

Polish Sustainable Recovery Monitor

– May 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 [2.9 million as of May 31th](#), while the [number of deaths has exceeded 73 700](#). As of May 31th, one third of Poland’s population has received at least [one dose of the vaccine](#).



Poland submits the National Recovery and Resilience Plan to the EC, requests additional month of review:

With a slight delay, the Polish government [submitted](#) the National Recovery and Resilience Plan to the European Commission on May 3rd 2021.

The text of the Plan differs considerably from the draft presented in February for public consultation. While many comments submitted by stakeholders have been taken into account, most of the strategic shortcomings of the plan remain unaddressed, [as discussed in the assessment prepared by WiseEuropa](#). Notably, the Plan still does not include specific indicators to measure its contribution to green transition, lacks details on the planned extent of gas investments, provides no detailed assessment of “do no significant harm principle”, and is based on the outdated climate and energy targets.

In late May, [Poland asked the EC to extend the review process](#) of the Plan from two to three months. This indicates that the document still requires further work, and the funds will likely not available until autumn.



Ratification of the Recovery and Resilience Facility:

In the critical vote on May 4th, [the lower chamber of Polish Parliament \(Sejm\) has ratified the EU Council’s decision on own resources](#), with a [split both within the ruling coalition and opposition](#). President Andrzej Duda ratified the decision on May 31th, finalising the process in Poland. On the same day, the notification about the approval was submitted to the Council, which [confirmed](#) that all 27 Member States approved the own resource decision, which was necessary to launch the Recovery and Resilience Facility.



Presentation of the Polish Deal:

In mid-May, the ruling coalition presented [the Polish Deal](#), a political document which provides an [overview of its plans in the area of socio-economic policy for the coming years](#). The document complements and in many cases recycles the National Recovery and Resilience Plan (especially with regards to the climate and energy policies). Notably, it also includes policies funded from domestic sources. It covers five areas: healthcare, taxes, pensions, housing and investments. The public debate around the Polish Deal has focused mostly around the [proposed reform of tax provisions](#), the most detailed part of the document.

[Notably, climate related issues were addressed to a limited extent](#), with no coherent vision or a systemic response to the climate challenge presented. In fact, expressions such as "climate crisis" and "climate change" do not appear in the text, the climate neutrality target is not formulated, and the difficult situation in the Polish mining industry is omitted. The Polish Deal mainly repeats already established priorities presented in the governmental strategies, such as nuclear power, offshore wind or Polish hydrogen economy. [The new climate-related measures include](#) the end of coal boiler subsidies in the Clean Air programme, the extension of "My Electricity" programme, and introduction of energy certificates for buildings.

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1.2 Sectoral insights



Mining



The social agreement between the government and the unions officially signed:

[Mining unions and the Polish government have agreed on the final text of the social agreement on coal phase out](#) by 2049, public support for the coal sector and social protection for miners in late April 2021. The document, approved by the authorities of all unions participating in its negotiation, [was signed by all parties on May 28th](#) in Katowice. The Office of Competition and Consumer Protection (UOKiK) [has already sent the draft agreement to Brussels](#) so that it can be submitted to the pre-notification procedure as soon as possible. While the Agreement covers several topics related to regional development support, it's key element is the mechanism which will allow the government to provide operational support to unprofitable mines. Such mechanism is [not in line with the established EU state aid framework](#) and as such is not likely to be approved by the EC. The Agreement also includes the support for "clean coal" technologies



from domestic funds, but does not provide specific instruments to implement the proposed projects, which include coal gasification and CCUS deployment.

The European Court of Justice (ECJ) ordered Poland to "immediately cease" the operation of the Turów open-pit coal mine:

[The ECJ took its decision on the basis of harmful effects on the environment denounced by the Czech government.](#) According to the Czech authorities, this mine has a negative impact on the environment of the border regions (because of provoking noise, dust, lack of water and threat to the supply of drinking water). The ECJ will examine the case on its own merits later. The court considers that "damage to the environment and human health is, in principle, irreversible". On the other hand, "Poland has not proved (...) that the cessation of activities in the mine would lead to a real threat to the country's energy security" and "the alleged socio-economic damage, linked to the loss of employment in the mine and the power plant, is essentially a pecuniary damage, which cannot be considered irreparable".

