**Recommendations of the Expert Council**

**on Energy Security and Climate**

**for the update of Poland’s Energy Policy until 2040**

29.06.2022

**Context**

The current international situation and the escalating energy crisis associated with record high commodity prices are increasing the pressure to update the country’s energy policy. Doing so depends on correct diagnoses and accurate and well-coordinated decisions and actions by the central government, local governments, and businesses to prepare Poland to undergo a difficult period in the energy sector.

The short- to medium-term perspective is becoming critical. The fuel situation is serious, and the energy crisis associated with the uncertainty of gas, coal, and oil supplies is intensifying. What is needed is to put the institutions responsible for energy security on alert and prepare measures, first of all reducing demand, improving energy efficiency, and reducing the exposure of economic sectors to fossil fuels.

A meeting was held on May 23, 2022, at which members of the Expert Council on Energy Security and Climate discussed the principles adopted by the Council of Ministers on March 29, 2022, for updating [Poland’s Energy Policy until 2040 (PEP2040](https://www.gov.pl/web/klimat/zalozenia-do-aktualizacji-polityki-energetycznej-polski-do-2040-r-w-kontekscie-inwazji-federacji-rosyjskiej-na-ukraine)).

On this basis, the Council members agreed on the following recommendations:

**General comments**

1. Poland’s Energy Policy is an important document that defines the principles for ensuring energy security and the preconditions for transformation. It sets directions for strategies, programmes and plans. The PEP is crucial for mobilising and directing the actions of society, energy companies, local governments, and industry.
2. State energy policy today covers areas of the economy that are more extensive than in the past. The basis for public policy planning should be the National Energy and Climate Plan (NECP), which is then followed by sectoral strategies and investment funding from EU funds. Therefore, the PEP should be consistent with the NAP and both documents with agreed EU strategies.
3. The process of preparing the energy policy should be transparent, in line with the agreed timetable, and the targets set should be in harmony with the progressive changes taking place in raising the EU’s climate and energy ambitions, for example, the [Fit for 55 package](https://www.consilium.europa.eu/pl/policies/green-deal/fit-for-55-the-eu-plan-for-a-green-transition/), or the recently presented [REPowerEU](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/repowereu-affordable-secure-and-sustainable-energy-europe_en),as well as global megatrends in the sector.
4. The assumptions for the update of the PEP 2040 presented by the Ministry of Climate and Environment correctly identify directions for energy security. However, they are very general and do not include clearly outlined timeframes for each type of action, specific targets and information on next steps, or the process of creating new policies and implementing solutions. Nor do they address the current crisis situation in the fuel market.
5. In the current conditions of the war in Ukraine and the cutting off of supplies of Russian raw materials, the priority is certainly the short-term perspective for the coming winter: ensuring safe, stable supplies of electricity and heat, as well as resources of natural gas, coal, and oil at prices that the Polish society and economy will be able to bear.
6. The government has decided that in the future about 15-20% of Poland’s electricity will come from nuclear energy, and that small nuclear reactors will play an important role (e.g., in industry). A realistic timeframe for the project and specific non-exceedable milestones for project implementation should be assumed. It is also important to maintain alternative options in case these projects are delayed.
7. The most important thing, however, are systemic measures to reduce fossil fuel consumption over both the next few months and the next few years. It will be important to improve energy efficiency, accelerate the development of the use of renewable energy, as well as all forms of waste energy in the energy sector, create a broader heating sector, develop transportation and industry, as well as to intensify activities in the area of energy efficiency, primarily in the area of thermo-modernisation of buildings and the provision of energy services. Also key is improving the flexibility of the energy system and integrating transportation and district heating into its balancing, as well as further development of demand side response (DSR) management services.

**Recommendations**

The following are the most important measures important to implement in the short term that will contribute to achieving the goals outlined in PEP2040:

1. **Energy efficiency**

As outlined in the PEP2040 update, energy efficiency and reducing demand for fossil fuels must be a priority action for strengthening energy security, reducing costs, and reducing emissions. To this end, we recommend:

1. **Urgent revision of the** [**Long-Term Building Renovation Strategy**](https://www.gov.pl/web/rozwoj-technologia/polska-przyjela-strategie-w-zakresie-renowacji-budynkow) adopted in February 2022. According to this document, 236,000 thermal upgrades will be carried out annually between 2020 and 2030. It is necessary to **accelerate the pace** of thermomodernisation in accordance with the forthcoming revision of the [EPBD (Energy performance of buildings directive](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32010L0031)), including increasing the **share of deep thermomodernisation** and implementing or reforming support programmes.
2. **Launching a nationwide public campaign** to mobilise the society **to save energy** in electricity, heat, and fuel in transportation.
3. **Preparation and implementation of a programme to shape human resources and support construction and installation companies** operating in the area of energy saving, offering professional services to industry and households.
4. **Support for local, municipal** energy-efficiency programmes, including replacement of windows, thermostats, light bulbs, and public transportation.
5. **Implementation of mechanisms to enable energy suppliers to provide energy services to consumers.**
6. **Renewable energy sources**

The assumptions of PEP2040 accurately indicate that RES respond to the challenges of energy **independence and sovereignty**. Poland should maximally accelerate the development of RES in all areas of the economy.

