor bids were opened for the Oslomej 2 (10 MW) and Bitola 1 (20 MW) solar plants, and construction on Bogdanci Wind Farm Phase 2 is advancing.

Key platform indicators at the close of Q1 2026:

Metric	Status as of October 2025	Change	Notes / Change from previous report
TOTAL VALUE OF PIPELINE (EUR million)	**1,713**	**-**	**No additional projects are included in the pipeline**
Number of core projects in pipeline[1]	**39**	-	Pipeline stable
Number of core capital investment projects in pipeline	**26**	-	Pipeline stable
Value of core capital investment projects (in EUR million)	**1,054**	**-**	No change; pipeline composition updated
Total MW to be installed	**1,204**	**-**	No change; pipeline stable
MW to be installed (signed financing)	**349**	**+134**	Bitola III - 134 MW
Signed / advanced close (in EUR million)	**274**	**+EUR 97m**	Bitola III EUR 87m + EUR 10m KfW HPP revitalization added
ESM workers trained	**560**	**+116**	Milestone reached end of February 2026
JETIP partners	**8**	**+1 and 1 upcoming**	- French Development Agency (AFD) formally joined the JETIP in Oct 2025 - UNDP confirmed its partnership and will join the platform in May 2026
Private sector financing (in EUR million)	**210**	**-**	IFIs have mobilized through local commercial banks and development bank more than EUR 210m in the period 2024-2026 to support private sector investments in energy transition

[1] "Core projects" refers to public sector capital investments and technical assistance interventions with a direct contribution to the energy transition, including but not limited to renewable energy generation (RES), transmission and distribution grid upgrades, storage capacities, workforce prequalification and reskilling programs, and other measures directly linked to the decarbonisation of the energy sector

Beyond project financing, the period has seen significant progress in technical assistance and regulatory advancement: the Annual Implementation Plan for Just Transition 2026 was adopted by the Government of the Republic of North Macedonia on 30 December 2025, the Annual Energy System Development Plan (2026) was published in January 2026, the draft Law on Renewable Energy Sources (including two-way CfD auctions) completed public consultation, NECP has been adopted by the Government of the Republic of North Macedonia on the 31 March 2026 and the ESM Decarbonization Strategy continued toward finalization.

The PROSPECT project Terms of Reference are expected in May 2026, launching the next major ACT IP component. A new section in this report (Section 5) provides a comprehensive overview of the status of CIF ACT IP fund deployment across all eight components.

While momentum has increased markedly, challenges remain: RES auction legislation requires timely adoption to enable the first CfD tender, grid reinforcement must match the accelerating pace of renewable project development, and institutional capacity across line ministries and state-owned enterprises continues to require strengthening.

2. CONTEXT: GLOBAL AND LOCAL CLIMATE AMBITION

2.1 Global Context

The global energy transition accelerated further in the second half of 2025. Renewable energy additions broke records for the third consecutive year, with solar PV and wind leading capacity growth globally. According to IRENA's Renewable Capacity Statistics 2026 (published April 2026), 2025 saw total renewable power capacity reach 5,149 GW after the addition of 692 GW — a 15.5% annual increase and the highest annual increase in renewable generation capacity to date. Solar PV accounted for 511 GW (75% of additions) and wind added 159 GW, together representing 96.8% of all net renewable additions[2]. The focus of the international community shifted from pledge-making toward implementation, with the build-up to COP30 in Belém, Brazil (November 2025) emphasizing concrete NDC revisions and updated financing architecture under the new Collective Quantified Goal (NCQG).[3].

In Europe, the EU's tripling-of-renewables and doubling-of-efficiency targets under the REPowerEU framework continued to reshape market dynamics and investment patterns[4]. The expansion of EU energy market coupling and cross-border transmission projects is opening opportunities for Western Balkan countries, including North Macedonia, to deepen regional integration. The EU Carbon Border Adjustment Mechanism (CBAM), entering its full implementation phase in 2026, adds urgency for North Macedonia to advance carbon pricing and decarbonization measures[5].

2.2 Local Context - North Macedonia

North Macedonia enters 2026 with a cleaner, more dynamic energy sector than at any point in its recent history. The country's total installed renewable capacity now exceeds 56% of total generation capacity, driven by a surge in private-sector solar PV investment. Coal's share in electricity production continued to decline, supported by favorable hydropower conditions and rising renewables output.

The Government's new Energy Law (May 2025) introduced a mandatory battery co-location requirement (at least 20% to 40% of installed RES capacity) and streamlined the licensing process for facilities above 1 MW. A new Law on Energy Efficiency, adopted in September 2025, introduced a long-term refurbishment strategy and obligations to install solar on public buildings. The Annual Energy System Development Plan, published in January 2026, documented 67 power plant projects with a combined installed capacity of 4,417 MW (including 59 PVPP plants, 7 WPPs, and 1 gas CHP), reflecting the scale of private sector interest in the country's energy transition[6]. The macroeconomic environment remains supportive: GDP growth is forecast at 3.1% in 2026[7], and the EU Growth Plan allocation of approximately EUR 750 million (2024-2027) under the Reform and Growth Facility provides a structural incentive to advance decarbonization reforms[8]. North Macedonia is actively negotiating EU accession, and energy transition alignment with the acquis Communautaire is a key conditionality for accessing these funds.

