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RESPONSE TO THE PUBLIC CONSULTATION ON THE POLISH RRP

WiseEuropa

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WiseEuropa

ul. Królewska 2/26 , 00-065 Warsaw
t.: +48 22 513 14 18 // e.: office@wise-europa.eu

Table of contents

1. Introduction

As a result of negotiations concerning the division of funds from the European Recovery and Resilience Facility, Poland was granted with EUR 23.9 million of non-repayable grants and EUR 34.2 million of loans for the period of 2021–2026. This made it one of the biggest beneficiaries of the Facility. Disbursement of those funds depends, however, on the submission of a National Recovery and Resilience Plan (RRP) by the end of April 2021. The draft Polish version of this document was presented by the government presided by Prime Minister Mateusz Morawiecki for public consultation at the end of February 2021, with possibility to submit feedback by April 2, 2021.

WiseEuropa published a detailed assessment of the document in March 2021 under the title: "Navigating without a compass. Assessment of draft Polish RRP released in February 2021."[1] The document contains both the analysis of cross-cutting challenges (strategic dimension, coherence of the Plan, financing) and the assessment of how the RRP will enable Poland to prepare for transformation challenges of the upcoming decades (decarbonisation of the economy, digital transformation).

On April 2, 2021, based on the recommendations included in that document, WiseEuropa participated in the public consultation and submitted comments to the government's draft as well as suggestions regarding changes that would enable more effective usage of the European funds.

2. Comments to draft RRP

The feedback submitted by WiseEuropa includes:

- cross-cutting comments that require implementing structural changes within the whole document

and

- sectoral comments drafted in response to the need of adjusting the measures proposed by the government, so that the pace and the scale of the decarbonisation of particular sectors allow for meeting the EU obligations of emission reduction by 2030 and 2050.

Our recommendations are based both on the analysis of the guidelines prepared by the European Commission on the structure of RRPs,[2] as well as on the expert opinion issued by WiseEuropa on the challenges and opportunities arising from the decarbonisation of the Polish economy by 2050.[3]

Cross-cutting comments (see Annex 1)

The reform plan in the Polish RRP should involve **the implementation and update of key strategic documents**, so that they reflect long-term EU environmental targets, i.e. the GHG reduction target (55%) by 2030 and the EU climate-neutrality target by 2050. The implementation of the Plan based on documents that do not take those targets into account creates a risk of ineffective funds allocation and the implementation of reforms that do not meet those targets. The document should also include **specific indicators** allowing to measure the **contribution to green and digital transformation**. Those indicators should be transparently applied when selecting projects to be supported.

[1] https://wise-europa.eu/wp-content/uploads/2021/04/NAVIGATING-WITHOUT-A-COMPASS-Assessment-of-draft-Polish-RRP-released-in-February-2021.pdf
[2] https://ec.europa.eu/info/sites/info/files/3_en_document_travail_service_part1_v3_en_0.pdf
[3] https://wise-europa.eu/wp-content/uploads/2019/03/New_chapter_Poland_net-zero.pdf

The draft RRP includes subsidiary support for many categories of activities that should be supported by **loans**. The revision of this matter will release funds for essential, strategic initiatives requiring more support from the public sector. Funds from RRP should not be allocated in investments that may be financed more effectively from **other EU sources**. Finally, the RRP should guarantee **transparent, clear project selection criteria and methods** that should be applied also to the projects present in so-called indicative lists.

It is also necessary to further specify the conditions under which the funds from the RRP may be allocated to investments related to natural gas, such as: excluding the natural gas from the funds available to energy companies for the improvement of energy efficiency and RES, as well as **establishing a maximum proportion of gas investments and the introduction of a requirement of justification for its support**, in case of any activities involving investments into heating and cooling sources in heating systems and the energy efficiency of residential buildings and any other activities, where the RRP allows for the support for investments based on the natural gas.

Apart from all the activities coved in the RRP, **a detailed assessment of the compliance with the 'do no significant harm' principle** should be carried out.

