

Polish Sustainable Recovery Monitor

– September 2021 issue

Welcome back after break! We are happy to be back with our first post-summer issue

1.1 Economic Recovery – the big picture



COVID-19 pandemic – current state:

The overall number of SARS-CoV-2 [cases detected in Poland exceeded 2.9 million as of the 28th of September 2021](#), while the number of deaths has exceeded 75.6 thousand. For several weeks, Poland is recording an upward trend in the number of daily new cases, which is being treated as an early warning sign of the upcoming 4th wave. By the 28th of September 2021, only 51% of Polish citizens have been fully vaccinated. Such a low vaccination rate is expected to substantially affect the scale of the upcoming wave. Since mid-September people, who are over 50 years old and other selected social groups are eligible for [a \(third\) booster shot](#).



European Commission is holding off its approval for Poland's National Recovery and Resilience Plan (RRP):

Controversies around issues affecting the rule of law have been named as a key reason for the lack of approval of the Polish RRP by the EC.

On the 1st of September 2021, the European Commissioner for Economy, [Paolo Gentiloni, noted that the EC is hesitant to green-light the RRP in light of recent questions around the primacy of the EU law in Poland](#) as they might affect the implementation of the Polish Recovery and Resilience Plan. The Commission believes that the recognition of the primacy of the EU law helps to ensure that the funds are spent in accordance with the strict guidelines set by the EU.

Gentiloni's remark refers to the request made by the Polish Prime Minister Mateusz Morawiecki to the Polish Constitutional Tribunal to assess whether the EU law takes precedence over Polish law. A hearing was held on the 22nd of September 2021, but no ruling was made; [the case was adjourned until the 30th of September 2021](#).

Therefore, the state of negotiations with Poland on the RRP remains uncertain and little to no information is being disclosed to the wider public. The last version of the plan that has been made public is the version submitted in late April to the EC, which reportedly has undergone substantial changes (especially with regards to KPIs and milestones) during last several months as a result of the dialogue between the EC and the Polish government.



Polish government reacts to Fit for 55 packages:

The negotiation instruction for the Polish representatives at the Council Working Party on Energy meeting on the 2nd of September 2021 (made in case of the necessity to assess the consequences of the Fit for 55 packages), reveals that the financial cost of this legislation is one of the main concerns of the Polish government.

[The instruction states](#) that “the Commission's proposal to a large extent inadequately reflects the challenges faced by Poland in terms of high costs of the transformation of the energy sector and a short period of time envisaged to implement the provisions of the Fit for 55 legislation.”



Draft bill on climate adaptation policy in urban areas:

According to the [draft](#) published on the 3rd of September 2021, towns and cities with over 20 thousand inhabitants will be obliged to prepare urban climate change adaptation plans. These plans shall include measures such as preserving biodiversity by developing urban forestry and greening. Moreover, measures envisaged by the adaptation plans, are to be taken into account in the process of urban spatial planning.

The draft also envisages that at least 30% of funds within participatory budgeting will be given to the protection of the urban natural environment.

The act is planned to enter into force on the 1st of January 2022, but some of its provisions would apply from 2023.

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1.2 Sectoral insights



Mining



Plans for the new coal mine in Mysłowice might cost the subregion funds from the Just Transition Fund:

The recently published by the EC, staff working document on the territorial just transition plans explicitly mentions that subregions, where the opening of new coal mines is envisaged, should not have access to the Just Transition Fund (JTF). [This provision affects chances of the Katowice's subregion to secure funding from the JTF](#), as in 2020 the Ministry of Climate and Environment has issued the concession for a new coal mine in Mysłowice. It remains uncertain, whether the company will actually operationalise its plans and open the coal mine. In light of the JTF's developments, some stakeholders have announced plans to revoke the concession, while others see an opportunity in further provisions of the EC's working document stating that some exemptions could be made if the government will successfully justify that the investment will not negatively impact the pathway towards achieving climate targets set by the EU.



