

# Polish Sustainable Recovery Monitor

– March 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 2.3 million as of March 30th, while the number of deaths has exceeded 51 000.](#)

At the end of March, Poland is facing a third wave of pandemics. The number of new daily infections steadily increased throughout the month, putting extreme pressure on the Polish healthcare system. [Since the beginning of the pandemic, in March, Poland has reached the highest daily rate of coronavirus infections \(35 145\), and the highest death toll.](#) The rapid increase is mainly caused by the British variant of the virus.



The government had to implement a partial lockdown, starting from March 20<sup>th</sup>, with hotels, shopping malls, cinemas, museums, theatres and swimming pools being closed. Pupils in grades 1-3 of primary schools who returned to schools on January 18<sup>th</sup> had to switch to homeschooling. [Furthermore, new restrictions are being introduced for the Easter period.](#)



Compared to the annual average for the 2016-2019 period, [Poland had 20.25% more deaths in 2020](#) – the highest rate of excess deaths in the European Union.

As of March 28<sup>th</sup>, Poland has administered [15.5 vaccine doses per 100 people](#), which is on the same level as the EU average. As in most of the Member States, the vaccine supply remains the key bottleneck, with a distribution system in place.



### Public financial support extended to face the third wave of the pandemic:

[The government will allocate another PLN 4,5 billion \(ca. EUR 972,74 million\) to support companies.](#) It includes PLN 1 billion (ca. EUR 215,72 million) for exemptions from social contributions, around PLN 0.5 billion (ca. EUR 107,84 million) for wage subsidies and PLN 1 billion (ca. EUR 215,72 million) of non-refundable subsidies for small companies.

Besides, the government will partially cancel the obligation to repay the part of state aid that firms have received last year. The money which was supposed to be in 25% refunded, will stay in companies.

[The Sectoral Anti-crisis Shield \(Tarcza branżowa\), one of the mechanisms created by the government to support businesses affected by the restrictions of the economic activity, will be extended to support companies through the third wave of pandemics.](#) It entails a salary support scheme, social contributions exemptions, a non-refundable grant of up to PLN 5,000 (ca. EUR 1,078) for self-employed workers, and companies employing up to 49 employees. The Sectoral Anti-crisis Shield may also be extended to include additional sectors in the future.

### **National Recovery and Resilience Plan (NRRP):**

At the end of February (February 26<sup>th</sup>), [the government has presented the draft of the NRRP for public consultations](#), which will last until April 2<sup>nd</sup>. Despite [earlier calls from business associations and NGOs](#) to increase the transparency of the process, this is the first opportunity for the majority of stakeholders to provide feedback and engage with the development process of the NRRP. To accommodate requests from social actors, [the government has organized a series of theme-focused public hearings](#) enabling the wider public to express their concerns with regards to the document.

*Available assessments of Polish NRRP:*

- A basic overview of NRRP is available in [February's issue of the Monitor](#).
- WiseEuropa together with the Green Recovery Tracker Initiative has prepared an [initial assessment of how the measures envisaged by the Plan contribute to the decarbonization of the economy](#).
- [A comprehensive assessment of the Plan is available on WiseEuropa's website](#). The English version will be available from mid-April.

Although members of [Poland's United Right ruling coalition express their concerns with regards to the EU's proposal for the Recovery and Resilience Facility](#), it is likely that the opposition's support will ensure that the RRF becomes approved by the government.

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## Mining



### Discussions between the government and the unions still ongoing:

[New rounds of negotiations between the government and the mining unions took place in March](#). The parties have agreed on most issues, but there are still discussions about employment guarantees and the indexation of miners' salaries for the coming years.

[It has been confirmed](#) that the social agreement which is currently under negotiation offers four-year pre-retirement leaves with 80% of the average salary and a one-off cash payment of PLN 120,000 (ca. EUR 26,000). Miners wishing to continue to work until retirement should be transferred to operating mines. The agreement was to be signed by the end of March, but [according to the latest news](#) it may not be concluded before Easter. Afterwards, the plan needs to be submitted to the European Commission, given that it includes provisions to subsidize unprofitable mining operations to deliver the proposed extended mining phase-out process up to 2049.



