

White Paper French-Polish Chamber of Commerce

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Recommended solutions and directions of changes:

A. ELECTRICITY SECTOR

The issue of stable access to electricity in conditions of growing demand will be of key importance in the near future, both for individual and industrial customers. Satisfying the needs will require a large expansion of generation capacity, in particular the capacity installed in non-emission sources, in a model characterized by a greater degree of dispersion than what we have dealt with so far.

POSTULATES FOR CHANGE

1. Liberalization of the 10H rule and development of the offshore wind energy sector

The liberalization of the provisions of the Act of May 20, 2016 on investments in wind farms, consisting in the abolition of the 10H rule and the adoption of solutions facilitating the development of onshore wind energy, is crucial for unblocking investments in this area. The new regulations should not contain regulatory barriers disproportionate to the intended purpose and should favor the construction of new generating units.

A good step is the plan to install 17 GW of wind generating capacity in the Baltic Sea. In order to achieve the goal of their construction by 2040, it is necessary to simplify the procedures related to the investment process and to provide (maintain) an adequate support system.

2. Solutions to enable *cable pooling* and construction of direct lines. Modification of the regulations on grid impact expertise and acceleration of the procedure for issuing grid connection conditions

The growing number of refusals to connect to the grid (e.g. due to overload of grid or exceeding the permissible voltage level) by operators is a real barrier to the development of distributed energy sector. It is therefore necessary to accelerate the expansion and modernization of Polish power grids in order to remove this barrier.

It is also necessary to adopt solutions for the *cable pooling*, and to liberalise direct line regulations, inter alia by introducing the widest possible catalog of cases in which the construction of a direct line will be possible without the prior consent of the President of ERO (full implementation of Article 7 of Directive 2019/944; modification of Article 3 point 11f of and Article 7a of Energy Law).

It also seems necessary to modify the regulations that require inclusion in the expertise of the impact of the connected installations on the power system of the connection capacity of offshore wind farms (Article 7 sec. 8e [1] of Energy Law).

The shortening of the waiting period for the issuance of conditions for connecting renewable energy sources to the power grid will also significantly accelerate the development of the sector.

3. CPPA agreements - removal of regulatory barriers

RED II requires Member States to remove unjustified regulatory and administrative barriers to the universalisation of CPPAs. Therefore, it is necessary to adopt solutions: on the one hand - enabling the implementation of projects in the on- *site model*, i.e. using a direct line, on the other - bringing tangible economic effects for the parties to these contracts (lifting the obligation to obtain and redeem green and white certificates, exemption from excise tax).



4. Support for electricity storage

The development of distributed energy is impossible without the use of electricity storage technology. With the current prices of energy storage, the use of this technology is economically unjustified. Therefore, it is postulated to introduce a support system for electricity storage and to adopt comprehensive solutions that will increase the possibility of provision of commercial energy storage services as a source of flexibility of the energy system. A reform of the balancing market is also needed.

It is also worth introducing solutions in the field of support for generating units cooperating with the energy storage (model: RES source + storage). The adopted solutions could be a response to problems related to the availability of connection capacities, contributing to the development of distributed energy and improvement of the stability of the power grid.

5. Resignation from introducing changes regarding the placement of PV projects

The currently pending draft act amending the act on spatial planning and development and some other acts (project no. UD369) provides for the introduction of solutions according to which the change in land development regarding PV installations with an installed capacity of more than 1 MW takes place on the basis of the local zoning plan. In our opinion, such solutions will significantly hamper the construction of photovoltaic projects (long process of adopting the local zoning plan). We recommend abandoning the proposed changes.

6. Modification of the auction system

Flexible regulations regarding the possibility of participation in the RES auctions by modernized RES installations (the so-called *repowering*) will extend their life cycle and, to some extent, reduce the difficulties of the location search process.

It also seems reasonable to allow projects in the operational phase to participate in the RES auction (operational projects generating electricity for a period of up to 36 months before the date of submitting the auction offer).

Another step supporting the development of the RES sector will be regularity in the organization of auctions. Binding schedules of their organization will directly translate into a decrease in investor risk.

7. Support for investments in generation sources based on biomass and biogas, and in the longer term - hydrogen investments

Auctions as a support system have not proved successful for biomass and biogas installations, which are more stable energy sources than the sun and wind. They made it possible to implement only a few small projects. In order to unblock the development of this sector, it is necessary to modify the support system for these sources - perhaps to base it on a premium, as for sources in the cogeneration sector - and to raise the reference prices.