2 https://www.irena.org/News/pressreleases/2026/Apr/Near-700-GW-Surge-in-2025-Proves-Renewable-Energy-Resilience
3 https://climate.ec.europa.eu/news-other-reads/news/what-did-cop30-achieve-2025-12-01_en
4 https://www.europarl.europa.eu/RegData/etudes/BRIE/2026/785678/EPRS_BRI(2026)785678_EN.pdf
5 https://www.energy-community.org/topics/CBAM/tracker.html
6 https://portal.mdt.gov.mk/post-body-files/dokumenti-file-RTGd.pdf
7 https://www.imf.org/en/news/articles/2026/03/31/mcs-04012026-north-macedonia-staff-concluding-statement-of-the-2026-article-iv-mission
8 https://www.eeas.europa.eu/delegations/north-macedonia/north-macedonia-first-country-receive-pre-financing-under-growth-plan_en

Key Strategic Documents	Commitment / Status
NDC (2021, enhanced)	82% net GHG emissions reduction by 2030 vs 1990
NECP (adopted 2022; revised NECP adopted 31 March 2026)	Share of RES in gross final energy consumption 31.6% by 2030; sequential coal phase-out by 2030
Just Transition Roadmap (June 2023)	Adopted; 2025 Annual Implementation Plan adopted; 2026 JTAIP under preparation
New Energy Law (May 2025)	Operational; bylaws being finalized; includes 20% battery co-location requirement
Law on Energy Efficiency (Sep 2025)	Adopted; long-term refurbishment strategy; solar obligation on public buildings
Draft Law on Use of Energy from Renewable Sources (Sep 2025)	In finalization; introduces two-way CfD auctions; public consultation completed
ACT Investment Plan (March 2024)	USD 85m CIF approved; implementation underway across 8 components
Annual Energy System Plan (Jan 2026)	Published; 67 projects, 4,417 MW total, covers period to 2026

According to the 2025 Annual Report of the Energy Regulatory Commission (ERC) of North Macedonia[9], renewable energy sources (RES) continued their strong upward trajectory during the year. Total installed electricity generation capacity reached 3,162.5 MW in 2025, an increase of 178.6 MW compared to 2024, with the majority of new capacity coming from solar PV plants (115.1 MW of new solar PV installations) and two new wind farms totaling 64 MW. RES now account for 58.22% of total installed capacity, up from 55.72% in 2024, while their share in total electricity production reached 46.37% (2,839 GWh), an increase of 11.43% compared to 2024. Solar PV generation grew by 38.41% year-on-year and, for the first time, surpassed electricity production from combined heat and power plants. Wind generation recorded the largest percentage increase at 32.57%. The share of RES production in gross consumption also grew, reaching 37.57% in 2025, up from 36.49% in 2024. For the first time, ERC issued seven licenses for battery energy storage systems co-located with solar PV plants, with a combined installed capacity of 7.1 MW.

On the licensing and import side, ERC issued 230 new production licenses for activities in the electricity sector in 2025, the vast majority for RES facilities. Net electricity imports increased by 28.29% compared to 2024, reaching 975 GWh, raising import dependency to 13.74% of gross consumption (up from 11.03% in 2024). Total gross electricity consumption grew by 3.03% to 7,098 GWh, driven by a 3.34% rise in net consumption to 6,094 GWh. The number of prosumers (consumer-producers) reached 1,990, up from 1,598 in 2024, with a total installed capacity of 33 MW and 16.85 GWh fed into the distribution network. Domestic production remained essentially stable at 6,123 GWh (virtually unchanged from 6,129 GWh in 2024), meaning the increase in import dependency was driven by growing consumption rather than a decline in generation.

[9] https://www.erc.org.mk/odluki/2026.04.28%20-%20RKE%20GI%202025.pdf

3. JETIP: OVERVIEW AND GOVERNANCE UPDATE

3.1 Platform Objectives and Targets

JETIP remains North Macedonia's central financing and coordination mechanism for the energy transition. Its four pillars are:

- **RES Deployment:** Deploy 1.7 GW of renewable energy by 2030, including at least 800 MW via CfD-supported auctions
- **Coal Phase-Out:** Phase out 764 MW of remaining coal capacity by 2030
- **Grid and Storage:** Strengthen grid and storage infrastructure for renewable integration and energy security
- **Just Transition:** Support workers and communities in coal-affected regions (Bitola/Pelagonia; Kichevo/Southwest)

As of Q1 2026, the total JETIP project pipeline stands at approximately EUR 1.4 billion, comprising 39 identified core projects. Of these, 17 capital investments projects have advanced to financial close, representing approximately EUR 384 million, while 7 capital investment projects have reached signed financing agreements totaling approximately EUR 274 million.

