

Polish Sustainable Recovery Monitor

– April 2021 issue

1.1 Economic Recovery – the big picture



COVID-19 pandemic – current state:

The overall number of SARS-CoV-2 cases detected in Poland approaches [3 million as of April 29th](#), while the number of deaths has exceeded 65 000. As of April 28th, Poland has administered [28.4 vaccine doses per 100 people](#), which is nearly on the same level as the EU average.

As the number of daily new cases is gradually decreasing, during the press conference on April 28th the Prime Minister announced plans for gradual easing of COVID restrictions. Hotels will resume operation under sanitary regime from May 8th, restaurants will be operating outdoors from May 15th, and by the end of May all students will go back to schools. The government envisages possibility of revoking the obligation to wear face cover in the open-air spaces from mid-May depending on the number of cases per 100k people.



National Recovery and Resilience Plan (NRRP) and the efforts to pass the EU recovery plan:

Public consultations on the NRRP have finished on the April 2nd. [The government has received more than 5 5000 responses](#) and is working to prepare the final version of the document that it has to submit to the European Commission by April 30th. Although the government has struggled to secure the majority needed to pass the Plan, on 27th after the meeting with Prime Minister, [The Left parliamentary club has reached the agreement with the ruling party](#). However, the support has been made provisional upon inclusion in the Plan changes such as ensuring that 30% of all funds will be managed by the local authorities, or investment in 75 thousand affordable homes for rent and support for the sectors affected by the pandemics, however, it is still uncertain whether these demands were adopted.



Poland's participation in the Biden's Climate Summit:

[Polish President has used the Summit to reemphasize the current national climate policy objectives](#), focusing on the achievements of the past (by referring to the Kyoto protocol) and highlighting the role of nuclear energy and

justifying the envisaged increase in the share of gas in the energy mix. Prior to the summit the President has stated that he will not declare the climate neutrality target and during his speech he has referred to the recent Social Agreement (see Mining section) and its provisions (incl. coal phase-out by 2049) as a success of cooperation between the government and the unions.

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1.2 Sectoral insights



Mining



Social agreement between the government and mining unions signed:

On April 22nd, after several months of challenging negotiations, the representatives of mining trade unions and the government agreed on the text of social agreement. According to the detailed timeline, coal mining phase out is to begin this year; the last coal mine will be shut in 2049. The agreement states that liquidation process will be financed from public resources. Moreover, every unprofitable mine will be subsidized by the state until its closure.

[The agreement assumes](#) securing miners from the negative impact of the transition. The social package includes measures such as:

- salaries of the miners from selected mining companies to be indexed year by year until 2025;
- miners will have job guarantees until retirement;
- in the case of the mine closure, every miner would get right to be allocated to another coal mine;
- in the case of the mine closure, miners without the right to retire and without the possibility to be allocated to another coal mine could either go on a pre-retirement leave (during the pre-retirement leave the miners would receive 80% of their monthly salary), or receive a one-off cash payment of PLN 120 thousand (ca. EUR 26 thousand), what corresponds to over 30 average salaries in enterprises.

Besides the guarantees for coal mines, the social agreement aims to counteract possible degradation and pauperization of coal-mining regions due to coal phase-out. To that end, the government declared to develop new industries, alternative to coal and will investment in new technologies, including coal gasification and CCS. The document was initialed on April 28th and will be sent for approval to the European Commission, what is a prerequisite step for state aid programs.



Poland asks the European Court of Justice (EJC) to reject the Czechia's request to halt mining at the Turów lignite mine:

Czechia has filed a lawsuit against Poland at the ECJ, arguing that mining in Turów has a negative impact on drinking water supplies in the bordering Czech region. [Poland, however, dismissed Czechia's government request to halt mining](#). In its response to the Court given on April 6th, Poland asserts that none of the allegations raised by the Czech Republic implies the necessity to halt mine's operations. Polish government also points out that the application to the ECJ does not meet the condition of urgency.

The Polish Energy Group declared in a [press release](#) that the demand to close its mine poses a risk of Polish power system collapse.



