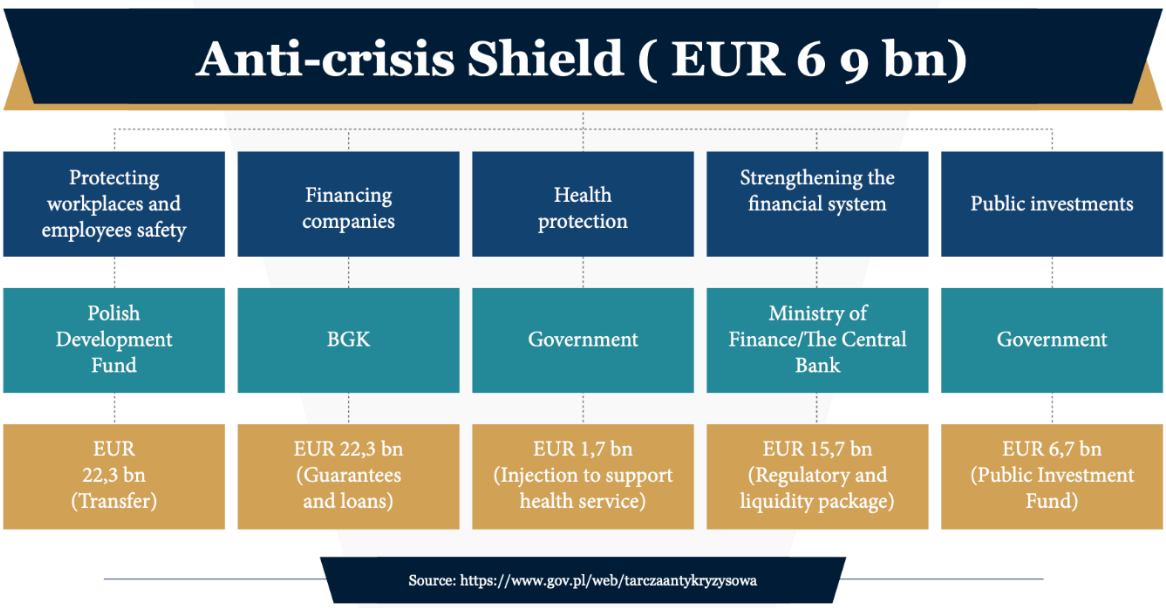
Polish Sustainable Recovery Monitor
– September 2020 issue

1.1 Economic Recovery – the big Picture

Anti-crisis Shield:

In March Poland has launched an [“Anti-crisis Shield” worth PLN 312 billion] (ca. EUR 69 billion), an economy-wide policy package primarily aimed at protecting companies and employees from adverse economic consequences of COVID-19 pandemic. Financial instruments designed to increase stability of the financial sector and to maintain liquidity of enterprises (about 80% of the Shield’s budget) do not introduce climate or sustainability conditionalities. Energy transition and environmental protection are listed among other priority investment areas within the framework of the [5th pillar aimed at boosting public investments] (about 10% of the Shield’s budget), of which details are yet to be unveiled. The scale and structure of the Shield’s financial flows supporting low-carbon transformation remain unclear due to the lack of reporting and disclosure requirements.

Diagram 1. Structure of the Anti-crisis Shield



National Recovery and Resilience Plan:

Under the EU Recovery and Resilience Facility, Poland will receive EUR 23.1 billion in grants and may receive EUR 34.2 billion in loans. 70% of this amount will be granted by the European Commission by the end of 2022. On September 18th, Ministry of Development Funds and Regional Policy announced that it has received 1,198 project concepts that may be qualified to the National Recovery and Resilience Plan. The Ministry indicated that the projects come from various fields, including energy, environment, transport, innovation and entrepreneurship, health and digitization, although did not provide any further details. In total, 557 project concepts were sent by regional authorities and 641 – by ministries. The government is planning to submit the draft version of the National Recovery and Resilience Plan to the European Commission by the end of the year.