Turów's Coal Mine still operates despite EUR 0.5m/day fine set by the European Court of Justice (ECJ):

In May 2021, Poland was ordered, as an interim measure, to suspend operations of the Turów's coal mine (one of the biggest lignite mines in Poland) as it contributes to cross-border degradation of environment – according to the case presented by the Czech's government. Despite the instructions from ECJ, Turów's operations have

continued. The representatives of the Polish government have justified such decision with the energy security argument, as the mine enables operations of the power plants that provide 4-7% of the country's electricity supply. [Turów continues to operate even after the decision of the EUR 0.5m/day fine for non-compliance was presented by the ECJ in the second half of September](#). In parallel, negotiations between Czech and Polish representatives continue. [As of yet, there are no details being disclosed with regards to the provisions of the potential deal](#) (for background information see [May's](#) and [April's](#) edition of the Monitor).

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Energy



Discussions continue on the draft Social Agreement regarding the transformation of the power sector and the brown coal industry:

[On the 1st of September 2021 the Ministry of State Assets initiated discussions on the draft Social Agreement regarding the transformation of the power sector and the brown coal industry. The draft of the agreement was submitted to the Ministry on the 23rd of August 2021](#) and it is a response from energy sector trade unions to the governmental plans to set up National Energy Security Agency– an state controlled enterprise that would acquire coal assets from the state-controlled energy companies. The unions have inter alia called for employment guarantees and other social protection measures (for background information see [February's](#) edition of the Monitor).



Struggle to find investors eager to finance the repair of the of the coal unit at the Jaworzno power plant:

Repair work is underway on a new unit at Jaworzno Power Plant, owned by Tauron. [The cost of the construction of a 910 MW coal-fired unit amounted to approximately PLN 6.2 billion \(ca. EUR 1.3 billion\)](#). In early August 2021, Tauron reported a failure of a new power unit. Its repair is however strongly dependent on the financial condition of the general contractor (Rafako), who struggles to secure interest from investors. Reportedly, Rafako has been seeking financial support from the state-controlled companies. There's a risk that Jaworzno will become another, [after Ostrołęka C](#), showcase example of a stranded asset.



Expected further increases in electricity prices:

National energy companies are going to submit requests to Energy Regulatory Office (URE) regarding the increase in electricity prices for households at the beginning of 2022. [Enea, one of the largest energy groups in Poland, proposes to increase the tariff for the sale of energy by approx. 40%](#).

Already, in September 2021, [URE agreed to increase gas prices by 7.4%](#) at the request of PGNiG (Polish Oil and Gas Company). According to URE, for the statistical user the bill will increase by 3.4%, while customers who use gas for heating purposes will need to pay approx. PLN 13.76 more per month (c.a. EUR 2.97).



New small-modular reactors (SMR) announcements in Poland:

Poland's largest copper producer KGHM has signed agreement with NuScale – a US company, that foresees development [of four SMRs \(77 MW each\) already by 2030](#).

[Zygmunt Solorz \(owner of the ZE PAK coal-fired power plants\) and Michał Solowow \(owner of the Synthos company – a strategic partner of the GE Hitachi Nuclear Energy\) signed by the end of August 2021 an agreement to build the first nuclear power plant in Poland \(by 2027\)](#). From available information it appears that the deal aims to [build 4 to 6 small modular reactors \(SMR\) with a capacity of 300MW each](#). The nuclear power plant is



to be located near the existing Pątnów power plant in central Poland. Already earlier this year, Solowow has signed with PKN Orlen (the state-controlled oil refiner and petrol retailer) a framework agreement on the development of SMR in Poland (for background see [June's](#) edition of the Monitor).

Sectoral agreement for the development of offshore wind energy in Poland:

On the 15th of September 2021, key offshore wind industry stakeholders signed a Polish Offshore Wind Sector Deal. The Deal is to serve as a platform for cooperation between, among others, central and local governments, investors, farm operators as well as supply chain companies. The Deal has been already signed by more than 120 entities. The aim of agreement is to boost participation of Polish companies in the supply chains that contribute to the development of the Polish offshore wind farms on the Baltic Sea (11 GW in the 2040 horizon).