Investments in the production and combustion of biogas would make it easier to change the technical parameters required for its injection into the national distribution network.

Including waste in the definition of biomass in the Act on renewable energy sources it would accelerate the implementation of *waste-to-energy technologies in Poland*, the use of which is a



significant step towards the circular economy, also assuming the full implementation of the EU action plan in this area.

It is also necessary to adopt comprehensive regulations on biomethane (bioLNG, bioCNG), which will guarantee Poland greater energy independence and at the same time contribute to the decarbonisation of industry and transport. A stable support system is needed as well as solutions enabling the injection of biomethane into the gas network.

A support system for investments in green hydrogen is also needed now, which will ultimately replace natural gas in the production of electricity and heat.

8. Creation of strategies and opportunities for the development of CO₂ capture and storage technologies

CCS technology as a supplementing system for reducing emissions must already exist in the legal and social awareness. For its development to be possible in Poland, changes to the mining and geological law are needed to facilitate the search for locations and introduce different monitoring requirements depending on the location. Above all, however, a development strategy for this solution at the national level is needed, along with a support system and regulations allowing for international transport of liquid CO₂, in order to give Polish producers access to tanks, e.g. in the North Sea.

It is also important to actively support investors applying for financing CCS projects from EU funds.

9. Development of the nuclear energy sector

According to extensive reports, both by the IPCC and the IEA, the zero-emission electricity generation system requires the implementation of nuclear power. In addition to the full-scale investment that is developing in Poland, it will be necessary to plan the implementation of SMR technologies. It is recommended to adopt solutions to remove disproportionate regulatory barriers (for example in the field of environmental issues).

10. Stocks and storage of energy, including liquid fuels

Due to the current geopolitical and economic situation, it is necessary to take measures to facilitate the implementation of investments consisting in the construction of underground and above-ground storage installations. It is primarily about changing the regulation of the Council of Ministers of September 10, 2019 on projects that may have a significant impact on the environment - modification of par. 3 points 35 and 37. The limits provided for in these provisions should be increased to facilitate the construction of storage facilities with larger capacities.

In addition, the situation will be improved by increasing the availability of the so-called HVO diesel made from waste. Being a drive for internal combustion engines used in agriculture and transport, it will be an important element of the transition to electric motors. Also, the roll-out of alkylate fuels for small appliances will help reduce pollution, CO₂ emissions and oil dependency. For this to happen, it is necessary to improve the process of obtaining permits for the production and distribution of these fuels by foreign entities in Poland.

B. INDUSTRIAL SECTOR

The industrial sector is crucial for the harmonious functioning of socio-economic life. Its operation means not only hundreds of thousands of jobs in regions outside the main Polish metropolises, but also the availability of materials needed to conduct public investments (such as cement or chemical preparations) and everyday life (such as cosmetics, household chemicals).

POSTULATES FOR CHANGE



11. Obligation to maintain coal stocks

The current geopolitical situation makes it impossible for many industrial and heating entities to fulfill the obligation to maintain mandatory stocks (Article 10 of Energy Law). Until the supply situation stabilizes, there is a need to temporarily exclude the possibility of imposing administrative fines on such enterprises (Article 56 sec1(2) of Energy Law). Such a procedure is in line with the new assumptions of the Polish Energy Policy 2040 (PEP 2040), which include a temporary limitation of the intensification of efforts to abandon coal.

Additionally, the possibility of purchasing coal by strategic enterprises for its economy on the Polish market should be introduced and covered by the purchase priority mechanism, as in the case of energy or heating. At present, it is impossible to purchase any coal in Poland. Importing poorer quality coal from distant directions, mainly by sea, will contribute to the deterioration of air quality in Poland along with the increase in CO2 emissions, and will also be an additional blockade of Polish seaports.

12. Protection of industrial recipients

The crisis on the raw materials market increases the risk for large production companies. It is recommended to amend the Regulation of the Council of Ministers of February 17, 2021 on the method and procedure for introducing restrictions in variable gas consumption by expanding the catalog of protected customers (paragraph 4 (1) of the Regulation) to include industrial customers of high importance for the operation of other industries economy.

