

## **Opinion of the Chief Energy Expert of ZPP: Worrying conclusions from the Conference of the Parties on the future of Polish renewable energy industry**

At the end of November, the Ministry of Climate organised an event, the Conference of the Parties to the Sectoral Agreements, with the aim of summarising the progress of work in the area of RES development in Poland. The Ministry signed four sectoral agreements on the promotion of investments in renewable energy sources in 2021 and 2022:

- Sectoral Agreement for the Development of Offshore Wind Energy,
- Sectoral Agreement for the Development of the Photovoltaic Sector,
- Sectoral Agreement for the Development of the Biogas and Biomethane Sector,
- Sectoral Agreement for the Development of the Hydrogen Economy.

The aim of the sectoral agreements is to remove barriers to the development of this energy sector, and to promote investment in this area.

Sectoral agreements were signed by both leading Polish companies in the renewable energy sector and representatives of the Ministry, local authorities and the main renewable energy industry associations.

The absence of the onshore wind sector seems to somewhat distort the view of renewables as a whole and is due to the protracted process of passing an amendment to the law blocking the development of this type of investment.

It is not a particularly revelatory observation that increasing regulatory pressure from the EU is forcing Poland to take urgent action to decarbonise its industry. Energy prices have risen significantly. Polish companies must keep up with the changes, otherwise they will go under. Meanwhile, the key to saving money and making businesses low-carbon has been sitting in the parliamentary freezer for five months, and there are still no new windturbines.

I have been following the recent dynamic changes in the Polish energy market with concern, and it is not conducive to the growth and security of Polish entrepreneurs today. One of the key challenges for companies today is the availability and price of electricity, which has increased by almost 500% for some businesses in just two years. The energy price freeze planned for next year is only a temporary measure that does not solve the problem, but rather suspends it for a few months, and only for some entities.

In the current energy crisis, Polish companies, especially industrial ones, need cheap green electricity to meet the ambitious requirements imposed by EU directives. Onshore wind power, which has been the cheapest source of power generation for years, is crucial for saving money and achieving low carbon emissions. It is high time to combat all barriers to wind technology, but first the so-called distance law, which has been crippling the industry for years, should be liberalised.

The interests of enterprises, including those that are more or less energy-intensive, are increasingly under threat. Electricity prices strongly affect the economics of companies, including large enterprises, often ruining the monthly budget. The government's efforts to freeze prices would not have been needed if solutions had been implemented in time to directly inhibit the cause of the electricity price increase. Allowing new wind power plants to be built in Poland will mean that in 2-3 years' time, when more wind power will be in the system – we will have significantly reduced the risk of large price fluctuations.

The energy crisis calls for new wind power investments that will give us energy sovereignty. The fact that wind is the cheapest source of electricity is confirmed by energy auctions and, in addition, it permanently lowers the final bill for the consumer by affecting the result of the merit order based mainly on coal in Poland.

The transition of companies to green energy is also one of the main business trends at the moment. It is driven by the desire to reduce the cost of energy consumed, but also by growing expectations from customers and business partners who expect supply chains with a minimal carbon footprint. Corporations in the transition to green energy are often driven by ambitious targets in their strategies or even pressure from competitors. The surge in corporate interest in green, clean energy in recent years has become widespread across Europe.

Building a stable legislative and regulatory environment is crucial from the perspective of any industry when making investment decisions.

The aim of the aforementioned Conference of the Parties was to illustrate the development potential of renewable energy sources against the background of legislative needs, as well as to show the potential of Polish industry in building a new energy system in Poland.

As Chief Energy Technology Specialist at the Union of Entrepreneurs and Employers, but also because of my other functions, I had the opportunity to lead a panel discussion: Prospects for the development of photovoltaics in Poland – Opportunities and threats. I addressed one of the threads that is an essential piece of the wider puzzle.

The conference was divided into two parts. The first one discussed the prospects for the development of renewable energy sources in Poland against the background of the country's security, in the context of Poland's changing geopolitical situation.

The second part of the Conference was devoted to the thematic panels of the Sectoral Agreements, where the challenges associated with each type of renewable source were discussed.