Note: the list only reflects information that was disclosed by press, individual companies or government announcements for specific initiatives, hence does not offer comprehensive information on the scale of financial support for the sector and actions undertaken

1.2 Sectoral insights

Mining

Restructuring of the Polish Mining's Group:

Polish Mining Group's (PGG – Polska Grupa Górnicza) inherent financial problems exacerbated by the COVID-19 pandemic were firstly addressed by the establishment of PLN 130 million (ca. EUR 29 million) worth strategic hard coal reserve created by The Material Reserves and subsequently by PGG's efforts to obtain support from the Polish Development Fund's (PFR – Polski Fundusz Rozwoju) Financial Shield. As of yet, PGG has not received financial support from the Shield, as the Fund has made it conditional upon presentation of the PGG's restructuring strategy. The first draft of the strategy presented by the Ministry of State Assets envisaged closure of least productive mines and salary cuts. Trade unions were opposing the plans and proposed a rapid increase in demand for domestic coal by forcing energy companies to collect overdue supplies from PGG. The idea was ultimately rejected during the 10th September meeting between government officials, unions and energy companies. As a consequence, the unions launched strike on 21th September.

Government and unions achieved (temporary) agreement on steam coal mines closures:

On 25th September the Inter-union Protest and Strike Committee and the government delegation signed an agreement on the transformation of the mining industry. According to its provisions, the last steam coal mine in Silesia is to close in 2049. Underground miners will have a guarantee of employment in the sector until retirement. The end of the protest was announced. The agreement does not cover coking coal mines in Silesia nor coal mining activities in Eastern Poland. Its implementation is dependent on the European Commission allowing Polish government to provide operating support to the mines, which is explicitly prohibited by the EU state aid rules. Thus, it is highly unlikely that the agreement will actually materialise, and both sides will have to return to negotiating table in the near future.

COVID-19 related financial support for mining sector:

- The Material Reserves Agency established a strategic reserve of hard coal for energy purposes. The estimated value of coal for the purposes of creating this reserve amounts to approx. PLN 130 million (ca. EUR 29 million) net;
- TAURON, the state-owned energy company, has reported PLN 50 million (ca. EUR 11.2 million) support from the Anti-crisis shield (*see:* energy sector);
- *(pending)* Polish Mining Group (PGG – Polska Grupa Górnicza), SOE coal company made a request to be supported from the Financial Shield due to losses in production estimated at PLN 1.7 billion (ca. EUR 379.5 million);
- *(pending)* JSW (Jastrzębska Spółka Węglowa), the biggest Polish producer of coking coal is trying to sustain its financial liquidity after COVID-19-linked losses estimated at PLN 1 billion (ca. EUR 223.2 million) due to closures of 2 mines of the group and also made a request to be supported from the Financial Shield;
- *(pending)* JSW Koks, subsidiary SOE of JSW and leading coke producer applied for preferential financing in the amount of PLN 96.1 million (EUR 21.5 million) and liquidity financing in the amount of PLN 115 million (EUR 25.7 million).

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Energy

Polish Energy Strategy:

Ministry of Climate presented new draft of the Energy Policy of Poland until 2040 (PEP2040). Although changes introduced to the previous draft that was presented in November 2019 are better aligned with technological and regulatory trends, PEP2040 does not fully take into account the proposed emission reduction target of 55% by 2030 and further increase in climate policy ambition on the road to net zero afterwards. The document presents forecasts for the power sector evolution under the baseline and high (estimated based on the EU-wide 55% reduction target) emission allowance price scenario. In the latter case, the coal share in electricity production drops to 37.5% in 2030 and 11% in 2040. Still, the document does not discuss implications of higher target for other sectors. It also does not address limitations and costs arising from the suppressed development of the onshore wind projects, while embracing development of PV and offshore wind, as well as assuming deployment of the first nuclear power plant in 2033. The approval process of the document is likely to be delayed at least for the next few months, as the governmental agreement with coal mining unions (see section on mining) states that the Policy should be adjusted to reflect later coal exit date.