Worsening profitability of Polish mines in 2020:

Last annual data on coal extraction shows deteriorating performance of Polish mines in 2020. [They lost PLN 54.18 \(ca. EUR 11.89\) on average per each ton of coal](#), which resulted in a net loss of over PLN 4.3 billion (ca. EUR 940 million). Their revenues decreased by about PLN 4 billion (ca. EUR 880 million) compared to 2019.

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Energy



New details concerning the consolidation of coal-based assets:

The Ministry of State Assets has submitted its [plan aiming to separate coal assets from the State-Controlled energy companies](#) to the work schedule of the Council of Ministers. 70 coal units that currently belong to Polish Energy Group (PGE – Polska Grupa Energetyczna), Enea and Tauron and [represent 55% of energy produced in Poland](#), will be integrated into a single entity, PGE Mining and Conventional Energy (PGE GiEK – PGE Górnictwo i Energetyka Konwencjonalna), which will operate under the name of the “National Energy Security Agency” (NABE – Narodowa Agencja Bezpieczeństwa Energetycznego). This new entity will be fully controlled by the state. Consolidation of coal assets aims to support coal companies in their transition towards less carbon-intensive power generation, it will reduce the burden of CO₂ emissions allowances for the firms' budgets and it will give them a better access to financial markets. Consolidation process should be finished by the end of 2022. The stock quotes of PGE, Enea and Tauron increased significantly after the announcement.

[According to Fitch Ratings](#), the American credit rating agency, the proposed concentration of coal-fired power plants under the NABE will have a positive effect on the credit profiles of Poland's three major power companies. However, the plan is only at an early and non-binding stage and lacks important details

such as the amount of compensation for the unbundled assets, information on how the transfer of PLN 32 billion (ca. EUR 7.02 billion) of aggregated debt linked to the construction of coal-fired power plants will be carried out, and what will happen to PGE, Enea and Tauron stakes in coal mining companies.



Extension of public financial support scheme for renewables:

[The Council of Ministers adopted amendments to the Renewable Energy Source Act](#) extending the existing auctioning schemes for renewable energy producers until December 31st, 2027. The support systems dedicated to biogas, biomass and hydro installations (with total capacity less than 500kW) i.e. the fixed price support (FiT system), and the contract for difference (FiPsystem) schemes for installations between 0.5-2.5 MW for biogas and hydro and 0.5-1 MW for biomass, will be extended until June 30th 2024.



New renewable energy auctions schedule announced:

68 TWh over 15 years at maximum value estimated at PLN 24 billion will be contracted during eight auctions planned from May 26 to June 11, 2021, [according to the announcement made by the President of Energy Regulatory Office](#).

First auction will be the only one dedicated to already existing installations and more specifically to agricultural gas. Subsequent auctions will concern wide range of new installations: biogas, biomass, waste incineration, geothermal, hydro and bioliquid, with last two auctions being dedicated to onshore wind and PV installations.



New regulations for the energy storage:

[Polish Parliament passed amendments to the Energy Law enabling development of energy storage](#). A number of changes have been introduced, including clarification of the definitions related to the energy storage and rules related to licensing and tariffing. Important change concerns elimination of double counting issue with regards to the network fee and distribution fee for energy introduced and taken from the energy storage.

The amendment brings new rules for issuing connection conditions and connection agreements, which are now to be issued within 30 days for storage connecting to networks with voltage <1kV and 150 days for >1kV. The regulation also specifies the conditions for including electricity storage in the DSO development plan, and thus they can be included in the tariffs for distribution.



Progress in the administrative process regarding the offshore wind power support program:

[The Polish Energy Regulator \(URE – Urząd Regulacji Energetyki\) approved the first three applications for investments support](#) through contract for difference scheme: two projects of the joint venture between PGE and Ørsted with a capacity of almost 2.5 GW and one project of RWE with a capacity of 350 MW. The Polish Energy Regulator has still six other applications to process and will

need the approval of the European Commission. PGE is planning to launch a tender for the supply of windmill turbines this year and to start the construction work in 2024.

Moreover, the Minister of Climate and Environment signed the [decree](#) on the strike price of the contract for difference. The maximum price for offshore wind electricity injected into the grid will reach PLN 319.6/MWh (ca. EUR 70.10/MWh), more than PLN 301.5/MWh (ca. EUR 66.14/MWh) that the ministry previously proposed, but well below PLN 372.17/MWh (ca. EUR 81.63/MWh) that the industry was expecting. Some companies announced that they will have to seek savings.