3.2 Governance Update

The JETIP governance structure - comprising the Just Transition Council (JTC), the three Thematic Working Groups (Renewable energy and storage, economic diversification, and prequalification and training), two Regional Forums (Bitola and Kichevo), and the Technical Support Unit (TSU), continued to function effectively over the reporting period.

New Partner: A significant institutional development occurred in October 2025, when the French Development Agency (AFD) formally joined JETIP as a new financing partner, expanding the donor base and signaling continued international confidence in the platform.

The Just Transition Annual Implementation Plan (JTAIP) for 2026 was prepared in line with the obligations and measures undertaken under the Reform agenda for North Macedonia, building on the successfully adopted 2025 JTAIP. Key governance activities during the period included:

- Regular JETIP Coordination Meetings (October 2025 and February 2026): Minister Bozinovska presented progress and called on international partners to accelerate investment commitments.
- Just Transition Council (December 2025): discussed the overall progress of the JT process and remain dedicated to include all relevant activities, projects and interventions in the relevant ministries' strategies, plans, programs to prioritize the overall implementation.
- The three thematic working groups held regular monthly meetings to actively develop, review, and track implementation progress across the JETIP pipeline, the Just Transition Roadmap, and the Annual Implementation Plan for Just Transition.
- The TSU held regular meetings to monitor pipeline progress and coordinate the delivery of technical assistance with partners, relevant ministries, SOEs, and key institutions.
- Working Group sessions are regularly held on CfD design, grid master planning, and workforce transition.

4. PROGRESS HIGHLIGHTS: OCTOBER 2025 - APRIL 2026

The following sections present progress across JETIP's four thematic areas, reflecting developments between October 2025 and April 2026, building on the baseline established in the first progress report (covering the period to October 2025).

4.1 Renewable Energy: Infrastructure Projects

PVPP Bitola 3 Solar Power Plant (134 MW) - FLAGSHIP PROJECT:

The most significant single development of the reporting period was the signing on 22 December 2025 of a EUR 87 million financing package for the Bitola 3 Solar Power Plant. This milestone represents the first-ever joint EBRD-KfW project financing in North Macedonia and the largest renewable energy project in the country's JETIP pipeline.

Project	PVPP Bitola 3 - 134 MWdc
Location	Exhausted Bitola coal mine, Pelagonia Region
Financing	EUR 37m EBRD (sovereign-guaranteed) + EUR 50m KfW (sovereign-guaranteed)
Borrower	Elektrani na Severna Makedonija (ESM)
Expected output	180.9 GWh/year of renewable electricity
CO_2 avoided	~134,000 tones per year
Construction	EPC tender completed Dec 2025; commissioning 2026-27
Special features	Bifacial modules on single-axis trackers; battery-ready infrastructure; supports ESM governance and gender inclusion

PVPP Oslomej 2 (10 MW) and PVPP Bitola 1 (20 MW):

On the same date as the Bitola 3 signing, ESM confirmed that contractor bids were opened for both Oslomej 2 (10 MW, on rehabilitated lignite mine land) and Bitola 1 (20 MW, adjacent to the Bitola coal complex). These projects, funded through EBRD and WBIF, are part of ESM's broader 30 MW Phase 2 solar program and are expected to generate ~46-48 GWh/year combined, supplying 7,000-8,500 households and cutting CO_2 by ~40,000 tones/year. Contractor selection and contract award are anticipated in early Q2 2026, with construction starting thereafter.

Bogdanci Wind Farm Phase 2 (13.6 MW expansion):

Construction of the Bogdanci Phase 2 expansion is advancing. This extension adds four new 3.4 MW turbines, bringing the farm from 36.8 MW to 50 MW. Once complete, the expanded farm will serve more than 22,000 households and generate 46-50 GWh/year. Financing is through KfW and WBIF, with ESM co-financing.

Grid strengthening of the South-west region (MEPSO):

Under the MEPSO investment program, a consultant has been engaged to develop a comprehensive feasibility study with WBIF technical assistance. The assignment covers a portfolio of priority investments, including substation digitalization and green upgrades, rehabilitation of key 110 kV transmission lines, upgrade of the 400 kV interconnection with Greece, implementation of a Dynamic Line Rating system, rehabilitation of testing infrastructure, and strengthening of operational capacities through training equipment.

Annual Energy System Development Plan (January 2026):

The Government published the Annual Energy System Development Plan covering the short-term outlook. The Plan documented 67 power plant projects with a combined 4,417 MW of proposed capacity - including 59 solar PV plants (3,014 MW), 7 wind farms (908 MW), and 1 gas CHP (495 MW). This represents a significant increase in private sector project development pipeline, demonstrating strong investor appetite and confidence in North Macedonia's energy transition framework.