Transformation of PKN ORLEN:

PKN ORLEN, the biggest Polish fuel and petroleum company, declared the goal of achieving emission neutrality in 2050. As part of achieving this goal, by 2030 the company will reduce CO_2 emissions from its current refining and petrochemical assets and by 33% CO_2 / MWh from electricity production. The company is also in the process of acquisition of its domestic rival GRUPA LOTOS as well as the biggest Polish gas company, PGNiG (all three companies are state-controlled). The purpose of this operation, backed by state officials, is to create multi-energy company with potential to adjust to the demands of the low-emission transition of energy sector in Poland.

Transformation of PGE:

Poland's largest utility, Polish Energy Group (PGE), is planning to phase out coal and offer zero emission energy by 2050, announced its CEO Wojciech Dąbrowski. The company is working on an updated strategy for release in late autumn that will detail PGE's green transition pathway.

COVID-19 related financial support for energy sector:

- TAURON, the state-owned energy company, has reported PLN 50 million (ca. EUR 11.2 million) support from the Anti-crisis shield (*see*: mining sector).

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Transport

General info:

Nearly 30 000 firms from transport and storage services sector have received a liquidity support from the Financial Shield, however data on the scale of financial support remain undisclosed. Governmental support provided within the framework of anti-crisis actions was targeted both at the road and air transport. There weren't any measures introduced that promoted active mobility.

COVID-19 related financial support for energy sector:

- The Infrastructure Minister's issued ordinance to support 14 public airports. Under the regulation, airports will be able to receive a subsidy from the COVID-19 Counteracting Fund. The cost of whole support amounts to PLN 142 million (EUR 31.7 million);
- The government announced the increase of the subsidy from the state budget for financing investments in local government's roads in 2020 by PLN 3.8 billion (EUR 848.2 million), of which PLN 1.1 billion (EUR 245.5 million) will be transferred from the pool provided for in the Local Government Roads Fund for 2021;
- The governments has decided to provide additional capital to the PLK SA, state-controlled railway network operator with PLN 1.85 billion (EUR 413 million). Additional funds will support construction and modernization of railway stops;
- As a part of the Green Investment Package introduced by the Ministry of Climate, the government is rolling-out 8 new public support programs worth PLN 833 mln (EUR 186 million) to support development of e-mobility and low-emission transport. Programs dedicated to e-mobility will support: development of production of electric vehicles, charging infrastructure, developing the low-emission public transport as well as purchasing electric cars by individuals and enterprises.

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Buildings

General info:

In comparison with other sectors of the economy, the buildings construction sector has been affected to a lesser extent by the COVID-19 pandemic according the governmental representatives. Deputy Prime Minister has confirmed that Poland will implement the Energy Efficiency Directive in 2020. Furthermore, the government will seek to allocate substantial part of the European recovery fund to the buildings sector, given that these investments generate jobs and 80% of the value chain is localized in Poland.

Clean Air Program:

The government is continuing the Clean Air Program aimed at improving air quality by replacing obsolete boilers and improving house insulation. It now functions as Clean Air 2.0 and among main amendments to previous version are: simplifying the rules of granting subsidies, simplifying the application and introducing the online submission, inclusion of local governments units, shortening the processing time from 90 to 30 days, inclusion of the banking sector which offers additional loans and linking the level of subsidies with the environmental effect - a bonus for low-emission sources like heat pumps or photovoltaic.

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1.3 WiseEuropa's updates

Restart: how to break the deadlock in the Polish energy sector (September 2020)

Policy brief on three restructuring challenges faced by the Polish energy sector: coal mining crisis, phasing out the coal assets in power sector, and transforming traditional oil and gas companies.

Alternating Current. Landscape of climate finance in the Polish energy sector (July 2020)

The first study in Poland covering financing sources, involvement of different groups of investors and the scale of expenditure on RES investments. The report also provides estimates of future financing needs related to the zero-emission transformation of the Polish energy sector.

Poland in Energy Policy Tracker

WiseEuropa is covering Polish energy policy developments in the times of COVID pandemic as a part of international project coordinated by IISD, IGES, OCI, ODI, SEI and Columbia University.

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