The conference was attended by the Minister of Climate, Ms Anna Moskwa, the Minister of Economic Development and Technology, Mr Waldemar Buda, the Secretary of State, Mr Ireneusz Zyska and the Head of the Energy Supply Unit from the International Energy Agency, Mr Christophe McGlade.

The first part of the conference, with a panel on the country's energy security issues, showed how complicated the whole Polish economy was as a result of the military threat from Russia. I don't think anyone doubted that the new geopolitical situation is permanent and that energy security is highly vulnerable to hostile acts, as shown by Russia's actions in Ukraine.

Distributed power generation therefore takes on a different meaning than we have so far expected. In addition to its role in modernisation, and economic or social importance, it can be a key element of the country's security. Renewable energy is the primary mechanism for building a distributed energy system in any country.

It was clear from the statement of the President of the Energy Regulatory Office, Mr Rafał Gawin, that the way the entire Polish transmission and distribution system functions needs to change. Also the President of the Management Board of the Polish Power Transmission and Distribution Association (PTPiREE), Mr Robert Zasina, emphasised the role of DSOs in the future as a key player in the energy market. The Union of Entrepreneurs and Employers has long raised the issue of the commercialisation of low and medium voltage lines and it is a pity that this idea has not been discussed in more depth. The forthcoming law on direct lines fits perfectly into this theme, although the project has encountered a competence dispute between ministries and it is as yet unclear which ministry will continue to work on this regulation.

Mr Józef Węgrecki, Member of the PKN Orlen's Management Board, pointed out how important a role investments related to distributed energy, hydrogen policy and renewable energy sources play in the company's policy. Minister Ireneusz Zyska assured the full support of the Ministry of Climate for all measures to increase the level of investment in the green energy sector.

Together, we must do everything possible to create a national supply chain for the industries involved in new energy investments. The administrative regulations currently in place, which block the development of investments in distributed energy, are becoming an extremely serious barrier to development.

Today, the liberalisation of administrative barriers is becoming a major focus for ministries connected to the energy market, as well as the creation of a friendly investment environment for investments in renewable energy sources. Blocking the development of onshore wind energy sector certainly does not help to create such an environment.

The panel I moderated, dedicated to photovoltaic sources, illustrated what development potential this source of green energy has. The current slowdown in investment in this sector, too, is solely due to legislative delays. A representative of Bank Ochrony Środowiska ("Bank for Environmental Protection"), Ms Anna Żyła, emphasised that banks are fully prepared to finance investments in photovoltaics.

The conference was a summary of the activities of the various parties to the sectoral agreements to date, with the exception of the hydrogen agreement whose representatives did not attend. While the attempt to take a holistic view of the future shape of Poland's energy sector is to be welcomed, the Conference focused on the country's rather distant energy future.

Meanwhile, the immediate problems of our energy and heating industry are already starting to be clearly felt by both the Polish economy and society. And these are both supply and cost problems. They are connected with the prices of energy sources and the scarcity of both renewable and conventional energy.



The Union of Entrepreneurs and Employers sees the need for ad hoc measures to optimise the effects of crisis phenomena in the Polish energy sector and the Polish heating sector by 2030. Only then will we be able to plan for the optimum development of individual distributed energy sectors.

Such measures, according to the Union of Entrepreneurs and Employers, can include:

- Liberalisation of the law blocking onshore wind energy sector development
- Legislative support for direct lines
- Continuation of the Bloki 200+ (“200+ Blocks”) programme, in its justified part
- Passing a law to facilitate green investment on brownfield sites.

As representatives of employers and entrepreneurs from most economic sectors, we would like to call for a significant acceleration of legislative procedures concerning basic laws and regulations enabling investment decisions to be taken quickly in the Polish energy sector to stabilise energy prices and supply in the coming years.

The future of the entire Polish economy may depend on the pace of these investments.

This is particularly important in the area of local distributed energy, where it should be made easier for companies to invest in their own generation sources as well as in local transmission networks.

***Włodzimierz Ehrenhalt,***  
***Chief Energy Expert of ZPP***