The Turów open-pit coal mine is owned and operated by the Polish state-owned Polish Energy Group (PGE – Polska Grupa Energetyczna) which wants to expand it by 25 to 30 square kilometers. [PGE estimates that the closure of the Turów mine would result in losses of PLN 13.5 billion](#) (ca. EUR 2.96 billion) and in the layoff of thousands of employees (3600 people). Complying with the ECJ's decision would require shutting down 2 GW of power, covering between 3% to 5% of the energy demand of Polish consumers, including [the newest 495 MW unit commissioned a few weeks ago.](#)

The Prime Minister Mateusz Morawiecki called the decision of the ECJ as very dangerous for the energy security of Poland and stated that [Poland will keep the Turów mine in operation until a final verdict is issued.](#) He also added that he will negotiate directly with the Czech government.

In the meantime, on April 28th, [the Ministry of Climate and Environment extended the term of the concession for the extraction of lignite from the Turów deposit to 2044.](#)

"Considering the tightening of cross-border cooperation with the Czech Republic, it seems that we are already very close to an agreement. As a result of this agreement, the Czech Republic agreed to withdraw the application to the ECJ" said Prime Minister Mateusz Morawiecki after overnight negotiations in Brussels before the meeting of the European Council with Prime Minister Andrej Babiš on the Czechs' lawsuit for the Turów mine. After Prime Minister Morawiecki's words, Prime Minister Andrej Babiš denied that there was an agreement. "We are not withdrawing any lawsuit, nothing like that will happen, it's out of the question " said Babiš, quoted by Czech media.

However, [moments later the Czech Prime Minister wrote on Twitter:](#) "I welcome the fact that, after many years of negotiations, Poland has acknowledged that mining at the Turów mine is damaging our environment, but the problem has

not yet been resolved. Experts are negotiating an intergovernmental agreement at the level of prime ministers, which, among other things, provides compensation for municipalities at risk of mining.”

After the statements from the Czech side, [a spokesman for the Polish government Piotr Müller commented on the case](#) "Yesterday there was a team meeting, which agreed the framework of the agreement between the PL and the Czech Republic. An agreement under which the withdrawal of the complaint was declared. The final agreement is being prepared. The prime ministers have just confirmed the arrangements at the morning meeting before the European Council."

No final provisions of the agreement have been released in May. Likely provisions include [transferring EUR 45 million from Polish to Czech government and establishing Polish-Czech group to monitor the environmental situation](#).



Shutdown of the major investment in Silesian hard coal mining:

[Tauron will not complete the construction of the “Grzegorz shaft” in its Sobieski coal mine in Silesia](#) which was supposed to give access to new coal deposits. The investment in this 870 m deep shaft was decided in 2017 with an expected delivery in 2023. The works are already halfway advanced. The total cost was estimated at over PLN 0.5 billion (ca. EUR 109.81 million). In recent months, the works on the project have significantly slowed down.



Historically low level of employment in the mining sector:

The Industrial Development Agency (ARP - Agencja Rozwoju Przemysłu) reported that the [level of employment in the hard coal mining sector is already below 80 thousand people](#), compared to 82.6 thousand in March 2020. Six years ago the number of employees was over 100 thousand people and 15 years ago it was 120 thousand people.

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Energy



Coal debt will be transferred to the National Energy Security Agency together with power plants and lignite mines

The government [released the plans to establish National Energy Security Agency](#) (NABE - Narodowa Agencja Bezpieczeństwa Energetycznego), which is to consolidate coal assets. NABE will take over the country's coal-fired power plants and lignite mines [together with some of the debt of the Polish Energy Group, Tauron and Enea linked to their coal assets](#). The debt may amount to PLN 18 billion (ca. EUR 3.95 billion). According to the plan, [NABE will not make](#)

[any new investments](#), maintaining existing units only.