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Transport



Government still committed to its promise to launch the Polish electric car production:

ElectroMobility Poland SA, a company founded by the state-controlled energy groups which task is to launch a mass production of the Polish electric car, was recapitalised by the government in the amount of PLN 250 million (ca. EUR 54 million), which made State Treasury the majority shareholder of the company. The move signals the commitment of the government to further pursue a troubled project, which stemmed from its past declarations to spearhead the development of electromobility industry in Poland. At the same time, both Polish and international private companies actively develop the e-mobility supply chain in Poland, which is widely

regarded by industry experts as a more practical way to strengthen the national manufacturing base than building the car company from the scratch by the state.

[The President of the Republic of Poland, Andrzej Duda, signed a controversial “Lex Izer”](#). The act allows repurposing of the areas of the State Forests to “strategically important” investments, in practice allowing ElectroMobility Poland to construct the factory for the first Polish electric car IZERA in Jaworzno. Environmental organizations have opposed the act, as it will result in cutting down of 230 hectares of forest.

The president of ElectroMobility Poland announced [that the platform on which the Polish electric car will be built has been selected](#). It hasn’t been introduced to the market yet and comes from one of the largest manufacturers of the automotive industry.

Ongoing financial support for low-carbon mobility:

[Over 560 applications for the amount of over PLN 11.5 million \(ca. EUR 2.5 million\) have been submitted by mid-September](#), under the support scheme for individuals “My electric car”. The standard amount of subsidy for an electric car is PLN 18,750 (ca. EUR 4,075), and for holders of a Large Family Card - PLN 27,500 (ca. EUR 5,977). It was also announced that Environmental Bank (BOŚ – Bank Ochrony Środowiska) will be the first bank to subsidize vehicles purchased under leasing.

[The call for applications under the Green Public Transport programme started on the 1st of September 2021.](#) The public transport companies may apply for a subsidy or a loan for the purchase of electric or hydrogen buses or trolleybuses and for the necessary construction of charging and refuelling stations. The budget of the programme is PLN 1.2 billion (ca. EUR 260 million). The call for applications will last from the 1st of September to the 20th of December 2021.

[NFOŚiGW granted a subsidy for the purchase of 20 hydrogen buses](#) for the Metropolitan Association of Upper Silesia and Dąbrowa Basin that will cost PLN 81 million (ca. EUR 17.6 million). 90% of eligible investment costs will be co-financed. The project also supports the training of 60 drivers and mechanics. The entire project will be completed by the 30th of June 2024. The infrastructure for the maintenance of hydrogen buses will be built



by an external company.



Cooperation between companies supporting the implementation of hydrogen technologies in rail transport:

[PKN ORLEN \(fuel and energy company\) and PESA Bydgoszcz \(rail vehicles manufacturing company\) have signed a letter of intent regarding the cooperation for the implementation of hydrogen technologies in rail transport.](#) Under the agreement, research and development projects and activities aimed at the use of hydrogen on railways will be implemented. At the 14th International Railway Fair TRAKO in the city of Gdańsk PESA has already presented the first prototype of a hydrogen locomotive.

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Buildings



New programme for the replacement of old heat stoves in multi-family buildings:

The National Fund for Environmental Protection and Water Management (NFOŚiGW – Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej) will allocate around PLN 2 billion (ca. EUR 435 million) for [replacement of inefficient boilers, central heating installation as well as replacement of windows and doors in multifamily buildings.](#) The initiative will be implemented in early 2022.



Over 200 thousand declarations regarding the source of heating in houses have been registered in the Central Emission Register of Buildings:

The Central Register of Emissivity of Buildings (CEEB - Centralna Ewidencja Emisyjności Budynków), launched on 1st of July 2021. It collects data on energy use in buildings. [As of the 3rd of September 2021, 212,437 declarations were successfully submitted to the CEEB.](#) Ultimately, the database is to receive information about 5 million buildings in Poland, including commercial premises and public buildings.



