



Reforming Poland's renewable industry

Ian Wood and Rob Broom

How will recent changes to Poland's Renewable Energy Sources Act impact the country's energy landscape? Ian Wood and Rob Broom from King & Wood Mallesons investigate.

Reforms to incentivise investment in renewable energy in Poland are crucial due to a plethora of factors. One such example is Poland's legal obligation under the EU Renewable Energy Directive 2009/28/EC, to achieve a target of 15% from renewable energy sources ('RES') in gross final consumption of energy by 2020 or buy the rights for the amount of their missing quota or pay a penalty.¹ Additionally, there is a need to adhere to the EU Large Combustion Plants and Integrated Pollution Prevention and Control Directives (now combined under the [EU Industrial Emissions Directive 2010/75](#), the 'IED'), as well as the [EU Emissions Trading Scheme Directive 2003/87](#) ('EU ETS'), which all require a reduction in carbon emissions.² Furthermore, Poland's combustion plants will by July 2020 need to implement stricter EU emission limits for power plants and other industrial installations under the IED when the [extension encompassed in its Transitional National Plan \('TNP'\) expires](#).³ The TNP, which was approved by the EU in February 2014,⁴ gave Poland an additional four years – from 2016 to 2020 – before it will have to comply with IED targets.⁵

Reforms introduced by the Renewable Energy Sources Act 2015 (the 'RES Act'), which came into force 1 July 2016 marked a significant step forward, however, subsequent amendments to the RES Act have illustrated how the Polish government is in a difficult position of striking a balance between developing RES for

energy diversification and rescuing its coal industry. It is estimated that around 80% of Polish coal mines (mainly concentrated in the south-west region of Silesia) are unprofitable and the sector employs around 104,000 people, with another 208,000 people on miners' pensions.⁶ Poland has Europe's largest hard coal reserves and last year thermal coal and lignite accounted for 84% of the country's electricity generation.⁷ Despite government subsidies, Poland's coal mining industry debts totaled more than EUR 3 billion at the end of October 2015.⁸

The RES Act, (which is the implementation of the provisions of Directive 2009/28/EC into Polish law), sets a new regulatory and economic framework for investments in renewable projects in Poland.⁹ The RES Act is based on two mechanisms: (i) awarding contracts for difference ('CFDs') for installations successful in internet based auctions (the 'Auction System') announced, organised and run by the President of the Energy Regulatory Office ('ERO'), and (ii) feed-in tariffs ('FITs') for microgeneration with a capacity up to 10 kW. The RES Act (as described in Chapter IV therein) forms two separate schemes for RES installations, contingent on when the particular installation started generating electricity. RES installations that commenced generating electricity on or before 31 December 2015, were meant to obtain and sell Green Certificates. RES installations that started generating electricity on

¹ Adam Easton. "Poland will miss 2020 RES Target". Platts Power in Europe. 14 March 2016.

² Poland – Q2 2015 – Market Overview. BMI Power Report. 1 April 2015.

³ Platts. Poland defers emissions restrictions to 2020 from 2016. 28 December 2012, available at: <http://www.platts.com/latest-news/electric-power/warsaw/poland-defers-emissions-restrictions-to-2020-6960922>, accessed 10 August 2016.

⁴ Health and Environment Alliance, Information release: EU decision to allow greater pollution of Polish power plants puts health of citizens at risk, available at: <http://www.env-health.org/resources/press-releases/article/information-release-eu-decision-to>, accessed 10 August 2016.

⁵ *ibid.*

⁶ EUobserver, 'Poland's love affair with coal won't end soon', available at: <https://euobserver.com/regions/130319>, accessed 9 August 2016

⁷ Adam Easton. "Poland will miss 2020 RES Target". Platts Power in Europe. 14 March 2016.

⁸ Kathiann M. Kowalski. Midwest Energy News. In Poland, efforts to rescue coal industry will likely come up short. 7.12.16 available at: <http://midwestenergynews.com/2016/07/12/in-poland-efforts-to-rescue-coal-industry-will-likely-come-up-short/>, accessed 10 August 2016.

⁹ Report: Renewable Investments in Poland 2016 – Onshore Wind & Photovoltaic, available at: <http://wysokienapiecie.pl/energy-poland/1229-report-renewable-investments-in-poland-2016-onshore-wind-photovoltaic>, accessed 29.06.16.



The Polish government's priorities are torn between developing its renewables output and rescuing its coal industry. Pictured: power station in Silesia, Poland (image courtesy of Krzysztof Slusarczyk via Shutterstock).

or after 1 January 2016 were to compete for CFDs, with a fixed, indexed Strike Price for 15 years¹⁰ in an Auction System.

The Auction System (which is won by the bidder who offers electricity at the lowest price) replaces the previous renewable energy investment incentive system, under which installations were required to obtain tradable/transferable certificates of origin from RES ('Green Certificates') issued by the President of the ERO and to sell property rights arising from those Green Certificates (the 'Green Certificate System'). The property rights arise once the Green Certificates are registered on a register of certificates operated by the Polish Power Exchange 'Towarowa Gielda Energii S.A.' ('TGE'), a subsidiary of the Warsaw Stock Exchange. The Green Certificates can be traded on a regulated market, such as, the TGE, or within the over-the-counter ('OTC') market, but all transactions must be registered with the TGE. The value of Green Certificates is

set by the market.¹¹ Green Certificates (like securities) have no material form, the proof is merely an electronic record of the registration in the registration system. They are indefinite instrument, subject to redemption at the request of its holder¹². Electricity producers must attain a minimum level of share of renewable energy from RES (for 2015 this was 14%), and if they don't, they must fulfil the obligation by either making up the difference by purchasing Green Certificates on the market, or pay a 'compensation fee' determined by the President of the ERO. This, for 2015, stood at PLN300.03/MWh (ca. EUR 75).

Likewise, electricity distributors are legally obliged to acquire a minimum amount of renewable energy (for the 2015 year this was 14%), and any shortfall can be addressed through the purchase of Green Certificates. Green Certificate trading is a means by which industry players can generate additional profit by producing electricity from RES. Electricity distributors could also redeem the certificate of origin to claim exemption from excise tax (which amounts to PLN 20/MWh), as electricity generated from RES is exempt from excise tax when sold to end consumers.

The Green Certificate System had worked well mainly during 2000–2010, due to the development of 'co-firing', whereby

¹⁰ BiznesPolska.pl. Optimization of Wind Farm projects for the CfD auction system, available at: <http://biznespolska.pl/bizlists/wind-article/225307/OPTIMIZATION-OF-WIND-FARM-PROJECTS-FOR-THE-CFD-AUCTION-SYSTEM.html>, accessed 11 August 2016 & Wojciech P. Cetnarski – President of the Board of Polish Wind Energy Association. Doing business in Poland April 2015, available at: <http://www.tureb.com.tr/files/iwpc/sunumlar/1nisan/cetnarski.pdf>, accessed 11 August 2016.

¹¹ Adam Easton. RES law 'game changer': PGE. Platts Power In Europe. 11 May 2015.

¹² Green Energy Poland SA's website, available at: <http://gepsa.pl/en/322-2/>, accessed 12 August 2016.

Download English Version:

<https://daneshyari.com/en/article/5481796>

Download Persian Version:

<https://daneshyari.com/article/5481796>

[Daneshyari.com](https://daneshyari.com)