Social agreement with miners provokes discontent of energy unions

[Energy unions want a social agreement similar to the one recently concluded with the mining unions](#). Trade unions from PGE, Tauron, Enea, and Energa have set up a protest and strike committee. They demand an agreement that would provide security for employees of the power and mining sectors, and guarantees that the power industry will be developed in current locations.



Ongoing transition from coal to gas in Poland:

- [Gas-fired power plant Ostrołęka C will be built thanks to the cooperation of Orlen, Energa and PGNiG](#). According to the investment agreement, Energa and PKN Orlen will hold together a majority stake of 51% in CCGT Ostrołęka, a Special Purpose Vehicle established in January 2021. The remaining 49% of shares of Ostrołęka C will be held by PGNiG. Energa will supervise the company (administrative activities, organizational supervision). The companies have also secured financing for the investment. Ostrołęka C was originally supposed to be a coal-fired power block, but external financial institutions refused to finance a coal unit. Thus, Enea and Energa abandoned the investment which was later taken over by Orlen, which decided to switch the plant to gas-fueled technology. Then, PGNiG joined the project and in April 2021. The Office of Competition and Consumer Protection (UOKiK – Urząd Ochrony Konkurencji i Konsumentów) gave its consent to the joint investment.
- [Orlen Południe and PGNiG signed a letter of intent to strengthen their cooperation in the field of developing biomethane plants in Poland](#). The cooperation will focus on the acquisition and construction of biomethane facilities, the development of new technologies, and the production and use of biomethane. The investments would be carried out by a Special Purpose Vehicle whose 51% of shares would belong to Orlen Południe and remaining 49% would be held by PGNiG. The Office of Competition and Consumer Protection is expected to validate this partnership.
- Tauron's President announced incoming construction of [3 to 4 GW of gas power installed capacity by 2030](#).
- [PGE Energa Ciepła Elektrociepłownia in Zgierz has received a permit for construction of new generation units](#) which should use gas instead of brown coal as a basic fuel.



Reinforcement of Polish gas grid:

- The Polish Energy Regulatory Office approved [the proposals of the Gas Transmission Operator Gaz-System to increase the capacity of the two Poland-Germany interconnections and the Poland-Czech Republic interconnection](#).
- [The West Pomeranian Voivode issued a location decision for the](#)

[construction of a gas connection pipeline](#) to the two combined gas and steam units of the total capacity of 1340 MW, which are being constructed at the Dolna Odra Power Plant. This is one of the three most important administrative permits necessary to begin construction. The gas pipeline will connect the Dolna Odra Power Plant in Nowe Czarnowo with the existing transmission infrastructure of Gaz-System. Thanks to the gas connection implemented by Gaz-System, the new gas units in this power plant will be able to be supplied with gas through the Baltic Pipe and the LNG Terminal in Świnoujście. Completion of the gas pipeline construction is scheduled for the third quarter of 2023. The electricity produced by the new units in Dolna Odra Power Plant will cover the demand of 2.5 million households.

Emergency shutdown of one of Europe's largest power plant:



As a result of a malfunction in a transmission sub-station belonging to the Polish Power Grid (Polskie Sieci Elektroenergetyczne – PSE), [an emergency automatic shutdown of 10 out of 11 units of the Bełchatów power plant took place](#). The Bełchatów power plant is the largest conventional power plant in Europe, supplying about 20% of the Poland's electricity needs. As a result of the malfunction, [3.6 GW disappeared from the system](#), causing frequency distortions in the whole area of synchronous operation, from North Africa to Turkey and across Europe.

Nevertheless, the power system remained stable and operated without any shortages. PSE managed to balance the system quickly by launching power from pumped storage power plants, increasing power in operating plants, and importing energy from the Czech Republic, Slovakia and Germany.

According to early statement by PSE, the failure could have been caused by a human error. Later, power plant operator PGE stated that no employee of the Bełchatów power plant was responsible for the failure of the grid. The causes of the failure are currently being investigated by a team of specialists appointed by PSE. PGE is now [demanding compensation from the transmission grid operator PSE](#) on the basis that the shutdown was not caused by a failure in the power plant.