Alcazar Energy - Shtip Wind Farm (~400 MW, private sector):

This flagship private investment of over EUR 450 million, expected to be financed by IFIs and commercial banks, is on track to nearly quintuple North Macedonia's wind capacity and supply clean electricity for approximately 100,000 households while creating over 630 construction jobs.
The Shtip Wind Farm sits as one of the largest wind projects in the Western Balkans. Alcazar Energy has launched a public consultation for its proposed Shtip wind farm in North Macedonia, with a planned installed capacity of up to 396 MW. The public disclosure of the environmental and social impact assessment (ESIA) run through April 27. The EBRD and the IFC recently expressed willingness to provide long-term lending for phase 1, with a capacity of 132 MW. Construction is planned to begin in the second quarter of 2026, with phase 1 expected to be operational by mid-2028 and the entire facility by 2029.

4.2 Coal Phase-Out and Energy Security

Status of Coal Fleet:

As of Q1 2026, 764 MW of coal capacity remains operational at TPP Bitola. TPP Oslomej is inactive, as previously noted. Coal's share of total electricity production declined further in 2025, though TPP Bitola continues to provide seasonal baseload support. No change to the government's commitment to full coal phase-out by 2030.

ESM Decarbonization Strategy:

The ESM Decarbonization Strategy, developed with EBRD support, was in its final stages as of Q1 2026. The strategy, which outlines mid- and long-term pathways for coal retirement, asset repurposing, and renewable integration, was expected to be finalized and adopted by ESM by the end of Q1 2026. Once adopted, it will provide the institutional roadmap for ESM's coal exit and guide the sequencing of decommissioning and new capacity investments.

4.3 Grid, Storage and Infrastructure Technical Assistance

Grid Master Plan (MEPSO):

MEPSO's Grid Master Plan, funded by EBRD with support from Austria (through HIPCA) and Bloomberg Philanthropies, is advancing in line with expectations. Core analytical results have been completed and presented, including dispatch modelling, system flexibility and adequacy assessments, and balancing reserve analysis, providing a strong basis for subsequent planning phases. The full draft plan is targeted for completion in Q2 2026. This plan will provide a transparent, comprehensive view of current and needed grid capacity, substation upgrades, and transmission line investments needed to support integration of 1.7+ GW of new renewables by 2030.

In parallel, MEPSO continues active investment in grid infrastructure in three strategic regions:

- Southeast region: 400 kV transformer station in Miletkovo (construction); reconstruction of Valandovo and Strumica substations
- Southwest region: Digitalization and green transformation of Bitola 1 and Sopotnica transformer stations; 110 kV Ohrid-Struga-Globocica-Spilje-Vrutok corridor upgrade
- Northwest (Polog) region: Congestion relief on 110 kV Vrutok-Skopje interconnection via Tetovo
- International: Upgrade of the 400 kV Bitola-Meliti (Greece) cross-border line; MEPSO signed the IBWT third amendment (September 2025) for market coupling cooperation with Greece, Kosovo, and Albania

Battery Energy Storage:

The new Energy Law's mandatory 20% battery co-location requirement for variable RES plants is already stimulating the storage market. A notable development was YESS Energy commencing construction of a 60 MW BESS for Mey Energy at a PV plant in North Macedonia (September 2025), one of the first utility-scale storage systems in the country. Multiple storage proposals are included in the 2026 Annual Energy System Plan.

4.4 Just Transition Initiatives

Human Capital Development - ESM Training Programs:

The most visible human capital milestone of the reporting period was the announcement that 676 ESM employees had completed training by end of February 2026. This progress spans multiple training tracks:

- Project I (Japan TCF/EBRD): Technical training for 525 workers in Bitola and Oslomej covering lean industry 4.0, CNC operations, ISO 50001 energy management, PV installation, and productivity management - completed end of 2025
- Project II (Bloomberg Philanthropies/EBRD): Technical training for 30 floating PV installers plus soft skills for 59 employees - first cohorts completed June 2025; technical training cohorts completed by December 2025
- Project III (EBRD): Energy trading (27 participants) and project management (35 participants) training - ongoing through December 2025

MEPSO Training Centre (Southwest Region):

The development of a dedicated Training Centre for MEPSO near Ohrid continued during the reporting period, funded by CIF ACT. The centre, designed to provide specialized training in grid management, SCADA systems, and retraining for coal-sector workers, is intended eventually to serve as a Western Balkans hub for transmission-sector skills.

Green and Growth SME Program:

The Green and Growth Program for SMEs, launched by EBRD in June 2025 with USD 10 million (including USD 2 million in grants), became operational during the reporting period. Two credit lines - one for green transition (energy efficiency/RES in regional SMEs) and one for business growth and human capital - are now accessible through NLB Bank and Sparkasse. Early uptake is being tracked and initial advisory services are deploying.

Just Transition Roadmap Annual Implementation Plan 2026:

The JTAIP for 2026 was under preparation as of Q1 2026, subject to adoption by the Government in line with the Growth Plan reform conditionalities. The 2026 plan is expected to build on 2025 progress and introduce enhanced monitoring indicators for workforce and community outcomes.

