

The EIB's and EBRD's role in changing the Polish energy market

Energy projects in Poland, January 2011



CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

The Polish energy market is at a crossroads. While over 90% of electricity is produced from coal two thirds of the installed coal capacity is older than 30 years, and one third is almost 40 years old¹. According to the Public Consultancy Board for the National Programme of Emissions Reduction, more than 6 GW of ageing generation capacity (almost 20% of total currently installed capacity) will have to be taken out of operation by 2015. Due to this fact huge investments in energy capacity are needed in order to maintain the current levels of energy generation and to meet the ever-increasing requirements of the EU's climate and environmental legislation. That need provides a great opportunity for the European public banks to channel investments towards the goals supported by the EU's climate and energy policy and to support a transition towards an energy efficient energy production model based on renewable energies. The European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) can play a crucial role in the process. By providing financial assistance to energy efficiency projects and renewable energy sources and by refraining from financing fossil fuel projects they can shape this change. This is especially relevant given that the cost of the required investments in Polish energy infrastructure is in the range of 28 to 50 billion euros.

Support for the Polish coal sector

Both the EIB and the EBRD have been involved in financing fossil fuel projects² and in fact the EIB is appraising one at the moment³. It is a **hard coal cogeneration heat and power plant in Bielsko Biala**, which is estimated to cost 143 million euros, of which the EIB is considering financing half⁴. The plant's Environmental Impact Assessment lacks an element required by EU law: an adequate climate impact assessment. In addition no alternative energy sources have been considered.

Furthermore, there Polish media have reported that both European public banks have been approached by other investors interested in financing part of the costs of new coal power plants.

¹ Age distribution of Poland's power plants by fuel, International Energy Agency, 2010.

² The most recent cases for EBRD being the Belchatow II project in 2005 and Patnow II in 2003 (both lignite power plants): <http://www.ebrd.com/saf/search.html?jsessionid=720DD3FA5644BF92D3399D8E30A9EA41?page=2>

³ South Poland CHP in Bielsko Biala: <http://www.eib.org/projects/pipeline/2009/20090549.htm>

⁴ 72.3 million euros.

These include the **greenfield Pólnoc Power Plant (Elektrownia Pólnoc) a 2000MW project** in the Pomerania region in the north of Poland⁵ The project's cost is estimated at between 3.1 and 3.86 billion euros.

These are not the only coal projects that may receive support from EU taxpayers' money through the EIB and the EBRD. The government document "Polish energy policy until 2030" refers to **12 000 MW of coal power-plant capacity** to be newly constructed or heavily modernised by 2020. The amount of necessary investments exceeds the capacities of Polish investors and the EIB will surely receive new applications in the future.

What is certain however is that if either of these projects obtains the banks' financing precious resources will be driven away from energy efficiency and renewable energy projects and moreover Poland will remain being locked into a fossil fuel intensive energy production model, endangering its fulfilment of the EU GHG reduction goals. This way European public banks would undermine the European Council's call from 2009 for at least a 50 percent worldwide emissions reductions and aggregate developed country emission reduction targets of at least 80–95 percent by 2050. It will also make the Polish government more determined to oppose the EU's attempts to step up its efforts in combatting climate change.

What role for the EIB and the EBRD?

There are examples that both the EIB and the EBRD are able to play a positive role in helping to drive the transition in the of new member states of the EU, such as the Polish one, towards a low carbon economy. They provide the much needed financing for new wind farms (such as the Margonin wind farm in the northwest of Poland, cofinanced by both institutions) and electricity transmission lines. A lot more financing will be required in these areas, but these examples show that there is demand for clean energy investments in Poland.

Recommendations

Given their important role in supporting the transition to a safer and sustainable future the EIB and EBRD should:

1. Stop financing new coal mines, coal power plants and coal-fired district heating plants.
2. Avoid supporting the modernisation of existing coal facilities, when this results in the prolongation of their lifetimes or an increase in their production.
3. Stop acquiring equity stakes in companies that are investing in coal or have plans to do so
4. Increase their renewable energy and energy efficiency lending in Poland, as long as it does not contradict the above-mentioned recommendations.

⁵ PAP (Polish Press Agency) on 16th September 2010: Board Member of Elektrownia Pólnoc Ltd - Karol Pawlak – stated that conversations on investment financing are being held with both the EIB and EBRD.

For more information

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