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Instrat Policy Note 02/2020: Let's get out of the crisis greener and stronger – recommendations for Poland

Executive summary

Unsplash: Cassie Boca

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Executive summary

One of the direct effects of reduced economic activity associated with the COVID-19 pandemic is the falling demand for electricity in Poland, which will affect the financial results of domestic power plants and, consequently, the domestic coal mining sector.

- Moreover, a sharp drop in the price of CO2 emission allowances from about 25 to 15 EUR per tonne was observed during around only two weeks of March – this contributes to the drop of power market prices in Poland and other European markets.
- While the economy is frozen, emissions drop too. With a high chance Poland will meet the EU target for 2020 of renewables share in final energy consumption – 15%. This evokes proposals that ambitious climate policy could be suspended.
- A pandemic should not demobilize efforts related to just energy transition, nor should it be a reason to leave the ETS system. After the crisis in 2009, neglected necessity to continue the transformation in light of the temporary decrease in emissions have resulted in unambitious climate policies.
- The limits of subsequent subsidies for the mining industry should be set by the existing payments. According to the so-called Mining Act, by the end of 2023, the limit of state aid for restructuring of the sector amounts to PLN 7 billion. Faced with the spread of state aid throughout Europe, the Polish government might want to use this strategic opportunity to subsidize coal as it used to do before.
- Mobilising private funds to finance government's flagship programs such as Clean Air and My Electricity will be more difficult than ever before because of the collapse of household budgets and probably reduced lending by commercial banks. In the current situation, it is worth considering increasing the central budget's stake in the programs mentioned. Funds for this purpose may be obtained by extending the ETS system to other sectors of the economy.
- The funds allocated for the Public Investment Programme within the framework of the Anti-Crisis Shield should be allocated in 80% for projects related to just energy transition. The remaining 20% should be used in a way that is at least climate neutral.
- The idea of Green Fiscal Package would be nothing new. In 2009, the UN appealed to the G20 countries for a Global New Green Deal[1]. At that time, South Korea implemented such a plan, allocating as much as 80% of the anti-crisis package to sustainable goals.

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Full text in Polish available under this link. Automatic translation here.

[1] United Nations Environment Programme (UNEP), Global Green New Deal – An Update for the G20 Pittsburgh Summit, 09.2009.