PROSPECT Project (ACT IP 1B) - ToR Launch Expected:

The Terms of Reference for the selection of consultants for the PROSPECT project (Providing Renewable Opportunities through Solar and Education in Coal Territories, ACT IP Project 1B) are expected to be published in May 2026. The PROSPECT project has a total indicative budget of USD 800,000 (including a CAPEX grant for a local technical secondary school) and will support renewable education and employment opportunities in coal-transition territories alongside the Bitola 3 infrastructure investment. The WOLCOT (Women-Led Coal Transition) program procurement is completed and the project will launch in May 2026.

SME Decarbonization Guide:

In October 2025, the Economic Chamber of North Macedonia, with the EIB and the European Union (EU) support, developed and launched the country's first decarbonization guide for SME businesses. This practical tool supports SMEs in coal-affected regions and overall in the country to understand and begin implementing low-carbon practices, a complementary measure to the green and growth credit line.

4.5 Policy and Regulatory Developments

NECP Update:

Work on the updated National Energy and Climate Plan continued through the reporting period. The NECP, originally expected for finalization by end of 2025, has been extended to Q1 2026 to incorporate public consultation feedback and reflect updates to the Annual Energy System Plan. The updated NECP is critical for providing a clear investment signal and unlocking EU Growth Plan reform-linked disbursements. The document was adopted by the Government of the Republic of North Macedonia on 31 March 2026.

Draft Law on Use of Energy from Renewable Sources:

The Ministry of Energy, Mining and Minerals published the draft Law on the Use of Energy from Renewable Sources for public consultation in September 2025. The law's most significant novelty is the two-way Contract for Difference (CfD), designed to provide developers of renewable projects with direct protection from wholesale price volatility while protecting consumers from excessive support costs during high-price periods.

Once adopted, this law provides the legal foundation for the first CfD auctions - the critical mechanism for delivering the 800 MW+ of competitively procured RES capacity committed under JETIP's Joint Declaration as explained in the next paragraph. The law is expected to be adopted by the end of Q2 2026.

CfD Scheme Design (Technical Assistance):

EBRD-supported technical assistance on detailed CfD scheme design continued through the period. Key deliverables include: the detailed CfD mechanism design; an institutional framework for a creditworthy settlement counterparty; tender documentation and auction procedures; a multi-year auction plan; and regulatory amendments to enable ERC implementation. The TA is designed to support the MoEMMR through the first three CfD auction rounds. The first CfD auction is expected to be launched by the end of 2026.

New Energy Law Bylaws:

The bylaws resulting from the May 2025 Energy Law were being finalized during the reporting period. Their adoption is a prerequisite for full implementation of new licensing procedures, the Annual Plan for power plant approvals, and integration of storage co-location requirements. The MEPSO recertification process was also launched in August 2025 as required by the new Energy Law.

5. CIF ACT INVESTMENT PLAN - STATUS OF FUND DEPLOYMENT

In March 2024, the Climate Investment Funds (CIF) approved an investment plan of USD 85 million for North Macedonia under the Accelerated Coal Transition (ACT) program[10]. This makes North Macedonia one of only a handful of countries globally to secure a dedicated CIF ACT Investment Plan. The funds are channeled through EBRD (lead MDB), World Bank, and IFC, and are designed to mobilize co-financing towards a total program value of USD 676.3 million (including USD 471.3m MDB financing, USD 85m CIF, USD 85m private sector, and USD 35m Government/SOE).

The ACT IP is structured around three projects and eight components as outlined in the Investment Plan approved by the CIF Governing Body. The table below provides a status update on each component as of Q1 2026.

PROJECT 1: RETIRING COAL ASSETS AND RE-POWERING WITH RENEWABLES

ACT IP Component	Lead MDB	CIF Grant (USD)	Fund disbursed as of end of April 2026	Status Q1 2026
1A: Power Plant Retirement, Mine Remediation and Repurposing	WB, EBRD	(c) $25m + (g) $0.5m	-	Preparation stage: ESM Decarbonization Strategy in final stages; expected Q2 2026. WB prepared a study for land repurposing. In relation to this, Bitola 3 (134 MW) financed Dec 2025 (EUR 87m EBRD + KfW). EPC award underway.
1B: PROSPECT - Solar and Education in Coal Territories	EBRD, IFC	(g) $1.8m	(g) $1.8m	Disbursement stage: Consultancy for CfD schemes is in advance stage. The overall framework is confirmed and legal framework is defined (value $1.0m) In preparation: ToR for PROSPECT consultant selection expected by the end of Q2 2026. (value $0.8m)
1C: PowerHub - Grid Strengthening, Batteries, Training	EBRD, IFC, WB	(c) $27m + (g) $2.5m	(g) $1.3m	Disbursement stage. MEPSO Training Centre (Ohrid) in implementation (started June 2025) ($500k). Disbursement stage: Feasibility study for the BESS to support ESM to accelerate the implementation of its decarbonization strategy.