### PGG to receive a state aid lifeline despite lack of restructuring plan:

The largest coal mining company in Poland, PGG, [is set to receive short-term state aid in the form of PLN 1.75 bn \(EUR 0.4 bn\) loan](#) from the Polish Development Fund (PFR) under the Anticrisis Shield. In the previous months, the PFR was reluctant to provide the loan to PGG, stressing that the unprofitable mining company has to present a credible restructuring plan. The recent amendments to the rules of the Anti-Crisis Shield allow the PFR [to shift the responsibility](#) for the decision by requesting government consent to provide a loan. It is expected that the PGG will receive the loan soon, allowing it to maintain the liquidity for several more months and providing more time for the talks with the mining trade unions and negotiations with the EC regarding the state aid.

In December 2020, PFR provided a similar loan to JSW, a coking coal mining company that is in a better financial position, under general conditions of the Anti-Crisis Shield (see also [December 2021 issue](#) of the Monitor).



### Draft territorial just transition plan for the Silesian Voivodeship ready for consultations:

On March 29<sup>th</sup> at the meeting of parliamentary Just Transition Subcommittee representatives of the Silesian Voivodeship, the largest hard coal mining region in the EU, [have announced](#) that the first draft of the Silesian Territorial Just Transition Plan will be approved by the regional government on March 31<sup>st</sup>.

The Plan will be consulted with the regional stakeholders in April and with the national government in May-June 2021, with the aim to submit the final plan to the EC by July.



### **New plans for PGE's lignite assets**

Polish Energy Group (PGE – Polska Grupa Energetyczna), the largest state-controlled electricity company in Poland, has set up [new plans for Turów and Bełchatów](#), two of its main lignite assets. According to the plans, Bełchatów mine will be exploited until 2038, while Turów until 2044. PGE [has also confirmed](#) that it will not undertake the construction of the Złoczew lignite mine, which would extend the Bełchatów power plant life. The extended lifetime for lignite plants may, however, limit access to the EU funds.

PGE is also working on new projects which could be integrated into the existing sites such as photovoltaic installation and thermal waste processing plant with energy recovery. PGE Energia Ciepła, a subsidiary of PGE, [will build a waste-to-energy plant in Bełchatów](#) with a capacity of processing 180 thousand tons of waste per year. The thermal power will amount to 40 MWt, and the electric power capacity will be 24 MWe. The plant operations should start in 2024.

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## **Energy**



### **Plans to consolidate coal-based assets under the new entity remain in place:**

Artur Soboń, the Deputy Minister of State Assets, [revealed](#) that efforts to consolidate coal-based mining and energy state assets within one entity had entered the phase of final impact assessment. The proposal concerning this entity, called the National Agency of Energy Security (Narodowa Agencja Bezpieczeństwa Energetycznego – NABE), is to be presented shortly, but no precise date was given. The conceptual work on the integration of coal assets into a separate entity began in 2020, with specific announcements delayed several times.

WiseEuropa's recommendations are available in [the policy brief "Restart: how to break the deadlock in the Polish energy sector"](#)



### **Germany may join Czech Republic in its lawsuit against the extension of Turów lignite mine in Poland:**

After the Czech Republic [has filed the lawsuit](#) against Poland at the ECJ, the German energy ministry has also indicated that it [may join the legal action](#) against the Polish government's decision to allow expansion of Turów lignite mine operated by PGE. The PGE plans to operate the mine until 2044, even

though the current concession mine expires in 2026. The increasing market and regulatory pressure on the Turów lignite complex make it likely that it will close already in the 2020s, the prospect which is [a major concern](#) for the local community.

### **Full text of the Energy Policy of Poland until 2040 has been published:**

The Energy Policy of Poland until 2040 was [officially published](#) on March 10th, more than a month after it was approved by the government. A few days earlier, the document [was shared online](#) by a journalist who gained access to the files via the application for disclosure of sector information request.

The principal assumptions of the Energy Policy of Poland until 2040 include:

- no more than 56% of coal in electricity generation in 2030;
- at least 23% of RES in gross final energy consumption in 2030;
- the scale of required investments in 2021-2040 set at PLN 1,600 billion (ca. EUR 345 million).