13. Supporting large energy consumers in their quest for greater energy autonomy

The industrial sector is the largest consumer of electricity available in the national system. A system of incentives for large industrial customers to invest independently in the development of renewable sources for their own use will help reduce this burden, guaranteeing greater availability of power and facilitating the management of its distribution by the domestic operator.

14. Appreciation of companies' efforts to increase energy efficiency and implement the principles of the circular economy

Increasing energy efficiency and pursuing a circular economy are at the heart of EU policies for a clean and economically competitive Europe. Many entrepreneurs do a lot to put these principles into practice at the expense of their own competitiveness, including in the internal market. It is necessary to give importance to their activities in public space, where social campaigns could appear in a public-private partnership promoting the ideas of not only recycling, but also, for example, returning to the logic of repairing equipment and changing consumption patterns.

It would be a good idea to include the energy efficiency category and the implementation of circular economy principles (e.g. *buy-back plans* or running repair services) in public tenders as an example of procedure for the entire industry and large enterprises.

It is also necessary to adopt solutions that would result in streamlining the processing of applications for energy efficiency certificates (the so-called white certificates). The protracted process of issuing white certificates discourages entities from participating in the energy efficiency system and investing in pro-efficiency projects. A solution could be, among other things, to grant the Energy Regulatory Office (URE) substantive support (experts) in the assessment of applications.



C. CONSTRUCTION AND HEATING

The Polish heating sector is unique in Europe due to its centralization. On the one hand, this facilitates the transformation process, but it brings with it specific challenges related to, inter alia, with the need to maintain the continuity of operations of enterprises and facilities which, in the light of the regulations on emissions and environmental protection, lose their profitability and *raison d'être*, despite their key social role.

POSTULATES FOR CHANGE

15. Increasing energy efficiency by reducing the required water temperature

Lowering the minimum water temperature in the heating system will translate directly into a reduction in fuel consumption in the heating sector. Reducing the required temperature by just 1 degree Celsius saves about 10% of fuel consumption for the needs of system heat generation, i.e. about 2 million tons of coal per year. Such a solution has already been applied in France, where on 13/04/2022 the *Circulaire regulation n ° 6343-SG entered into force* on the adjustment of heating conditions for buildings owned by the state, its operators and subsidiaries in order to reduce gas consumption.

16. Change of the tariff system

The tariff system for high-efficiency cogeneration is more than a decade old and does not fit today's conditions: rising emissions, fuel and investment prices. The transfer of the costs of purchasing emission allowances takes about 2 years and means long loss periods for investors, which consumes funds that could be spent on modernization and investments in future technologies. The tariff system should be updated to be effective in promoting cost-effectiveness and to reflect changes in carbon prices and the dynamics of the heat and energy market.

17. Strengthening the verification system for compliance with energy efficiency requirements

Increasing energy efficiency in the construction sector is not possible without specific tools - and people - to ensure that standards for new buildings and old buildings are met and implemented, and a system of inevitable penalties in the event of failure. There is a need to strengthen the range of measures currently available and the system of guaranteeing their fulfillment.

D. INDIVIDUAL CONSUMERS

Introducing changes requires social acceptance, which is built thanks to the dissemination of awareness and understanding of the need that changes are to satisfy. Polish society must have access to reliable information and be regularly informed about how, as a community, we intend to function in conditions of limited resources and why resource efficiency is today the key to a secure future.

18. Household electrification

It is important to consider and design at the state level a support system for households implementing electrical solutions replacing the combustion of fossil fuels. In particular, support and incentives are needed for the use of electric transport, including individual electric transport such as electric cars - and in the longer term also hydrogen vehicles - and for the electrification of heating, including the use of heat pumps, which often requires large investments.



19. Cities, municipalities, local governments

Also at the local level, the authorities of urban centers, municipalities and local governments should be encouraged to implement solutions allowing for better management of energy use, such as the *Internet of Things* and other *smart city tools*.

20. Information campaigns in public-private partnership

The profound changes that await us require something more than social acceptance: cooperation and willingness to implement them, resulting from a deep understanding of the needs. The state administration apparatus at all levels should be actively involved in conducting educational and information programs on new technologies, including technologies of the future, such as CO2 capture and storage, hydrogen storage, and nuclear energy. It is also essential to work towards the development of new, necessary consumer habits, such as energy saving and better resource management.

