

The condition of the Polish mining industry – the opinion of the chief expert of the Union of Entrepreneurs and Employers on energy

The data on the condition of the Polish mining industry, presented to the members of the Social Dialogue Council's Economic Policy and Labour Market Team, show the current situation in the hard coal mining sector in Poland does not inspire optimism and indicates the necessity to undertake quick stabilising measures, and most importantly, to develop the Plan for Restructuring the Polish Mining Industry, a reasonable, reliable plan that takes into account the specificity of the Polish mining industry and the Polish energy sector. Such a Plan should be consistent with the Energy Transition Strategy and ought to take into account the gradual phasing out of fossil fuels with the 2050 time horizon.

The plan for the Polish mining industry should take into account the European Green Deal Policy, which does not mean the liquidation of the sector by 2050. In 2019, the Union of Entrepreneurs and Employers presented a report entitled "Assumptions for the Energy Development Strategy in Poland", which presented the place of Polish coal until 2050.

In the near future, we will present the necessary update to this report in which we will try to define more precisely both the place and role of domestic hard coal and lignite resources by 2050. Meanwhile, the presented data show clearly unfavourable trends in the Polish mining industry, on the basis of which it can be predicted in the coming years.

The decrease in sales by an average of 17% and an increase in stocks by 13% is not yet the main concern for the mining sector, but the decrease in production by 7% and the decrease in labour productivity in mines constitute serious problems not only for the mining industry.

This means that it is more and more difficult to extract coal in Polish mines, and thus the costs of this extraction are clearly growing. The fluctuations in thermal coal prices are understandable, but the phenomenon of a 30% drop in coking coal prices indicates a tendency in this matter. This may be related to the decline in steel production in the world, but nevertheless, this issue requires a detailed analysis and inclusion in sectoral plans. According to the report, in 2020 over 82,000 people worked in the mining industry, which means that the employment level has not changed for several years.

On the other hand, there was a significant increase in investment outlays, and so in 2019 they amounted to over PLN 4 billion, and by 30th April 2020 over PLN 1.2 billion was invested in the mining industry.

It can be assumed that 30% of these amounts are investments in mining-related companies, not included in the report. Considering the above, the annual level of investment in the Polish mining industry certainly exceeds PLN 5 billion, and yet the level of extraction and labour productivity are declining.

If one adds to this the amount of the budget subsidy of PLN 1 billion per year and the mining sector's liabilities of PLN 15 billion, the conclusions regarding the state of this sector are obvious.

However, this does not mean there is neither room nor role for the hard coal sector in the Polish economy until 2050. It is true that coal will be replaced by renewables and natural gas, but for many years to come, coal will be the basic raw material for the Polish energy sector.

To sum up, immediate action should be undertaken within the Polish mining sector:

- Making an inventory of Polish mines in terms of their future, opportunities, economy, seam depth and employment.

- Defining the volume of domestic production (e.g. 25 million tons) as a reserve to secure the country's energy demand.
- Redirecting investment outlays to mines selected for further extraction.
- Developing a co-operation system for coal-fired energy with renewable and gas sources in the timeline until 2050.
- Carrying out a market analysis for black energy, sales areas, prices, volume of black energy supplies in individual years until 2050.
- Simulating the cost of mine closures, along with the cost of mining pensions until 2050.

Only immediate and consistent actions presented above can stop the degradation of the Polish mining industry and open its new chapter, taking into account the European energy policy and the specificity of the Polish energy sector.

If the transformational activities in the mining sector do not begin immediately, we are concerned that the situation will force the development of such events that are very unfavourable for the mining industry.

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