The government revisits the 10H rule for onshore wind turbines:

[The amendments to the Distance Act have been published](#). The new regulation is designed to foster the development of onshore wind power plants while maintaining operational safety and aiming to include residents of surrounding areas in the process. The existing "10H rule" on the minimum distance required between onshore wind turbines and buildings (10 times the height of a wind turbine) is maintained but softened – not all the area within this distance shall be covered by the Local Spatial Development Plan (MPZP - Miejscowy Plan Zagospodarowania Przestrzennego), but only the area affected by the wind turbine. Municipalities will be also able to change the possible location of wind turbines by changing the Local Spatial Development Plan. However, additional rights will be given for residents who will have access to public discussions on the locations of wind power plants. Also, the required minimum distance from residential buildings will be determined on the basis of an environmental impact assessment and the final wind farm location decision will be made by the Regional Director of Environmental Protection. The amendment should be adopted by the Council of Ministers by the end of June.



Tauron, Iberdrola and Enea, three firms active on the renewable market in April:

- [The Tauron Group has started to produce electricity from a new photovoltaic farm](#) in West Pomeranian Voivodeship. The farm has a capacity of 6 MW and will meet electricity demand of 2.5 thousand households. This is the second facility of this kind developed by the Tauron Group.
- [Iberdrola Renovables has acquired three wind farms from the Chinese fund CEE Equity Partners](#). The two of them, the Korytnica and Zopowy wind farms, are currently operating and are among the largest wind farms in Poland with a total capacity of 112,5 MW; the third one is under construction and is located next to the Korytnica wind farm. The transaction should be completed in the second quarter of 2021 after approval from the Office of Competition and Consumer Protection.

- [Enea will supply the city of Krakow with green electricity](#). The city of Krakow ordered 424 GWh of green electricity from Enea for two years. The electricity will be delivered to over 3200 delivery points for all municipal entities, starting from July 2021. It will power streetcars, electric buses, and will illuminate streets and all public buildings in the city.



New hydrogen ambitions for PKN Orlen and Lotos:

Lotos Group announced new ambitious target in green hydrogen production. Within six years, in Europe. Lotos plans building 100 MW electrolyzers in Gdańsk Refinery by the end of 2025.

In the meantime, [PKN Orlen stated that it will spend PLN 47 billion \(ca. EUR 10.3 billion\) on energy investments](#), mainly offshore wind farms, by 2030.



Acquisition of PGNiG by PKN Orlen moves forward:

[The European Commission has given the authority to the Office of Competition and Consumer Protection \(UOKiK – Urząd Ochrony Konkurencji i Konsumentów\)](#) to investigate the merger of PKN Orlen and PGNiG. According to the Commission, this merger will only affect Poland, thus the Polish antitrust authority has adequate competency. The acquisition of PGNiG will be another one after Energa and LOTOS (for the latter the European Commission gave its consent).

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Transport



New “operator of public charging stations” status introduced:

[The Polish Energy Regulator for the first time appointed selected energy companies as public charging stations operators and charging service providers](#). Three companies: Energa, Energa Obrót and PGE Obrót will from now officially operate in 8 cities (Płock, Olsztyn, Gorzów Wielkopolski, Bydgoszcz, Gdynia, Poznań, Koszalin and Lublin). The operators are responsible for the construction process, management, operational safety, operation, maintenance and repairs of public charging stations.



PGNiG enters the market of charging infrastructure for Electric Vehicles:

[PGNiG invested in manufacturing of electric car chargers through acquiring shares in Enelion](#). Enelion, a Polish company, produces slow charging domestic and commercial chargers for electric cars and software for managing their networks. [Currently, it produces 400 units per month, of which 70% are exported](#). The value of the investment is estimated at PLN 2.53 million (ca. EUR

560 thousand) at the first stage and may reach PLN 6 million (ca. EUR 1.32 million) in further stages.