The quantitative indicators in PEP2040 are to a large extent based on the National Climate and Energy Plan, which was prepared based on the old EU target of 40% GHG reduction by 2030. The Policy also provides an additional analysis of the impact of higher ETS prices on the power sector, which assumes 56 EUR/t in 2030 and only 60 EUR/t in 2040. Despite these rather conservative long-term assumptions, the higher price scenario results in coal share in the power sector energy mix declining to 37% in 2030 and 11% in 2040, with the remaining volumes coming from the CHP production. Given that the EU ETS price has already crossed 40 EUR/t level and will need to increase even further to allow deep decarbonisation of the EU economy post-2030, it is likely that the coal share in Poland will decline even faster. This is confirmed e.g. [by the recent analysis](#) from independent think tank InStrat, which sees coal share dropping to 13% already in 2030. The public debate gradually shifts from the question of whether Poland will see a rapid coal phase-out to how quickly it can be implemented without risks for the security of supply and what role should gas plants and imports play in the process.

In this context PEP2040 offers little guidance for the energy sector, avoiding specifics on the crucial issues such as removing the barriers to onshore wind deployment, preparing the grid for rapid long-term electrification of the economy or managing the risks of delays in the nuclear power program.

### **Switch from coal to gas advances in Ostrołęka and Wrocław:**

After deciding to abandon the new coal power plant project and switch the planned unit to gas, [the Energa group carries out adaptation work in its Ostrołęka's power plant](#) to prepare the construction site for gas's power plant requirements. The plant should be completed in the second half of 2021.

Another example of switch from coal to gas is ongoing near Wrocław, where for a total investment of PLN 1 billion (ca. EUR 215 million), the new heat and power gas plant [will replace](#) a coal-fueled one, achieving 320 MWt in thermal capacity and 155-180 MWe in electric capacity.



### **Uncertain timeline for the nuclear investments in Poland:**

Michał Kurtyka, Minister for Climate and Environment, [has stated](#) that the government intends to choose the technology and location of the first Polish nuclear power plant within the next 24 months, with the construction starting in 2026. This may signify a further delay compared to previous plans, which have included the choice of partner for the investment [by early 2022](#).

While the talks are most advanced with the United States, [France is also considering presenting an alternative offer within one year](#).



### **Plans to launch the national Energy Transition Fund reaffirmed:**

According to the Minister for Climate and Environment, Michał Kurtyka, [Poland will launch the new Energy Transformation Fund in 2022](#). It is planned that 40% of the Polish EU ETS auction revenues will be directed to the Fund, which will focus on supporting investments in the large-scale infrastructure in the power sector. The Ministry expects that more than PLN 35 billion (ca. EUR 8 billion) will be available for this purpose by 2030. The Fund will be managed by the National Fund for Environmental Protection and Water Management (NFOŚiGW). This will be the first initiative in Poland to directly use the EU ETS revenues to support low-carbon investments, although the details of the scheme remain unclear.



### **Electricity bill subsidy concept abandoned:**

The Ministry of Climate and Environment [has decided](#) to abandon the concept of universal energy price compensation (subsidies to electricity prices) and is now working on the targeted program to tackle energy poverty. This marks the definitive departure from [the previous policies](#) which attempted to freeze the electricity prices and were temporarily introduced in 2019. Poland's Energy Policy until 2040 (PEP2040) has set a target for the reduction of energy poverty to 6% by 2030. In this context, the government will implement the EU Directive 2019/944/EC of the European Parliament and the Council related to mechanisms supporting vulnerable electricity consumers.



### **Rooftop PV subsidy scheme extension in progress:**

[The second edition of "My Electricity" program, which provides subsidies for PV microinstallations should start in July 2021](#). This new edition will be broader and cover energy storage and smart meters.

According to the Polish Energy Regulator (URE – Urząd Regulacji Energetyki), [the volume of electricity injected into the grid by renewable micro-installations in 2020 increased three times compared to 2019](#).



### **New port for offshore wind farms announced:**

[The Ministry of Climate and Environment is pushing for the construction of a new port in Gdynia.](#) The terminal should contribute to the reduction of investment and operational costs of offshore wind farms. The construction costs will be covered by the European Recovery and Resilience Facility fund and private funds from firms engaged in the construction. The total cost is estimated at EUR 437 million.

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## **Transport**



### **Zero-emission public transport is expanding in Silesia:**

The Ministry of Climate and Environment will co-finance [the purchase of 43 zero-emission buses and 34 charging points in Silesia](#) through the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej – NFOŚiGW). The total project cost amounts to over PLN 138 million (ca. EUR 29,76 million).