**By 2030, at least 50%** of net electricity demand (according to analyses of [the Polish Transmission System Development Plan (PSE)](https://www.pse.pl/-/komunikat-operatora-systemu-przesylowego-w-sprawie-konsultacji-projektu-planu-rozwoju-w-zakresie-zaspokojenia-obecnego-i-przyszlego-zapotrzebowania--2)) should come from **renewable sources.**

For this to happen, it is necessary to remove barriers, maintain reasonable incentives, and change the organisation of the energy market:

1. Renewable energy sources, together with grid infrastructure for their connection and storage facilities, should become **public purpose investments.**
2. It is necessary to raise development targets for offshore wind energy.
3. Liberalisation of the 10H rule alone is not enough to significantly accelerate RES development. **The permitting rules for RES** should be thoroughly modified. Planning processes at the municipal level should make it possible to **designate dedicated areas** for RES development, where permitting processes should be accelerated.
4. The auction schedule needs to be updated and much more ambitious targets set for the development of RES capacity in the coming years, so as to mobilise companies to develop projects and compete as much as possible.
5. It is necessary to **complete the reform of the energy market**. It is crucial to create full and equal access for consumers and aggregators to the energy market, balancing it and the system services market, remove unnecessary restrictions, and make entry criteria more flexible. These measures will facilitate the integration of RES, including the **construction of energy storage facilities and the development of demand flexibility services.**
6. It is also necessary to maximise the share of RES in district heating. For this, it is necessary to implement low-temperature district heating networks.
7. **Development of electricity grids**
8. DSOs should be required to **revise their grid development plans for the development of RES, energy storage, electromobility**. They should also, in the short term, propose solutions to unlock connection capacities for RES and define criteria for granting connection conditions. It is also important to subsidise grid development from available EU and national funds.
9. The regulatory environment should require grid companies in particular to take into account so-called **off-grid solutions (non-wire alternatives)** for optimal solutions to local grid balancing problems and include their use in tariffs. The need for the construction of new infrastructure can often be replaced by measures in the area of DSF (demand side flexibility), energy efficiency or energy storage or voltage regulation automation.
10. In the short term, there is the option of **cable pooling**—the use of secured power transmission capacity to combine renewable projects (e.g., wind and solar power plants).
11. **Industry -** it is necessary to involve this sector of the economy more in the energy transition:
12. **Unblocking barriers to RES development in industry** primarily by liberalising restrictions on wind power construction and facilitating investment procedures.
13. **Further development of schemes for voluntary and paid demand reduction (DSR)** of electricity and gas in industry that can avoid costly generation investments, make better use of existing generation resources (especially RES sources) and fuels, and increase security of energy supply.
14. Creating favourable conditions for the construction of **direct lines** for the development of generation located close to consumption, minimising the use of grid resources.
15. Establishing reasonable, but also solidarity-based fees for the construction of off-grid solutions.
16. Clarify regulations and define the terms of the PPA framework agreement and the role of players in this market in co-shaping energy security within the NPS.
17. **Heating**
18. In district heating, it is necessary to **adapt the sector’s tariff regulation model** to new and dynamically changing economic and business conditions.
19. It is becoming a challenge to maintain the financial stability of PEC in a situation of soaring fuel prices and high CO2 prices. Efforts should be made to expand the heating business to include the provision of energy services, including thermal comfort, energy management, etc.
20. To this end, it will be necessary to create a guarantee fund for district heating companies to **develop competences and enter the energy efficiency market**. It will also be necessary to promote the development of knowledge and human capital in the field of installation, heat supply, and energy efficiency.
21. In heating, it is necessary to launch large-scale support mechanisms related to the efficient use of electricity to supply heat, including energy efficiency. An important element should be special support for the development of heat pumps in older buildings.
22. The installation of fossil fuel boilers in new buildings must be banned no later than 2026 (in accordance with RePowerEU).
23. **Fossil fuels**
24. It will be important to **make cost-effective use of existing coal-fired generation infrastructure** to reduce the role of natural gas. It will be important to update the outlook for the use of coal in both the electricity and heating sectors, as well as in the economy as a whole so that the current turmoil over Russia’s attack on Ukraine does not become an excuse to delay the transition to zero-carbon.
25. **Gas should be treated only as a complementary fuel**. Poland should take measures to reduce the use of gas in economic sectors, including heating, heat, industry, transport and electricity.
26. **Analytics and data**
27. It is important to create a **transparent information platform** with data on the gas, oil, and energy sectors. The public should be regularly informed about gas and coal stocks, and the value of contracts, among other things. This is important to avoid speculation and panic. Information is now partially available, but it is not unified and is presented in a disaggregated form.
28. It is urgently necessary to support the Energy Regulatory Office financially and in terms of personnel in order to carry out the tasks entrusted to the regulator more quickly and efficiently.
29. **Funding**
30. It is urgently necessary to allocate **all funds** flowing into the state budget from the sale of EU ETS allowances to **low-carbon investments, reducing the share of fossil fuels and supporting vulnerable consumers**. The various sources of financing—the Modernisation Fund, the National Reconstruction Plan, Phoenix, and the Energy Transformation Fund—should be coordinated with each other and complement each other.
31. It is important to develop an effective plan against the expansion of energy poverty.
32. Money from the National Energy Recovery Plan should be redirected primarily toward reducing the energy consequences of Russia’s war against Ukraine and supporting the achievement of climate neutrality.

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