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Poland's energy transition is accelerating: five opportunities for the incoming government that will be of interest to investors

Research note by Katarzyna Nowacka, Associate, 16 November 2023

Brussels sees the potential new Polish administration as good news for the progression of the EU Green Deal. The country's existing strategic documents on energy transition have been unambitious despite ample renewables potential and unrealistic as production capacity continues to overtake targets. But the coalition of the three parties - the Civic Coalition (KO), the Third Way and the New Left - expected to form Poland's next government by early 2024, is unanimous: wind and solar needs to replace coal as the main source of electricity by the end of the decade.

The KO, led by Donald Tusk, plans to secure 68% of Polish energy production from renewable sources by 2030 and has pledged a faster pace of decarbonisation, including reducing carbon dioxide emissions by 2030 by 75% compared to 2022 levels. To ensure delivery, Tusk, the prime minister in waiting, will have to navigate complex policy and political headwinds, among others upcoming local, presidential, and European elections. To reach his goal, Tusk has already unveiled rudimentary and general energy solutions that often build on (at least partially) pre-existing policies.

The key points in Tusk's plan include:

- Firstly, the KO plans to introduce a minimum price for the purchase of solar energy to help prosumers predict the profitability of investments. The plan is to rely on the net billing rules and at the same time, introduce a buy-out price so that the investment in micro-installations will pay off within seven years. These measures are aimed at ensuring Poland remains one of the fastest-growing solar markets in Europe.
- Secondly, as wind energy achieved the best result among RES in the 2022 energy mix, contributing 10.8% of 21%, KO plans further liberalisation of the Wind Energy Act and loosening the distancing rules for onshore wind farms to attract new investments. The KO also plans to implement "repowering" - the replacement of old turbines with new ones.
- Additionally, after distribution system operators issued over 11,000 refusals to connect the installations of renewable energy sources that would have brought a total capacity of 65.5 GW to the network in 2021-2022, Tusk's coalition announced that they would simplify energy regulations. By introducing new rules for connecting renewable energy source

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systems and modernising inefficient infrastructure, the KO plans to accelerate investors' grid connections by expediting permits.

- In addition, the potential for creating green energy zones where businesses would only use renewables or produce clean energy themselves has also been given attention. The green zones could encourage investors to locate their investments in energy areas that are most beneficial for the network. This would not only improve the efficiency of infrastructure use but also reduce the need to invest in network modernisation.
- Finally, the KO's plan to develop low-emission energy sources includes a push to become a nuclear energy power. Continuation of the nuclear energy programme and the implementation of small modular reactor technology by 2040 is expected.

The EU will play a key role in financing energy transformation policies and their implementation. If the three-party coalition gains power, they intend to change several flagship Law and Justice (PiS) party political initiatives, implemented during its eight-year rule. Combined with the opposition's more conciliatory stance towards Brussels, these steps may unlock Poland's blocked share of the EU recovery and resilience fund, which could be earmarked for renewable energy investments. This potential windfall, along with the planned allocation of all proceeds from the ETS emissions trading system will also be key to achieving the opposition's goals.

Although an extended period of political uncertainty will continue in Warsaw until the new government is formed, Poland has the potential to carry out an ambitious energy transition. Prospective investors and private sector developers should seek to use this window of opportunity to engage with Poland's opposition leaders to understand and shape the delivery of Warsaw's energy and climate policy priorities.