[In 2020, Poland added 200 new electric buses to its fleet.](#)



### **[Poland, a European leader in the production of lithium-ion batteries for Electric Vehicles:](#)**

The record is primarily linked with the operations of the Korean producer LG Energy Solution which develops a plant near Wrocław. The plant will be fully operational at the end of the year after current works on its expansion. It will become the world's largest battery factory for electric cars with an annual production capacity of 100 GWh.



### **Łódź, the third-largest city in Poland, will issue green bonds:**

[The city plans to raise PLN 50 million \(ca. EUR 37,75 million\)](#) to finance pro-environmental projects, including improving water quality and the construction of a low-emission transport network.



### **Northvolt, the Swedish batteries manufacturer, will build Europe's largest factory for Energy Storage Solutions in Poland [*February 2021*]:**

[The firm, already present in Gdansk since 2018, is set to expand its operations to produce modules and packs for stationary applications.](#) Northvolt will invest USD 200 million (ca. PLN 750 million) in a highly automated production facility and an engineering R&D centre creating up to 500 new jobs. [In the first stage of the expansion, Northvolt plans to reach a total manufacturing capacity of 5 GWh](#)

[per year in 2022 and 12 GWh per year in the second stage without a targeted time.](#) The new project will receive investment support from the Pomeranian Special Economic Zone (PSSE - Pomorskiej Specjalnej Strefy Ekonomicznej) and a government grant.

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## Buildings



### **New support measures for buildings envisaged in the National Recovery and Resilience Plan:**

[Ministry of Development envisaged three new support measures for buildings that will be funded with the use of the European recovery funds:](#)

1. Deep retrofits bonus: the government will increase from 16% to 26% its support for the deep-retrofit projects
2. Bonus for local authorities: local authorities will be able to obtain support from the recovery funds for the renovations of communal buildings that envisage energy efficiency improvements. Support will cover 50% of the costs and additional premiums are envisaged for installation of low-emission heat sources.
3. Renewables bonus: multi-family houses will be able to obtain 50% support to cover the costs of installation or modernization of renewables



### **New measures adopted for the energy efficiency:**

[The lower house of the Polish parliament \(Sejm\) adopted an amendment to the Energy Efficiency Law, setting up:](#)

- a final energy savings target of a minimum 5,58 million tons of oil equivalent (toe) by 2030;
- an obligation of installing remote reading heat meters and water meters by 2027;
- an obligation for heat and gas suppliers to inform customers of the volume of gas and heat consumed in the previous year, as it already exists for electricity suppliers;
- an extension of the system of energy efficiency certificates;
- the Central Evidence of Emissions from Buildings (Centralnej Ewidencji Emisyjności Budynków - CEEB) [program will start in July](#). This central register of final energy savings will collect information on municipalities and households' emissions sources.





## **Banks join the "Clean Air" program**

[Eight banks have joined the Clean Air program \(Alior Bank, BNP Paribas Bank Polska, Bank Ochrony Środowiska, Bank Pocztowy, Bank Polskiej Spółdzielczości and associated Cooperative Banks, Credit Agricole Bank Polska, Santander Consumer Bank and SGB Cooper.](#) The "Clean Air" program which was launched in 2018 aims at improving energy efficiency and reducing greenhouse gas emissions. New stakeholders will facilitate access to subsidies and anti-smog loans to replace old, inefficient heat sources and the thermal modernization of single-family houses. The total limit of funds that banks will have at their disposal in the years 2021-2022 will amount to PLN 1,5 billion (ca. EUR 320 million).



## **Launch of the second edition of the "My Water" program:**

Households can apply for grants up to PLN 5000 for rainwater and snowmelt retention systems. The National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej – NFOŚiGW) is managing this program.



## **New funds for innovations in buildings [*February 2021*]:**

[Around PLN 500 million \(ca. EUR 107,89 million\) will be available for the implementation of innovative energy technologies in buildings allowing buildings to achieve the plus-energy status.](#) The National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej – NFOŚiGW) will launch a call for applications at the beginning of June.

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## 1.3 WiseEuropa's updates



**Journey without a compass – evaluation of the draft of the Polish National Recovery and Resilience Plan [PL] - 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>

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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