Sectoral comments (see Annex 1)

In the part of the Plan focusing on energy sector, where the improvement of conditions necessary for the development of renewable energy sources is mentioned, it is essential to specify the direction and targets of the announced **reform on onshore wind power** that would reflect the key role it is to play in the energy transformation of Poland. The support for large scale RES investments provided to offshore wind power should be clearly limited to the development of port infrastructure. As far as **the green urban transformation** is concerned, the RRP should focus on a lower number of interventions bringing the biggest environmental benefit, or to channel its support to integrated projects. At the same time, interventions supported by the RRP and other EU funds should be clearly differentiated.

In the buildings sector, **the changes in the "Clean Air" programme** should lead to exclusion of the support for investments involving coal and to the unification of the rules for supporting sources using natural gas: the rules applied for the investments supported by the RRP and the National Fund for Environmental Protection and Water Management should not vary. All the interventions related to **the thermal modernisation of public buildings** (schools, local communities' facilities) should be similarly ambitious, i.e. aim for meeting the passive building standards.

In terms of the industry, the support provided to companies for the energy efficiency improvement and RES development should be provided as loans, whereas subsidies should be allocated to **pilot programmes of innovative zero-emission industrial technologies**. The support for the manufacturing base for the low carbon economy should not be limited to the suppliers of solutions for transport and energy, but it should also involve investments into zero-emission technologies in other sectors.

In the transport sector, the funds allocated for the development of rail transport should be made available also to local governments **investing in urban rail transport**.

3. WiseEuropa on the economic recovery after the pandemic

WiseEuropa Institute prepared a series of publications dedicated to the recovery of the economy after the COVID-19 pandemic. They include both 1) the assessment of how the solutions offered by the government influence the ability of the Polish economy to counteract the triple crisis: health, economic and environmental one; as well as 2) recommendations of measures that should be implemented in order to release available funds to be used as a development leverage for the recovery of the Polish economy.

Moreover, every month WiseEuropa experts prepare a new issue of the Polish Sustainable Recovery Monitor. The Monitor includes all the key information on measures taken within specific sectors in response to the economic crisis and to the challenge of low-carbon economic transformation after the pandemic.

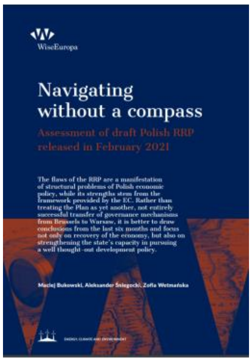
In order to receive the latest issue of the Monitor, please send an e-mail to: monitor@wise-europa.eu.

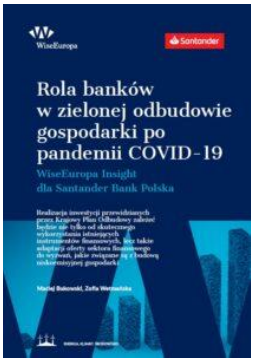
WiseEuropa on the recovery of the economy after the COVID-19 pandemic

- Navigating without a compass. Assessment of draft Polish RRP released in February 2021. https://wise-europa.eu/wp-content/uploads/2021/04/NAVIGATING-WITHOUT-A-COMPASS-Assessment-of-draft-Polish-RRP-released-in-February-2021.pdf
- Green Recovery Tracker: Poland https://www.greenrecoverytracker.org/country-reports/poland
- European Recovery Plans: national targets, shared challenges [available in Polish] https://wise-europa.eu/2021/02/11/europejskie-plany-odbudowy-krajowe-cele-wspolne-wyzwania/.
- The Role for Banks to Play in the Green Economy Recovery after COVID-19 Pandemic [available in Polish] http://wise-europa.eu/2021/01/18/rola-bankow-w-zielonejodbudowie-gospodarki-po-pandemii-covid-19-wiseeuropa-insightdla-santander-bank-polska/
- Green Recovery. From Crisis to Sustainable Recovery https://wise-europa.eu/wp-content/uploads/2020/11/Green-Recovery.-From-crisis-to-sustainable-recovery.pdf
- Eagle Raising from the Ashes. The Post-COVID-19 Economy [available in Polish] http://wise-europa.eu/2020/04/28/jak-wyprowadzic-gospodarkepolski-na-prosta-po-epidemii-covid-19-o-covid-19
- Polish Sustainable Recovery Monitor http://wise-europa.eu/en/polish-sustainable-recovery-monitor-2/
- Energy Policy Tracker: Poland https://www.energypolicytracker.org/country/poland

All the publications are available below: https://wise-europa.eu/odbudowa-po-covid-19/