[10] https://www.cif.org/sites/cif_enc/files/2024-05/act_ip_north_macedonia_03202024.pdf

PROJECT 2: SOCIO-ECONOMIC REGENERATION OF PELAGONIA AND SOUTHWEST REGIONS

ACT IP Component	Lead MDB	CIF Grant (USD)	Fund approved as of end of April 2026	Status end of April 2026
2A: Green and Growth Program for SMEs	EBRD	(c) $2.7m + (g) $1.95m	(c) $2.7m + (g) $1.95m	Disbursement stage. Launched June 2025 (USD 10m total, incl. USD 1.95m grants). Credit lines active via NLB Bank and Sparkasse. Advisory for Small Businesses component deploying.
2B: Revitalise - Industrial Zones for Economic Regeneration	EBRD, WB	(c) $5.5m + (g) $0.5m	(g) $ 0.25m	Disbursement stage. WB is currently in the process of developing a ToR for engaging consultants to develop a feasibility study for zone upgrading. The main beneficiaries are the Ministry of Economy and labor and the municipality of Bitola.
2C: Climate-Smart Economic Regeneration Program	EBRD, IFC	(c) $2.7m + (g) $0.65m	-	Preparation stage. Conceptual framework for climate-smart business support finalized.

PROJECT 3: ENERGY EFFICIENCY, CLEAN HEATING, AND DISTRIBUTED GENERATION

ACT IP Component	Lead MDB	CIF Grant (USD)	Fund disbursed as of end of April 2026	Status end of April 2026
3A: ECOBOOST - EE and RES Lending for Coal Communities	EBRD	(c) $5.6m		Preparation stage. Specific coal-community targeting under ECOBOOST parameters to follow RES credit line rollout. Coordination with Law on Energy Efficiency (Sep 2025) for household efficiency programs.
3B: EcoCommune - Community-Centric Clean Energy Initiative	WB	(c) $8m + (g) $0.6m		Preparation stage. WB project pipeline for municipalities includes clean heating/air quality (Bitola, Kichevo). Community energy concept aligned with new Law on RES prosumer/community provisions.

Notes: (c) = concessional loan; (g) = grant. Total CIF allocation: USD 85 million (c: USD 76.5m; g: USD 8.5m). MDB share: USD 471.3m total. Private sector: USD 85m. Government/SOE: USD 35m.

Overall ACT IP Assessment: As of Q1 2026, the ACT IP is progressing across all three projects and eight components. Component 2A (Green and Growth SME) is operational. Components 1C (Grid/Storage/Training) and 2B/2C (regional regeneration) are in active preparation or early implementation.

6. EARLY RESULTS AND MEASURABLE PROGRESS

The following table provides a consolidated overview of key impact indicators, comparing progress and achievements across the full JETIP implementation period through Q1 2026, with forward targets.

Impact Area	Progress up to H1 2025	Updates H2 2025 - Q1 2026
Renewable Energy Capacity	Total MW RES projects in implementation: 218 MW Renewables = 55.7% of installed capacity.	Additional 110 MW - PVPP Bitola 3 signed Dec 2025. EPC tender launched. Oslomej 2 (10 MW) + Bitola 1 (20 MW) contractor bids opened Dec 2025. Bogdanci Phase 2 under construction. Annual Energy System Development Plan published Jan 2026: 67 projects totaling 4,417 MW.
Investment Mobilized	EUR ~187m signed.	EUR +87m signed Dec 2025 for Bitola 3 (EBRD €37m + KfW €50m). EUR +10m KfW for HPP revitalization. Total pipeline including public and private sector mobilization: EUR ~1.7b identified.
tCO2 reduction	100k tCO2	220k tCO2
Workforce and Just Transition	560 trained at ESM by end of September 2025 EUR 2.3m for 20+ certified curricula.	PROSPECT ToR for consultant selection expected June 2026. JT Annual Plan 2026 adopted. MEPSO training center: Training programs are currently being finalized for MEPSO staff, and on topics identified by MEPSO that would be intended for employees of TPP Bitola and TPP Oslomej affected by the energy transition. SME Green and Growth Program operational.
Policy and Regulatory	New Energy Law adopted May 2025. Draft RES	NECP adopted in March 2026. Draft Law on RES (incl. CfD auctions) expected to be adopted by June 2026. ESM Decarbonization Strategy expected early Q2 2026. Grid Master Plan is well advancing and expected to be finalized in Q2 2026.

7. CHALLENGES AND LESSONS LEARNED

Regulatory Timeline Risk:

The National Energy and Climate Plan (NECP) was formally adopted on 31 March 2026, marking a significant milestone for investment certainty and regulatory alignment. This removes a key planning uncertainty and provides a clear signal to the market on North Macedonia's 2030 renewable energy and emissions reduction trajectory. The remaining critical bottleneck is the adoption of the Law on Use of Energy from Renewable Sources, which provides the legal basis for the Contract for Difference framework and competitive auction procedures. Until the Law on Use of Energy from Renewable Sources is adopted and implementing bylaws are in place, the first CfD auction tender cannot be launched. Each quarter of further delay risks pushing financial closes for CfD-supported projects into 2027, compressing the timeline to deliver 800 MW of competitively procured RES by 2030. Sustained high-level political attention is needed to accelerate parliamentary adoption of the Law on Use of Energy from Renewable Sources as the next priority legislative step following the NECP.