Progress in Polish offshore wind programme:



- [The European Commission approved Polish support scheme through the “Contract for difference” formula for offshore wind farms](#). In the first phase of the system, it will enable the construction of offshore wind farms with a total installed capacity of up to 5.9 GW. [The program's budget amounts to EUR 22.5 billion \(ca. PLN 102.5 billion\) and will run until 2030](#).
- The Polish Energy Regulatory Office (URE – Urząd Regulacji Energetyki) approved new applications for investment support. After PGE, Ørsted and RWE, which succeeded in obtaining financial support in April 2021,

[Polenergia and Equinor received support for their offshore projects](#) (OWF Bałtyk II and OWF Bałtyk III with a total installed capacity of 1440 MW). They must be put into operation within seven years, the construction works should start in 2024 at the latest.

- [Ørsted concluded its joint venture agreement with the Polish Energy Group on joint offshore projects in Poland](#). It will now hold a 50% stake in the Baltica 2 and Baltica 3 projects (total installed capacity of 2.5 GW), the largest offshore investments in the Polish part of the Baltic Sea.
- Orlen and its Canadian partner (Northland Power) in the Baltic Power offshore wind farm project have estimated their investments in offshore wind farms at [PLN 10 billion](#) (ca. EUR 2.2 billion).

Ongoing liberalization of onshore wind regulations:

- The Ministry of Development, Labour and Technology has published [a draft on the liberalization of the distance law to facilitate the construction of onshore wind farms](#). A public consultation started on May 4th and will last 30 days. The minimum distance of new turbines from residential buildings is set at 500 m. According to the Polish Power Grid, the installed capacity of onshore wind farms in Poland is 6.6 GW. The ministry estimates that the adoption of the bill will result in the construction of additional 6 GW (conservative scenario) to 10 GW (development scenario) of new wind capacity by 2032.

The world's first perovskite solar panel factory in Poland:

[The Polish company Saule Technologies has opened the world's first perovskite factory](#), an innovative technology for solar panels.

Perovskites are atomic structures, common in nature and easy to obtain in laboratory. They enable to manufacture light, flexible, shape-shifting photovoltaic panels that can be effortlessly placed on a laptop, a car, a drone, even in the shade and inside buildings for instance. The efficiency of the new modules is comparable to that of traditional silicon panels.

Saule Technologies is controlled by private Polish investors, including Columbus Energy, a leading company in photovoltaic and green energy in Poland. The new factory is located in Wrocław and is already receiving demand exceeding its production capacity, estimated at 40.000 m² per year. The first commercial orders come from the Internet of Things and building sectors.

New target for the number of individual renewable installations in Poland:

Ireneusz Zyska, deputy Minister of Climate and Environment, declared that the government aims to increase the number of prosumers in Poland to [one million](#), up from 500,000 today. No timeline has been presented but, according to Mr Zyska, the government is preparing legal solutions to foster the increase in



number of prosumers, and to secure the stability of the energy system at the distribution level.



Amendments to the Energy Law Act unanimously adopted

The new Energy Law Act adopted by the Senate allows the [implementation of a smart metering system, increases the role of the end user in the energy, gas and heat markets, and increases protection of consumers](#). The new law lifts legal barriers to the development of electricity storage in Poland by regulating the connection of storage facilities to the grid and their 50% exemption from connection fee.



New initiative fostering nuclear research in Poland:

The National Centre for Research and Development (NCBiR – Narodowe Centrum Badań i Rozwoju) and the Ministry of Education and Science will support the construction of a research reactor in Poland. Both entities [signed an agreement with NCBJ \(National Center for Nuclear Research\) for the implementation of design works for a High Temperature Gas cooled Reactor \(HTGR\) in NCBJ facility Świerk near Warsaw](#).



Acquisition of Lotos and PGNiG by PKN Orlen moves forward:

PKN Orlen has formally [applied to the Office of Competition and Consumer Protection to take over Polish Oil Mining and Gas Extraction \(PGNiG – Polskie Górnictwo Naftowe i Gazownictwo\)](#).