***Contact**: Zofia Wetmańska, WiseEuropa Senior Analyst, zofia.wetmanska@wise-europa.eu*





Annex 1: Comments submitted by WiseEuropa

Comment	*Justification*
Sectoral comments	
Strategic dimension	
The reform plan should include the implementation of the following strategies: • the National Low-Emission Strategy (the Strategy for Climate Neutral Economy Transformation) (component B), • the Long-Term Renovation Strategy (component B), • the National Strategy for Sustainable Finance (component B), as well as an update of the Polish Energy Policy by 2040 (component B) and of the Strategy for Sustainable Transport Development by 2030, so that the assumptions presented in those documents are in line with the conditions implied by the EU GHG reduction target (55%) by 2030 and the EU climate-neutrality target by 2050. The Plan should also include the possibility of updating the conditions of investments implementation in the following years, based on updated sectoral strategies.	The lack of strategic documents that include long-term EU climate targets and regulations arising from them and compel faster greenhouse emission cuts creates a risk of an ineffective allocation of funds and of a half-way reforms implementation (e.g. lagging development of energy infrastructure for zero-emission energy carriers, over-investment in natural gas infrastructure and under-investment in energy efficiency improvement, lagging adjustment of the financial market to the expected economic changes). An urgent adjustment of the strategic energy policy framework and other sectoral policies will allow for the correction of the measures undertaken by means of the RRP and for the allocation of other EU and national funds in the following years.
Climate conditionalities:	
The RRP should define the indicators of the environmental impact of the particular investments. Those indicators should be applied when selecting specific types of activities and projects that would be supported with funds allocated for environmental goals. At the same time, certain boundary conditions should be specified for those indicators, in line with the 'do no significant harm' principle, which a given investment should meet in order to receive support via the RRP funds. In case of investments marked as 100% contributing to the environmental targets, only those in line with the sustainable finance taxonomy should be supported by the RRP. Apart from that, it is necessary to analyse in detail the compliance of every reform and investment with the 'do no significant harm' principle. In its present form the RRP includes investments described in a way that might suggest the lack of compliance with the conditions of the 'do no significant harm' principle, such as:	The RRP does not refer to the European sustainable finance taxonomy when specifying the beneficiaries of investment support, what, in addition to the lack of any additional guidelines on environmental conditions for specific investments, creates a risk of supporting projects which are not compliant with the 'do no significant harm' principle and which are not in line with the green transformation.

• A2.2.1 investments supporting the development of new technologies for the economy (support of the Clean Coal Technologies, without indicating which specific technologies are meant); • B1. Increasing energy efficiency of the economy (potential wide application of natural gas technologies); • B2.1.1 Development of hydrogen technologies and other alternative fuels – note on the demarcation between B2 goal and other funding sources; • E1.1. The increase of usage of the environment-friendly transport (natural gas vehicles).	
Indicators:	
It is necessary to supplement the document with the list of cross-cutting KPIs measuring the impact of intervention (especially KPIs related to the green and digital transformation), and then to correct the list of investments as well as allocations assigned to them, taking into consideration their impact on the achievement of these indicators.	The limited set of measurable indicators for the entire RRP also entails that there is no coherence in defining the objectives of the reforms and investments in the Plan. Quantitative indicators describe mainly the outputs of measures (for instance legislation passed, buildings renovated, number of companies or towns that received support), but ignore the final results (improved efficiency of administration, reduced primary energy consumption, an increase in RES share, etc.). This is apparent in particular for measures related to the green transition (information on the impact of measures on emissions, energy consumption or RES production is missing) and digitalisation (no information on the scale of digital skills improvement or the expected effects of investments in e-government). In its current form, the Plan does not attempt to define the extent to which different measures will result in achieving its general and specific objectives.
Grants vs Loans	
It is essential to revise the list of investments presented in the RRP, so that they might be supported with the loan part of the Recovery and Resilience Facility, such as: • B2.2.1. Development of transmission networks, smart grid infrastructure (specifically: transmission system development); • B1.1.4. Investments in energy efficiency and RES installations in enterprises: investments with the biggest potential to reduce greenhouse gases.	Numerous planned investments do not require a direct financial support given the existing funding mechanisms, market maturity and the cost-effectiveness of their implementation in the current economic environment. Allocating grants from the Recovery Instrument to projects that might use loans (EUR 34.2 billion) limits the funds available for initiatives that are essential from the strategic point of view and which require much more public sector support in order to succeed.

