

Polish Sustainable Recovery Monitor

– February 2021 issue

1.1 Economic Recovery – the big Picture



National Recovery and Resilience Plan:

[On Friday \(26.02\) the government has presented the National Recovery and Resilience Plan for public consultations](#) which will last until 02.04. The Plan presents the strategy of how the government intends to disburse the grant portion (EUR 23.9 billion) of the money available for Poland (EUR 58 billion in total) from the European Recovery and Resilience Facility.

Five investment areas of the Recovery Plan include:

- Resilience and competitiveness of the economy – EUR 4.1 billion
- Green energy and energy efficiency – EUR 6.4 billion
- Digital transformation – EUR 3 billion
- Availability and quality of healthcare – EUR 4.3 billion
- Green and smart mobility – EUR 6.1 billion

Within the investments that will contribute to the achievement of the climate spending target (37% of funds), investments in the transport sector and the Clean Air program will play the biggest role:



Investment area (contributing to any extent to climate spending target)	Total value (EUR mln)	Value contributing to climate spending target (EUR mln)
<i>Energy efficiency (focus on cleaner heat sources and renovation in buildings sector)</i>	3 811	1 524
<i>Hydrogen technologies and other alternative fuels</i>	797	797
<i>Renewable energy (focus on the offshore wind supply chain, smart grid and energy communities)</i>	863	863
<i>Adaptation and environment protection (focus on pollution and water resources management, urban climate adaptation)</i>	876	632
<i>Green transport (focus on electric and hydrogen buses, as well as supply chain)</i>	2 195	2 195
<i>Railway sector investments</i>	2 676	2 167

Transport safety (focus on digitalisation and road safety)	1 203	304
Other (including eco-innovations and circular economy)	1 169	806
TOTAL	13 590	9 288
Share of NRRP grants (EUR 23 856 mln)	57%	39%

Although the Polish NRRP envisages reforms in key areas such as decreasing barriers to onshore wind deployment or improved functioning of the Clean Air program, the details of the proposed actions and financing conditions in several areas require clarification and will need to be fine-tuned. WiseEuropa will publish a comprehensive review of the actions proposed by the government in the NRRP in the coming weeks.

Given the lack of transparency regarding the development of the Plan and several delays of its publication date [at the beginning of February \(20.02\) environmental and business organizations in Poland have addressed a public letter to the Prime Minister](#) demanding an active involvement in the preparation of the Plan and asking for NRRP to entail ambitious actions allowing for enhanced protection of nature and low-carbon transition in line with the provisions of the European Green Deal.

Note: the list only reflects information that was disclosed by press, individual companies or government announcements for specific initiatives, hence does not offer comprehensive information on the scale of financial support for the sector and actions undertaken.

1.2 Sectoral insights



Mining



Financial problems of the coal mining industry increase due to the COVID-19 pandemic:

[From January to November 2020, the Polish coal-producing companies' losses reached PLN 3.84 billion \(ca. EUR 850 million\), according to the Ministry of State Assets.](#) Net losses of Jastrzębska Spółka Węglowa (JSW) which produces mainly coking coal amounted to PLN 1 billion (ca. EUR 220 million), while they reached PLN 2 billion (ca. EUR 440 million) for Polish Mining Group (PGG – Polska Grupa Górnicza), the largest company in the sector. The total output of thermal and hard coal shrank by 16% and 12% respectively, while the production of coking coal slightly improved by 2%. [During the same period, the average price of coal fell by 11.3%.](#) It led to a 30% decrease in investments and a 3% drop in the workforce volume.

[According to some union representatives, the Polish Mining Group \(PGG\) will not have enough cash at the beginning of May to cover whole](#)

[payroll expenditures for April](#). To benefit from the Polish Development Fund's Financial Shield, PGG needs the closing of the social contract negotiations and the final restructuring strategy for the mining sector.



