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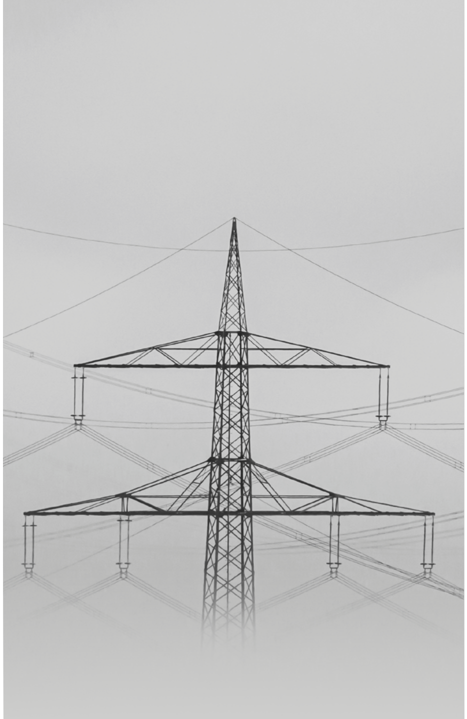
POLAND`S ENERGY INDUSTRY

2020

Political Overview/Traditional Fossil Fuels/Renewable Energy/ Trading, Distribution & Supply/Engineering & Technology



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RENEWABLE ENERGY

photo: OMV Petrom

For many years now younger generations and renewable energy lobby-ists have been painting a greener picture of a new world...
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photo: Hidroelectrica

Although coal is still responsible for roughly three quarters of electricity produced in Poland, its importance has decreased slowly...
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Michal KURTYKA
Minister of Climate
Government of Poland
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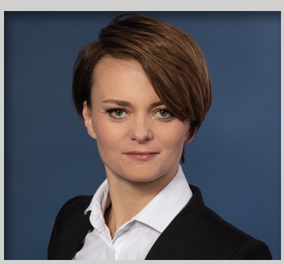

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Minister of Development
Government of Poland
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Rafal GAWIN
President
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Miroslaw KOWALIK
President
ENEA
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Krystian KOWALEWSKI
Executive Director
World Energy Council Poland

The final decision is yet to be made, but according to government declarations we can expect to have six nuclear units by 2036. We do have a nuclear program in place already, since 2009, but the progress has been rather slow. So far we have a company responsible for building the power plants, and some geological research in the two areas where the new units would be located.

Lukasz SZATKOWSKI
Partner
CMS

Nuclear has been under discussion for approximately 10 years now but there is still no clear idea yet about how to implement it. Even so, I cannot fathom a more viable alternative because renewables and gas will likely fall short of replacing the coal that will exit the system. Perhaps SMRs (small modular reactors) will tear up the trails - they are easier to implement and less cash consuming, though we are talking about a new technology that has not proven operational yet.

To start from zero with nuclear is unlikely nowadays, especially in a democratic country. In case of Poland there are also huge limitations related to infrastructure, financing and timing to fill the gap left by decommissioned coal power plans - I doubt strongly that third generation nuclear will become part of our energy mix.

Christian SCHNELL
Partner
SOLIVAN

Piotr SZEWCZYK
CEO
APS Energia

I am a proponent of nuclear energy plants in Poland, as the cleanest energy source we could get our hands on. APS and numerous companies in Europe have technological solutions to progress in this direction, but it all is in the hands of politicians and ministries to come up with the right kind of legal framework that would foster the transition to clean energy.

Wojciech SZTUBA
Managing Partner
TPA

Developing nuclear capacities in a country that does not have them yet is a complex task, which requires huge investments, long term political vision and committed foreign technology partners. The last four years were essentially lost from this perspective, and now we have to deal with an issue that was not as stringent before - namely, state owned companies who are supposed to be sponsors of the project are not as well off financially as they used to be.

Christian
SCHNELL
Partner
Solivan

The capacity market was introduced in 2018 - can you briefly explain the mechanism and how Poland plans to back up its energy system?

The capacity market establishes a price for back-up power through auctions, and the operator of the power plant gets paid for guaranteeing security of supply to the grid. After 2018 and 2019 auctions for delivery years 2021 – 2024 it becomes clear that the capacity market is highly expensive with yearly costs of 5.5 billion zloty and awarded by 90% state-owned utilities.

As a result of these auctions, investment decisions for a 1 GW coal power plant and a 1.4 GW CCGT plant have been made. However, all experts doubt that the awarded coal power plant will be ever constructed. As of this year, coal can no longer participate in capacity market auctions and the awarded plants will exit the mechanism completely by 2034.

My vision for 2050 is that Poland's energy needs will be entirely covered by renewable sources, working in tandem with really smart infrastructure and technology in a decentralized system. Already we are seeing more concern for energy efficiency measures and eventually storage will come into play at a wide scale. These together should be enough to maintain a healthy system.

What about offshore wind farms? The general expectation is that the first ones will start production in 2025.

In my view a more realistic expectation to start production is 2028. The support scheme included in the draft Offshore Act to avoid auctions for the first 5 GW of projects should not be accepted under EU regulation, so it will need to be worked on further. Also the sea area plan has not been established yet which generally stops new permitting.

Looking at the past 12 months, what regulatory changes have impacted the energy sector in Poland the most?

LS: There have been changes around environmental and low emission schemes (i.e. the Winter Package) and also with regards to the capacity market. The latter was introduced as a new support element allowing construction of conventional generation units. In other words, it created a new product for power companies - aside from electricity, the holder of the capacity market will also be allowed to sell availability of production.

In your experience, what are the most common pain points experienced by the industry from a regulatory perspective?

LS: Quality and stability of legislation comes to mind first. Administrative proceedings have a very formal approach and often it is unclear what is required, for instance in permission terms. In my experience developers do not have a problem going through the process itself, as long as they are not interrupted by the authorities.

Poland has great untapped potential in the waste-to-energy space, what is the climate like at the moment?

MB: The appetite of investors to invest in the WtE installations is currently enormous. Undoubtedly, we will see a sizable wave of new projects in the next two years. At the moment we see an obvious deficit of thermal treatment installations that can process RDF or solid communal waste. Gate fees paid to operators of waste-to-energy plants in Poland have skyrocketed which means that there is very fertile ground for investors looking to grow in this space

Lukasz
SZATKOWSKI
Partner
CMS Law Firm

Marcin
BEJM
Partner
Head of Energy and Projects
CMS Law Firm