New initiative within the "Green Railway" program:

PKP Energetyka, the electricity distributor to the Polish railway network, signed a letter of intent with CTL Logistics, the biggest private railway company in Poland. [The companies expressed the will to cooperate in the field of transition to renewable energy in powering the trains and infrastructure of CTL Logistics.](#) This initiative results from the implementation of the "Green Railway" program administered by the Centre for Energy Efficiency of Railways (CEEK - Centrum Efektywności Energetycznej Kolei), which aims to achieve 50% share of renewable energy in energy supplied to the railroads in Poland by 2025 and 85% share of renewables in 2030. Remaining 15% of energy shall be produced from hydrogen. Currently, 12% of energy in Polish railway network comes from RES.

According to PKP Energetyka, investments in renewables up to PLN 10 billion (ca. EUR 2,19 billion) can be expected thanks to the implementation of the "Green Railway" program .



New trains purchase orders:

[Koleje Dolnośląskie, a regional rail operator in the Lower Silesia, borrowed PLN 442 million \(ca. EUR 97 million\) from PKO BP to finance the purchase of 8 Pesa Elf 2 trains.](#) The local government of Lower Silesia plans to spend PLN 1 billion (ca. EUR 219 million) on rail investments in the next two years and expects to benefit from the National Recovery and Resilience Plan. In the meantime, PKP Intercity, a subsidiary of the Polish incumbent railway operator [PKP Group, ordered 38 double-decker fast trains](#) which will be able to travel at a speed of 200 km/h. The tender will be announced in the middle of the year.



PKP LHS offers railway transport to China:

[The Polish state-owned company PKP Broad Gauge Metallurgy Line\(PKP LHS - PKP Linia Hutnicza Szerokotorowa\) signed an agreement with China Railway International Multimodal Transport \(CRIMT\) to organize international multimodal transport between Europe and China.](#) PKP LHS provides now full transport, customs and terminal service of the railroad between Poland and Dostyk on the Kazakh-Chinese border.

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Buildings



New initiatives for the replacement of old heat stoves and building renovation:

The National Fund for Environmental Protection and Water Management (NFOŚiGW – Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) will finance the replacement of old heat stoves and building renovation in the Silesian city of Pszczyna, which is considered to be one of the most polluted cities in Poland, and in the West Pomeranian Voivodeship. In Pszczyna [a new anti-smog pilot project will be implemented, with PLN 6 million](#) (ca. EUR 1.3 million) for the replacement of old coal stoves and thermo-modernization of multi-family buildings. [In West Pomeranian Voivodehsip PLN 10 million \(ca. EUR 2.19 million\) is allocated for the replacement of 500 inefficient heat sources in multi-family buildings.](#)



Slow replacement of inefficient boilers in low-income Silesian households:

[The Marshal's Office of Silesia received a petition signed by the largest non-governmental organizations working on air quality in Poland.](#) The NGOs are criticizing the slow pace of replacement of outdated boilers. They point out that over half a million obsolete boilers are still deployed in Silesia, in spite of the fact that ten-year-old and older boilers have to be replaced by all the inhabitants of the voivodeship by the end of the year. From 2022 onwards, using outdated and inefficient boilers will be punishable by a fine of PLN 5 thousand (ca. EUR 1 097).



Strong recovery in the construction of new buildings:

[According to the Central Statistical Office \(GUS - Główny Urząd Statystyczny\), a new record has been achieved in March with 17.8 thousand new housing units in construction.](#) It represents a 59% increase compared to the same period last year and a new monthly record, after September 2020. In the first quarter of 2021, the number of new projects launched amounted to 40 000 units (+26%). These projects are not uniformly distributed across the country: the number of new projects launched rised sharply in Kraków, Wrocław and Poznań for instance, but dropped in other cities, like Warsaw.

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[WiseEuropa's response to public consultation on draft Polish Recovery and Resilience Plan](#)

[Navigating without a compass – assessment of draft Polish RRP - the newest WiseEuropa's publication providing analysis of the draft of Polish National Recovery and Resilience Plan and recommendations on its possible improvements](#)

Poland's profile on the Green Recovery Tracker – assessment of the NRRP's contribution to climate neutral EU:
<https://www.greenrecoverytracker.org/country-reports/poland>

[The Polish View on Extending the EU ETS: Red Lines, Room to Maneuver, Game Changers - summary](#)

WiseEuropa's inputs to the debate on the post-COVID recovery can be found on dedicated website: <http://wise-europa.eu/odbudowa-po-covid-19/>



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