Government and trade unions continue negotiations on the coal mining phase-out:

[Another round of negotiations took place on February 10th](#). Mining unions expect that the Energy Policy of Poland until 2040 (PEP2040 – Polityka Energetyczna Polski), the strategy already adopted by the Polish government, can still be amended once the social contract between the government and the unions is approved by both parties. According to the unions, in PEP2040 the government committed itself to integrate low-carbon coal technologies (e.g. coal gasification for hydrogen production, CCS) – the idea which was not included in the document previously presented. This addition would represent 10 to 14 million tons of coal to be burned during the coming years. Details are still unknown, as the full text of PEP2040 has not been published yet. Mining unions also ask for state support for mining-related companies for which at least a quarter of turnover is linked to the coal mining sector. Unions maintain their position that the complete coal mining phase-out should happen no earlier than in 2049.

[Despite the ongoing talks, the Ministry of State Assets plans to start negotiations covering the issue of mine closures, coal production reduction, and subsidies with the European Commission in March](#).

Moreover, since the start in Autumn 2020, the negotiations on the mine closures have not included representatives of local authorities in the communities affected by the process. [According to the media reports](#), the draft of the agreement was sent for the first time to the mining communes representatives on February 19 (Friday), with the request for feedback by February 22 (Monday). The move has been considered to be superficial and inadequate, given the importance of the mining closure timeline for planning the transition at the local level.

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Energy



No consensus in sight for the plan to shift the state-controlled coal assets in the power sector to a separate entity:

Artur Soboń, the secretary of State of the Ministry of State Assets, stated that [the unbundling of coal extraction activities from state-controlled assets – consolidated and integrated into the "National Energy Security Agency" -will not lead to any job loss](#). The declaration came shortly after the representatives of

energy sector trade unions wrote a letter to the political leadership of the ruling coalition [expressing their concerns about the plans to consolidate the sector](#).

The government faces delays in reaching consensus with stakeholders in the energy sector as described in an [information note on "the advancement and further steps of the coal assets unbundling programme"](#) delivered by The Ministry of State Assets. The working groups initiated by the Ministry have prepared 200 proposals related to organizational and labor issues, market conditions, business relations, investment support and decommissioning of power plants. The backlash from the labour unions adds to other challenges faced by the plan, including the need to comply with the EU state aid and competition rules (see December issue of the Monitor).



National grid operator in Poland (PSE) reports electricity demand record of more than 27 GW:

[Polish Transmission System Operator PSE \(Polskie Sieci Elektroenergetyczne\) informed on February 12th of the highest electricity demand ever recorded with 27.62 GW, 200 MW higher than the previous record one month ago.](#) The high demand occurred due to low temperatures. The operator has not expressed any concerns regarding the stability of the Polish electricity system. To meet the demand, Poland had to import a small share of the total capacity needed amounting to nearly 900 MW.



PKN ORLEN's acquisition of PGNiG Group in progress:

PKN ORLEN, a Polish state-controlled company active in the oil and gas sector, will send its proposal for the acquisition of the PGNiG Group, Poland's incumbent gas supplier, [to the European Commission for merger control at the end of March](#). The final decision could be adopted by the end of 2021.



Liberalization of the Polish electricity market in progress:

[According to the Polish Energy Regulator \(URE – Urząd Regulacji Energetyki\), 900 thousand households have changed their energy supplier between 2007 and 2020.](#) This possibility occurred thanks to the Third Party Access (TPA) right implemented in the EU since 2007. Today 36% of households have a contract with a market price i.e. 5.65 million customers.



PGE and Ørsted officially enter the joint venture for the development of two wind farms in the Baltic Sea:

[Polish Energy Group \(PGE – Polska Grupa Energetyczna\) and Danish power company Ørsted have signed an agreement for the set-up of a joint-venture](#) for the development, building and operation of two offshore wind farms in the Baltic Sea with a total capacity of 2.5 GW. Ørsted will acquire 50% of two existing projects “Baltica 3” (1 GW) and “Baltica 2” (1.5 GW) by issuing shares amounting to a total of PLN 657 million (ca. EUR 146 million). The development costs for two projects are estimated at [PLN 35-40 billion \(ca. EUR 7.8-9 billion\)](#). The construction should start in 2024 with full operation in 2026. “Baltica 3” and

“Baltica 2” will compete for Poland’s 2021 offshore wind allocation round (5.9 GW) and the project is expected to benefit from Ørsted’s offshore wind expertise and PGE’s experience with the Polish power market. [Office of Competition and Consumer Protection \(UOKiK – Urząd Ochrony Konkurencji i Konsumentów\)](#) has already approved the deal.