Grid Capacity as a binding constraint:

The surge in private-sector renewable project applications, over 7,100 MW of wind and solar proposals registered in the 2025-2026 Annual Energy Development Plan, far exceeds current and near-term grid hosting capacity, and represents one of the most pressing structural bottlenecks facing JETIP delivery. The Grid Master Plan, expected by Q2 2026, will be essential to provide developers and investors with transparency on connection availability and timelines. The new mandatory storage co-location requirement introduced by the Energy Law partially addresses system balancing concerns, but cannot substitute for the acceleration of transmission investment. Progress is being made, but execution pace remains critical. The groundbreaking for the North Macedonia-Albania 400 kV interconnector (97.5 km, 30 months construction period, co-financed by EBRD and EU) took place on 2 April 2026, closing the only remaining open branch in the national transmission system and completing interconnection with all neighboring countries. The Southeast region grid strengthening (Miletkovo substation, €34.5m) and Southwest region digitalization (Bitola 1 and Sopotnica) are also progressing. However, these investments will take time to deliver, and the gap between investor pipeline ambition and available grid capacity risks creating project delays and eroding confidence if connection timelines are not communicated clearly and managed proactively.

ESM financial and institutional capacity:

ESM, as the implementing entity for the major public-sector RES program (Bitola 3, Oslomej 2, Bitola 1, Bogdanci Phase 2, and future investments), faces significant capacity demands. The simultaneous execution of multiple EPC contracts requires enhanced project management, procurement, and financial management capabilities. The ongoing training programs and EBRD governance support are building these capacities, but the pace of capability development must match the growing project portfolio.

Coal phase-out sequencing and energy security:

TPP Bitola remains critical for winter baseload security. The 2030 coal phase-out is achievable if the planned RES capacity (including the 400 MW Shtip wind farm, Bitola 3, and the 800 MW CfD program) is commissioned on schedule. However, any delay in renewable project delivery or grid reinforcement would put coal retirement timing at risk. Contingency planning around security of supply, requires continued attention.

Training and prequalification of employees affected by the coal phase-out

In just transition processes globally, workers facing coal phase-out often exhibit reticence toward retraining initiatives. This is typically driven by fear that participation signals acceptance of redundancy, trade union pressure, distrust of employer or government-led programs, low confidence in the transferability of new skills, and logistical barriers to accessing training.

Despite these challenges, the first JETIP-supported training programs, covering both technical and soft skills, recorded strong attendance among employees of TPP Bitola and TPP Oslomej. Several factors contributed to this positive uptake:

- **Limited historical access to training** - for many workers, these represented the first structured professional development opportunities in their careers, making participation intrinsically valuable.
- **Practical and relevant content** - program tailored to real working conditions and realistic transition pathways were better received than generic offerings.
- **Peer influence** - positive word of mouth from early attendees lowered the threshold for more hesitant colleagues.

Coordination and absorption capacity:

Multiple financing streams (CIF ACT IP components, EBRD, KfW, WB, EIB, EU bilateral, AFD) with different timelines, procurement rules, and conditionalities create a complex coordination challenge. Thus, the institutional capacity in line ministries and municipalities to absorb and implement funds remains a bottleneck.

Private capital mobilization:

While private investment in small and medium-scale solar PV has been robust, mobilizing private capital for utility-scale RES projects (beyond Alcazar/Shtip) at the scale needed to reach the JETIP 1.7 GW target requires operational CfD auctions and a predictable, stable regulatory environment. The CfD framework, once legally enacted, will be the primary instrument for de-risking private investment at scale.

8. NEXT STEPS AND PRIORITIES (Q2 2026 AND BEYOND)

Building on progress in H2 2025 and Q1 2026, the following priorities are set for the next six months and into 2027:

1. Adopt Law on Renewable Energy Sources / CfD Framework:

Parliamentary adoption of the Law on Use of Energy from Renewable Sources (including two-way CfD provisions) is the single highest priority. This should be followed immediately by finalization of implementing bylaws, publication of the first CfD auction calendar, and establishment of the creditworthy settlement counterparty. Launching Round 1 of CfD auctions in Q3-Q4 2026 is the target.

2. Advance ESM Infrastructure Program:

Award EPC contracts for Oslomej 2 and Bitola 1 (Q1-Q2 2026) and commence construction. Mobilize EPC contractor for Bitola 3 site after winter (Q2 2026). Maintain construction momentum on Bogdanci Phase 2. Finalize and adopt ESM Decarbonization Strategy.

3. Complete Grid Master Plan and Publish Connection Roadmap:

Finalize the MEPSO Grid Master Plan (Q2 2026) and publish a transparent connection roadmap for developers. This will provide investor clarity on hosting capacity and grid reinforcement timelines, unlocking private project development. Advance priority transmission investments in Southeast, Southwest, and Northwest regions.