New subsidies for heat pumps for owners of newly built single-family houses:

NFOŚiGW will launch [a nationwide subsidy programme entitled "My Heat" \(*Moje Ciepło*\), under which subsidies for heat pumps will be granted to owners of newly built single-family houses.](#) The support is to reach up to 30% of eligible costs, depending on the type of heat pump used, but not more than PLN 21 thousand (ca. EUR 4600). The programme will be available in the first or second quarter of 2022. So far, subsidies for the installation of heat pumps could only be obtained under the "Clean Air" program, which does not cover owners of newly built houses. The programme will be financed from the Modernisation Fund.



Over 450 thousand taxpayers benefited from the tax relief supporting renovation in 2020:

According to preliminary data of the Ministry of Finance on personal income tax settlements for 2020, [over 450 thousand taxpayers benefited from the tax relief](#) which allows to deduct renovation expenditure from the tax base. In total, Polish households deducted PLN 7.5 billion (ca. EUR 1.6 bn) within this scheme. The amount has doubled compared to 2019, when 214 thousand taxpayers deducted PLN 3.2 billion (ca. EUR 670 million).



Improving energy efficiency in facilities managed by local governments - program based on the Energy Service Company model:

NFOŚiGW in cooperation with the Polish Development Fund Group (PFR – Grupa Polskiego Funduszu Rozwoju) and the Polish National Energy Conservation Agency (KAPE - Krajowa Agencja Poszanowania Energii) [will launch the "Renovation with a guarantee of savings EPC Plus" programme, based on Energy Service Company \(ESCO\) mechanism.](#) The co-financed investments are to be implemented with the

involvement of the ESCO energy services company based on the Energy Performance Contract (EPC) contract. The main aim will be to improve the energy efficiency of buildings managed by local governments.

New ordinance on heat tariffs:

The Ministry of Climate and Environment released [a draft of an amendment to the ordinance on the detailed principles of shaping and calculating tariffs for heat supply for public consultation](#). The key changes to the ordinance include: (i) guaranteed minimum income of the enterprise (if simplified tariffs are not used) (ii) increase of possible revenue increase in simplified tariffs in cogeneration by 1 percentage point (iii) bonus for reduction of CO₂ emissions – the rate of return on capital by 1% point for every 25% reduction CO₂ emissions.

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Industry



Polish largest cement plant to pilot carbon capture technology:

The largest Polish cement producer, Góraźdże cement plant owned by HeidelbergCement, will [pilot a carbon capture installation](#) as a part of the ACCSESS project co-funded by the EU Horizon 2020 programme. The project coordinated by Sintef Energi will also explore the way to integrate carbon capture unit at a cement plant in Hanover as well as to transport the CO₂ from both sites to the Northern Lights storage facility in Norway.



Development of Polish hydrogen valleys:

Polish hydrogen strategy, the final version of which is still under preparation, envisions the creation of at least 5 hydrogen valleys. These clusters are to become hubs of research, development and education regarding

hydrogen technologies. The valley development process is driven mostly by the public sector and major state-controlled companies. Up to date, letters of intent have been signed for three initiatives:

- **Podkarpackie Hydrogen Valley**, [announced in May 2021](#) by representatives of national, regional and local authorities as well as academic institutions and businesses,
- **Lower Silesian Hydrogen Valley**, [announced in September 2021](#) by 25 entities including KGHM (Polish state-controlled copper and silver producer), Grupa Azoty (state-controlled chemical company in Poland), Tauron (energy holding), Gaz-System (Polish natural gas transmission system operator) and PKP Energetyka (an electricity distributor to the Polish railway network).

Mazovian Hydrogen Valley: [announced in September 2021](#) by PKN ORLEN (Polish state-controlled fuel and energy company) as an initiative involving 16 entities, including Warsaw University of Technology and Toyota Motor Poland

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1.3 WiseEuropa's updates



[Less is More. The role of energy efficiency in the transition to climate neutrality](#) [EN] – policy brief presenting the economic importance of energy efficiency first principle on sector-specific example.



Forgotten Foundation. Buildings and energy efficiency in the new architecture of carbon pricing in the EU [EN] – policy brief on the implications of the EU carbon pricing framework for energy efficiency policy.



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