The move is another example of strategic cooperation between the Polish energy companies entering the offshore wind market and more experienced international counterparts, with Polenergia working with Equinor and PKN ORLEN cooperating with Canadian Northland Power Inc.



“New Energy” programme call focused on hydrogen innovations to be launched in March:

The National Fund for Environmental Protection and Water Management (NFOŚiGW) will launch [the first call for proposals for the "New Energy" programme](#) in March 2021. The call focuses on companies deploying innovative hydrogen technologies. The first stage of the programme consists of PLN 300 million (ca. EUR 66.8 million) invested to support projects using hydrogen technologies at the level of production, transport, storage or utilisation.



Details of the state aid for the offshore wind projects unveiled:

The Ministry of Climate and Environment has published the proposed parameters for the offshore wind project support. [Projects will be supported through a contract for difference mechanism for 25 years with a maximum strike price set at PLN 301.5 PLN/MWh \(ca. 70 EUR/MWh\)](#). Firms can apply to obtain the contract up to March 31st. Polish Energy Regulator (URE – Urząd Regulacji Energetyki) will validate the application until June 30th. The European Commission will be notified afterwards.

The industry has expected the maximum strike price to be higher. Polish Wind Energy Association (Polskie Stowarzyszenie Energetyki Wiatrowej - PSEW) stated that [the government's proposal reflected an average market price instead of a maximum one which would ensure that the costs of investments are covered](#). The final parameters will be set by the government in March 2021.



The sharp increase in individual PV installations in Poland in 2020:

At the end of 2020, [457 000 Polish households had their own individual PV installation](#), compared to 160 000 at the end of 2019 (+35%).

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Transport



DB Cargo Polska will be provided with green electricity:

DB Cargo Polska, a Polish freight transport rail company (owned by Deutsche Bahn, second-biggest firm with a 17% market share) and PKP Energetyka (electricity distributor to the Polish railway), will cooperate to implement RES for the transport of goods. [In January 2023, PKP Energetyka will supply DB Cargo Polska with 100% of energy coming from RES.](#) This cooperation is a part of the Green Railway programme managed by the Railway Energy Efficiency Centre aiming to supply 85% of railway energy needs with RES by 2030, compared to 12% in 2020.

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Buildings



Increased role of the banking sector in the “Clean Air” programme:

The Minister of Climate and Environment, The National Fund for Environmental Protection and Water Management (NFOŚiGW – Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) and the Polish Development Bank (BGK – Bank Gospodarstwa Krajowego) have signed a [memorandum of understanding](#) related to the integration of banking sector in the ‘Clean Air’ programme, which is the flagship national-level initiative supporting the replacement of old heat stoves and building renovation. The banks are expected to play a more active role in the programme by managing the grant side instead of the beneficiary (application, collection of the grant directly used for capital repayment). They will also be able to offer additional financing through loans.



The draft of the Long-Term Renovation Strategy unveiled for public consultation:

[The government has published a draft of the Long-Term Renovation Strategy for public consultation which lasted until February 26th 2021.](#) The obligation to prepare a Long-Term Renovation Strategy results from a European Directive on the energy performance of buildings. The document, prepared with analytical support of WiseEuropa, KAPE and NAPE, reviews the current state of building stock and regulations in the area and presents a recommended scenario for large-scale and deep renovation of the buildings in Poland by 2050, with 3-4% total renovation rate and gradual scale-up of deep renovation rate to 3%. The scenario is consistent with the decarbonization of the sector by 2050, with both

coal and gas fuels phased out by mid-century. It remains to be seen whether the strategy will translate in specific implementation actions.

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1.3 WiseEuropa's updates



European recovery plans: national objective – common challenges

[PL]– WiseEuropa's new policy note on offering review of the publicly available European National Recovery and Resilience Plans and identifying lessons learned for the assessment of the Polish Recovery Plan



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