4. Launch PROSPECT Consultant Selection:

Issue Terms of Reference for the PROSPECT project consultants (May 2026 target) and complete selection and mobilization by Q2 2026. PROSPECT is essential to ensure that the Bitola 3 investment is accompanied by workforce development, educational infrastructure (technical school grant), and community engagement activities.

5. Activate Regional Regeneration Components of ACT IP:

Advance preparatory work for ACT IP components 2B (Revitalise), 2C (Climate-Smart Regeneration), 3A (ECOBOOST), and 3B (EcoCommune). Focus on completing feasibility studies, finalizing implementation arrangements with municipalities and local financial institutions, and establishing monitoring frameworks. JTAIP 2026 adoption will provide the governance framework for these activities.

6. Strengthen Monitoring and Reporting Framework:

Establish a unified JETIP monitoring dashboard linked to the investment pipeline, tracking: MW commissioned, CO_2 reduced, private capital mobilized, workers trained/reskilled, and SMEs supported. Quarterly dashboard updates and annual public summary reports should be institutionalized as standard practice.

9. STAKEHOLDER ROLES AND PARTNERSHIPS

JETIP's success depends on active, coordinated engagement across a broad stakeholder ecosystem. The table below summarizes key roles as of Q1 2026, including updates since the first progress report.

Stakeholder	Main Role in JETIP / Update
Government of N. Macedonia / MoEMMR	National coordinator; leads JETIP governance; advancing new Energy Law, NECP update, and Law on Use of Energy from Renewable Sources with CfD auctions. Minister Bozinovska actively engaged in international partner mobilization.
ESM (State Utility)	Implementing entity for flagship RES projects: Bitola 3 (134 MW signed Dec 2025), Oslomej 2, Bitola 1, Bogdanci Phase 2. Implementing workforce training programs. Preparing Decarbonization Strategy (Q1 2026).
MEPSO (TSO)	Grid Master Plan in modelling phase (EBRD TA). Active investment in SE, SW, NW grid regions. Signed IBWT third amendment Sep 2025. MEPSO Training Centre (Ohrid) in implementation.
EBRD	Lead MDB for JETIP and ACT IP. Co-financed Bitola 3 (EUR 37m, Dec 2025). Providing TA on CfD design, Grid Master Plan, ESM Decarbonization Strategy, and workforce training. Overall coordination of JETIP Steering Committee.
KfW	Co-financed Bitola 3 (EUR 50m, Dec 2025) - first EBRD-KfW joint financing. EUR 10m for HPP revitalization. Active partner in Western Balkans green transition.
World Bank / IFC	ACT IP co-financier. IFC supporting Alcazar Energy (Shtip Wind Farm development) and DTIDZ (industrial zones). WB preparing municipal climate investment project for Bitola/Kichevo.
AFD (NEW partner)	Joined JETIP formally in October 2025. Expected to provide additional financing capacity, including social and economic regeneration components.
CIF	USD 85m ACT Investment Plan approved March 2024. CIF provides concessional and grant financing through MDB channels across all 8 ACT IP components.
EU (via WBIF, Growth Plan)	Major grant and reform-linked funding source. WBIF grants supporting Oslomej 2/Bitola 1 and Bogdanci Phase 2. EUR ~750m Growth Plan allocation (2024-27) linked to energy and climate reform conditionalities.
Private Sector	Alcazar Energy (400 MW Shtip Wind Farm) leading private investment. Broad pipeline of private solar PV developers (~7,100 MW proposed). On SME finance, EBRD delivers blended credit through the Green and Growth Program (CIF funds) (NLB Bank, Sparkasse) only for the transition regions and the Joint Green Finance Facility (through local commercial banks) on a country level. EIB and AFD channel additional funds via the National Development Bank. Together these instruments are embedding green finance into the commercial banking offer.
Civil Society / Unions	Engaged through Regional Forums in Bitola and Kichevo. Worker consultations ongoing as part of Just Transition Roadmap implementation.

ANNEX 1: JETIP INVESTMENT PIPELINE - SUMMARY (end of April 2026)

The JETIP investment pipeline covers 37 capital investment projects across renewable energy generation, grid infrastructure, just transition, and energy efficiency. The pipeline is regularly updated by the TSU in coordination with implementing entities and financing partners.

Key pipeline statistics end of April 2026:

Category	# Projects	Est. Value	Status
Solar PV (public)	6	EUR ~189m	3 in construction, 3 in preparation
Wind (public)	2	EUR ~185m	1 in construction, 1 in preparation
Grid and Transmission	7	EUR ~134m	1 active, 6 in preparation
Storage (BESS)	3	EUR ~229m	3 in pipeline
Hydro (public)	8	EUR ~316m	1 active, 7 in preparation
Energy Efficiency, Air quality, District heating	11	EUR ~338m	5 active, 6 in preparation
Total	**37**	**EUR ~1.4b**	**24 at financial close / ongoing**

Note: Full pipeline details, including individual project sheets with status, financing, and expected completion timelines, are maintained in the JETIP Pipeline Database on the JETIP website: www.jetip.mk.