RRP vs other funding sources	
The RRP should not include investments that, due to their nature and aims, might be successfully implemented via other funding programs dedicated to them (Just Transition Fund, EU ETS Modernisation Fund, FENIKS). It is essential to establish a borderline taking into consideration detailed activities planned under EU funding and supported via EU ETS. It concerns especially the investments with high allocations. • A2.1.1. Large innovative projects • B1.1.2. Residential buildings energy efficiency • E1.1.2. Zero emission public transport	According to the Article 9 of the Regulation, the funds from the RRP for the Recovery shall "be additional to the support provided under other Union programmes and instruments." The information provided in the draft RRP is insufficient to enable an assessment of whether this principle has been fulfilled, especially since some of the proposed investments will support programmes that already exist. Without knowing the full scale of financing needs and the share of other sources of funding, one cannot rule out the risk that the funds available under the Recovery and Resilience Facility will replace the current financial streams coming from the Cohesion Funds or the state budget. In the first half of 2021 the government is working on establishing the priorities and disbursement frameworks for funds under the Partnership Agreement, the Modernisation Fund and a new national fund financed from ETS revenues. The draft RRP lacks provisions that would ensure complementarity with these funds.
Promoting competition and transparency	
Change of the institution responsible for the implementation of the "A2.1.1. Large innovative projects" investment from the Ministry of National Assets to the Ministry of Economic Development, Labour and Technology.	In the case of a cross-cutting intervention that involves both the state-controlled companies and other entities operating on the market, it is preferred to assign the responsibility for its implementation to a Ministry responsible for a given public policy area, and not for the supervision over state assets.
Change of the institution responsible for the implementation of the "B1.1.4. Investments in energy efficiency and RES installations in enterprises: investments with the biggest potential to reduce greenhouse gases" from the Ministry of National Assets to the Ministry of Climate and Environment.	In the case of a cross-cutting intervention that involves both the state-controlled companies and other entities operating on the market, it is preferred to assign the responsibility for its implementation to a Ministry responsible for a given public policy area, and not for the supervision over state assets.
It is necessary to implement transparent and explicit methods of selecting projects that could be supported by means of the activities included in the RRP. It is necessary to verify the choice of an "indicative projects list" and "selecting projects individually" as a method of the project selection. In case when due to strategic circumstances such process is inevitable, it is necessary to provide the following information: support goals, results and selection criteria. It is also necessary to complete the descriptions of planned investments with the details required for an assessment of compliance with the 'do no significant harm' principle.	It is crucial to increase the transparency of funds allocation and project selection within the RRP. At present there is not enough information to determine the compliance of the projects with the 'do no significant harm' principle (e.g. E1.1.1).

Representatives of local governments, private sector and civil society should be included in the monitoring committee that oversees the implementation of reforms and investments under the RRP.	An efficient supervision of the RRP implementation progress requires including key stakeholders in this process. As the RRP preparation process has shown, the lack of transparency and late inclusion of stakeholders results in weak outcomes.
The RRP and gas investments	
Introduction of a maximum share of gas investments within "B1.1.1. Investments into heating and cooling sources in heating systems" and "B1.1.2. Residential buildings energy efficiency" investments, as well as introducing the obligatory justification of the lack of possibility to carry out an alternative, zero-emission investment.	At present it is impossible to determine the role of the gas sources in the B1.1.1 and B1.1.2 investments, with a significant risk that they would constitute a dominant type of supported technologies. Even having taken into consideration the necessity of a very rapid replacement of coal-based energy sources, a bridging role of the natural gas means that in every case it is necessary to consider replacing gas investments with zero-emission alternatives in order to avoid an over-investment into gas infrastructure. Establishing a maximum share of gas investments on the aggregate level will allow for an assessment of the real contribution of the investment into the long-term transformation of the Polish heating system towards the climate neutrality.
Correction of the description of "B1.1.4 Investments in energy efficiency and RES installations in enterprises" in order to specify that the supported projects may use only zero-emission energy carriers. At present, the RRP suggests that the funds may also be allocated to natural gas investments.	The increase of the natural gas role in enterprises will be enforced by market and regulatory stimuli in the next years. At the same time, the natural gas needs to be eventually replaced with zero-emission energy carriers or to be supplemented with CCS installations. This is the reason why the public funds should limit the interim demand increase for the natural gas, which is possible by supporting the investments in energy efficiency and RES (via loans). Those funds should also foster the development of zero-emissions alternatives for the traditional gas installations (via grants).
Specifying the rules concerning all the investments in which the RRP allows the application of natural gas technologies, so that this information is clearly presented together with a justification and the information on the maximum percentage of the funds allocated for gas investments.	The present rules in the RRP do not allow for a clear denomination of the role of the gas in the investments. In the demarcation between the B2 goal and other funding sources, the Plan mentions that "sustainable gas infrastructure measures are planned to be supported primarily under Recovery and Resilience Facility funds," but none of the B2 investment mentions gas technologies explicitly.
Exclusion of the possibility of entering clean transport zones with gas-fuelled passenger vehicles under the reform E1.1.	The investments included in the RRP should be in line with the 'do no significant harm' principle, and including gas-fuelled passenger vehicles in this reform would foster the usage of the fossil fuel based technologies.