In the meantime, the [State Treasury stated that it will increase its stake in Orlen in order to enable a cashless takeover of Lotos and PGNiG](#).

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Transport



New initiatives in hydrogen mobility:

- [PKN Orlen is currently selecting hydrogen supplier for a hydrogen fueling station](#). First stations serving buses and cars will be built in Poznań and Katowice. Later this year the firm will start building a hydrogen hub in Włocławek.
- [Pesa, a Polish railway vehicle manufacturer will launch its first hydrogen locomotive in summer](#). The work on the hydrogen-powered locomotive began in 2019 and is being realized in the collaboration with PKN Orlen. The first machine produced will be operated in the PKN ORLEN refinery in Plock. The locomotive will have radio remote control and monitoring system installed, a first step towards making the locomotive autonomous.
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- [PKN Orlen signed a letter of intent to cooperate on the development of zero-emission public transportation based on hydrogen](#) with the Municipalities of Pila and Bielsko-Biała. The goal is to build a hydrogen infrastructure for the needs of public transport vehicles.
- The government signed a letter of intent [creating the "Subcarpathian Hydrogen Valley"](#). The purpose is to develop economically innovative and environmentally beneficial use of hydrogen technologies developed in Rzeszów and its surroundings. The "Subcarpathian Hydrogen Valley" will concentrate the production of fuel cells, hydrogen buses and low-emission hydrogen. The hydrogen valley will be financed from the funds provided by the National Recovery and Resilience Plan: EUR 800 million (ca. PLN 3.64 billion) is allocated for this project.



Expansion of high-speed trains in Poland:

[PKP Intercity will increase the number of trains capable of running at high speeds](#). By 2030, PKP Intercity will purchase 15 electric trains, and possibly 8 units more, with a speed of up to 250 km/h. For now, the company has 20 trains capable of speeds of up to 250 km/h. This year, the firm also plans to announce a tender for the purchase of 38 double-decker push-pull train sets and 45 multi-system locomotives capable of speeds of up to 200 km/h. However, the issue is now to adapt as many routes as possible to higher speeds. According to PKP Polish Railway Lines (PLK – Polskie Linie Kolejowe), more routes are being prepared for speeds of 200 km/h and higher.

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Buildings



Significant shift in the "Clean Air" program as the subsidies for coal-fired boilers will be withdrawn:

[The subsidies for coal boilers from "Clean Air" program will be phased out](#). The purchase and installation of a coal-fired boiler will only be possible until 31 December 2021. Moreover, the current income threshold, entitling to an increased level of non-refundable subsidy (up to PLN 37 thousand (ca. EUR 8.13)), will increase.



New fund for air quality in Lower Silesia:

A new program will start in the third quarter of 2021 in Lower Silesia: [PLN 15 million \(ca. EUR 3.3 million\) will be given for improving air quality by replacing heat sources and improving energy efficiency in multi-family buildings in Lower](#)

[Silesia province](#). This anti-smog pilot project will be managed by the National Fund for Environmental Protection and Water Management (NFOŚiGW – Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej).



New initiative to prevent climate change effects on health-resort towns:

[A new PLN 250 million \(ca. EUR 55 million\) "Climate-friendly health-resort towns" program administered by the National Fund for Environmental Protection and Water Management](#) will support local governments with the status of a health-resort town to make them more resilient to the effects of climate change. The program will last until 2024 or until the funds are exhausted. The key objectives of the program are the improvement of air quality, the reduction of greenhouse gas emissions and the supply of good quality drinking water by improving energy efficiency and increasing energy production from renewable sources.

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1.3

WiseEuropa's updates



[Poland's Recovery Plan – A failed test in planning. \[EN\] – assessment of the final draft of Polish RRP by WiseEuropa](#)

[Sustainable finance and local governments \[PL\] – policy insight in cooperation with Santander Bank Poland](#)

[COP26 Private Finance Agenda and sustainable finance in Poland \[PL\] – policy brief in cooperation with British Embassy in Warsaw](#)



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