Sectoral comments to particular investments/reforms	
Energy	
It is necessary to further specify the scope of changes included in the “B2.2. The improvement of the conditions for the development of renewable energy sources” investment concerning the streamlining of the onshore wind power solutions implementation. Those details should, among others, specify the scope of the changes regarding the so-called 10H rule.	At present this issue is addressed in one sentence only, without any specific plan, detailed proposals or indication of expected effect on the growth of onshore wind potential. It is not in line with the real impact that the onshore wind may have on the decarbonisation of the Polish energy industry.
Further specification of the description of the “B2.2.2. Support for the large-scale investments in RES” investment in a way that unambiguously indicates its limitation to the port infrastructure only.	Present text on the B2.2.2 investment is not incoherent and might suggest that the allocated funds will be used not only for the development of the port infrastructure. For instance, the list of points in “Profile” section might be interpreted either as another specialisation of the intervention scope, or as separate activities (“projects related to the building of offshore wind power plants” and “port infrastructure building”).
The modification of the scope of the “B3.1.3. Green transition of cities and functional areas” investment; the division of the investment into smaller pools with dedicated targets and indicators or an unambiguous indication that integrated projects will be supported.	At present the investment covers a long list of possible projects of various impacts, such as on the emission reduction, climate change adaptation or the improvement of other environmental parameters. This increases the risk of: 1) duplicating other support programmes, 2) dominant position of one type of projects and the lack of progress in other areas, 3) implementation of scattered investments that will not result in the scale and synergy effects. The current scope of investment does not allow for a definition of clear performance indicators. It is necessary to decide whether the goal of this investment is to achieve specific environmental performance indicators (then it would be preferable to narrow down the list of the supported project types and to divide the investments into smaller pools with specific performance indicators assigned) or whether is it to support an integrated approach to the greening of smaller cities (then the requirements on the comprehensiveness of the investment should be increased). The latter option seems to be preferable, as it moves beyond typical projects supported by the EU funds, but the final decision should depend on the funds availability and the activities planned within other support programmes.

Buildings	
In terms of the "B1.1 Clean air" reform, there should also be included a possibility of the withdrawal of the financial capacity from the Priority Programme National Fund for Environmental Protection and Water Management (NFOŚiGW) "Clean air" of the investments in coal-based heating sources, as well as the convergence of the rules regulating the support of gas sources with the funds from the RRP and the NFOŚiGW.	Taking into consideration the complementarity of the funding of the activities in the area of single family buildings from the RRP as well as from the NFOŚiGW, releasing the funds from the RRP secured with additional conditions (e.g. lack of the possibility of financing coal-fired boilers) will cause the applications related to zero-emission sources to be directed mostly to the programme financed by the RRP, and the applications related to the emission-intensive sources to be directed to the national programme. As a result, this may even lead to an increase of the coal financing from national funds, as a result of the presence of new funds from the RRP. Avoiding this situation requires to unify the rules for the programmes financed both by the RRP and the national funds.
Moving the "B3.1.4. Passive buildings for the local community activities" investment into the B1 section.	It will allow to maintain the coherence of the document (all the interventions related to the energy efficiency of the buildings will be assigned to one target) and to apply coherent conditions and guidelines related to the activities from this area.
Implementing the same level of ambition when renovating the public buildings within "B1.1.3 Thermal modernisation of schools" and "B3.1.4 Passive buildings for the local community activities" investments; the implementation of the activities within both investments that would allow public buildings to reach the passive buildings status.	Investments B1.1.3 and B3.1.4 seem to be characterised by a different ambition level in terms of the target energy efficiency level and the buildings emission intensity. Taking into consideration the one-off availability of the funds from the RRP, the leading role of the public sector in the buildings renovation and the perspective of further increasing the emission reduction targets involving building sector (together with the possibility of including buildings into the EU ETS), it is reasonable to treat both investments as flagship programmes providing deep renovation and elimination of direct emissions, together with improving the comfort and health of the building users.
Industry	
Moving the "B1.1.4. Investments in energy efficiency and RES installations in enterprises: investments with the biggest potential to reduce greenhouse gases" to the loan part of the Plan; using the released funds to implement a new investment supporting pilots of innovative zero-emission technologies in the industry within the A2.1 scope.	In the present market environment, investments into incremental energy efficiency improvement or renewable sources become cost competitive (making it reasonable to support them with loans), and, at the same time, they are insufficient in terms of decarbonisation of energy and emission intensive industries. Qualitative changes of production processes require high up-front investment costs and they are characterised by a high risk level, which justifies their support by grants. The interest into this form of support is confirmed by the enrolment of

	Polish entities to the Europe-wide Innovation Fund of EU ETS. The scale of this Fund is not enough to support all the promising projects, so this is why it is reasonable to launch another instrument on the national level. This pool might be further enlarged by some funds from the "A2.1.1. Large innovative projects" investment.
Moving the "E1.1.1 investment. The support for the industry in terms of low carbon economy" to the area A2.1 and increasing its scope to the investments into enterprises providing zero-emission technologies to sectors other than transport and energy. At the same time, it is necessary to implement transparent and explicit methods of selecting projects that could be supported by means of the investments included in the area A2.1. Changing the nature of this investment into a more cross-cutting one entails the necessity of consideration of changing the responsible authority from the Ministry of Climate and Environment to the Ministry of Economic Development, Labour and Technology.	The detailed nature of the support included in E1.1.1 was specified only in the shorter description of the RRP. According to that information, the investments are not supposed to support solely the electro-mobility development, but also RES (photovoltaic cell factory), undermining the validity of inserting this investment in the component E. At the same time, due to the dynamic market changes, it is possible that further promising zero-emission technology initiatives will appear in other areas (e.g. heat sources, industry technologies, digital solutions). It justifies a more cross-cutting and open selection process of the supported projects. The kinds of investments planned within E1.1.1 presented in the shorter description of the RRP might be carried out within A2.1, dedicated to a cross-cutting support for investments into environmental innovations. At the same time, the description of this investment does not include a justification of the selection criteria, causing a risk of lack of transparency, as only three projects are to be supported by it. Moreover, the lack of a detailed investment scope makes it impossible to assess the E1.1.1 investment's compliance with the 'do no significant harm' principle.
Moving the funds from the "A2.1.4. Unmanned mobility (Unmanned aerial vehicles)" investment to a more cross-cutting one.	The RRP should include investments that could potentially contribute to the achievement of national strategic development objectives (economy recovery, green and digital transformation). The RRP does not justify setting apart the area of "unmanned mobility" and allocating a specific amount there. No justification has been provided as for why the support from horizontal instruments is insufficient to provide the adequate (from the perspective of the strategic needs of the Polish economy) development of entities from this industry.

Transport	
Including the investments allowing local governments to develop rail transport in the component E1.	The development of urban rail transport will contribute to both the main target of the RRP (the recovery of the economy after the pandemic) and the target of low-emission economic transformation. On one hand, the nature of the investment meets the requirements and the specificity of the funds from the Recovery and Resilience Facility; on the other hand, however, due to its capital-intensive nature and limited financial resources of the local governments, it is a desired area to be supported by the public funds.

WiseEuropa

ul. Królewska 2/26
00-065 Warsaw
tel.: +48 22 513 14 18
e-mail: office@Wise-Europa.eu

www.Wise-Europa.eu