

White Paper French-Polish Chamber of Commerce

Document developed by the CCIFP Climate Committee

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Recommended solutions and directions of changes:

A. ELECTRICITY SECTOR

Decentralisation of the energy sector, increased demand for electricity, in particular generated from RES installations, implementation of zero-emission strategies and ESG policies - are just some of the areas having a key impact on the direction of development of the Polish energy sector.

The growing interest in the construction of new generation sources, also by entities intending to generate electricity for their own needs, the development of new technologies and the implementation of new business models translates into an urgent need to take legislative action. It is also important to remember to implement solutions that will ensure the security of electricity supply and improve the functioning of the national electricity system. These issues will require significant investment outlays for the modernisation and expansion of the grid infrastructure.

POSTULATES FOR CHANGE

1. Access to the electricity grid, direct line and cable pooling

The increasing number of refusals to grant grid connection conditions is currently one of the biggest barriers to energy development. It is therefore important to take measures to enable the efficient connection of RES installations, energy storage or hybrid installations to the grid.

In order to improve the situation, it is necessary to accelerate the expansion and modernisation of electricity networks.

In addition to modernising the infrastructure, it is necessary to undertake legislative work to optimise the use of existing connection capacities (increasing network capacity without the need for expansion). This means, among other things, effective implementation of solutions such as direct line or cable pooling.

The introduction of optimal legislative solutions for direct line into the Polish legal order will enable the implementation of new business solutions based on the on-site PPA model, without the need for network infrastructure. This is particularly important for entities aiming to supply electricity generated from a RES source, inter alia due to sustainability reporting requirements. The direct line institution should be as widely applicable as possible and the new regulations should fully implement the provisions of Directive 2019/944.

It is also important to implement solutions that enable the efficient use of connection capacity by more than one generation source. The use of cable pooling, i.e. the aggregation of technologically diverse generation sources, will allow the construction of new RES installations using existing connections to the electricity grid.

Reducing the waiting period for issuing conditions for connecting RES sources to the electricity grid will also significantly accelerate the development of the sector.



2. CPPA agreements - removal of regulatory barriers

The RED II Directive imposes an obligation on 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).

3. 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.

4. Planning issues relating to RES installations

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 restrictions on the location of RES installations on agricultural land of lower classes (IV - VI). The draft act provides that the change of land use for RES installations is to take place on the basis of the LSDP.

In our opinion, such solutions will significantly hinder the construction of RES projects (the lengthy process of adopting LSDPs) and will seriously limit the resource of areas that can be used for new installations.

We recommend abandoning the proposed changes.

5. Modification of the auction system

In the context of increasing the share of RES in the Polish energy mix, it is necessary to take measures not only to connect new generating units, but also those that will contribute to maintaining functioning RES sources in the system. It is therefore necessary to make the regulation more flexible with regard to the possibility for modernised RES installations to participate in auctions (the so-called repowering) and to extend the support system for installations which are no longer eligible for support.

It also seems reasonable to allow projects in the operational phase (e.g. operational projects generating electricity for up to 36 months before the date of the auction bid) to join the RES auction.

A step supporting the development of the RES sector will also be regularity in the organisation of auctions. Binding schedules for their organisation will directly translate into a decrease in investor risk.



6. Creating a strategy and opportunities for the development of CO2 capture and storage technologies

The implementation of biogas projects may be the answer to the urgent need to increase the share of stable, weather-proof RES sources in the Polish energy mission. Unfortunately, the support system for biomass and biogas installations provided for in the RES Act has proved insufficient and has not translated into the rapid development of this sector of the economy.

Urgent legislative action should therefore be taken to facilitate biogas projects.

Including waste in the definition of biomass in the Renewable Energy Sources Act would accelerate the implementation of waste-to-energy technologies in Poland, the use of which is an important step towards a closed-loop economy, also assuming full implementation of the EU action plan in this regard.

It is also necessary to adopt comprehensive regulations for biomethane, which would guarantee Poland greater energy independence while contributing to the decarbonisation of industry and transport. A stable support system is needed, as well as solutions for injecting biomethane into the gas network.

A support system for green hydrogen investments is also needed. This is because the production and use of green hydrogen is key to the sustainable development of the energy sector.

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

CCS technology is an important part of the emission reduction system. In order to enable its effective development, legislative changes are necessary. Site exploration should be facilitated and monitoring requirements should be differentiated according to location.

A comprehensive national development strategy for the sector needs to be developed and implemented, and an appropriate support system adopted. It is also important to adopt optimal regulations for the international transport of liquid CO2 in order to facilitate Polish producers' access to carbon dioxide reservoirs, e.g. in the North Sea.

It is also important to actively support investors applying for EU funding for CCS projects.

8. 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).

9. Stockpiles and underground fuel storage facilities

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 geopolitical situation, high raw material prices, numerous regulatory changes and climate policy are the main challenges facing the industrial sector.

A stable manufacturing industry is important especially in moments of international trade crisis. Having a strong industrial sector guarantees the strategic autonomy of the state and affects economic security. Meeting this challenge will not be possible without a properly designed industrial policy that provides a buffer against economic shocks and promotes business competitiveness.

POSTULATES FOR CHANGE

10. 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.

11. 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.

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

Increasing energy efficiency and moving towards a circular economy are at the heart of EU policies for a clean and economically competitive Europe. Some entrepreneurs are implementing efficiency and GOZ solutions at the expense of their own competitiveness, including in the internal market. It is therefore important to give weight to their actions in the public space, e.g. through appropriate social campaigns.

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.



13. Support for demand-side flexibility

The Polish electricity system will become increasingly difficult to balance in the coming years. On the one hand, this will be the effect of increasing weather-dependent RES sources in the system. On the other hand, it will be the effect of the withdrawal of controllable coal units and insufficient supplementation of these resources with other controllable resources. Consequently, a real decline in available capacity is forecast over the next 15 years. One tool to support system balancing is demand-side flexibility. Action is needed to improve the cost-effectiveness of investments in solutions that increase such flexibility at energy end-users. A reform of distribution tariffs is needed to increase differences in distribution prices between periods of the day. Solutions are also needed to increase the correlation between system status and energy prices. Faster introduction of remote reading meters for industrial consumers in C tariffs will also help.

C. CONSTRUCTION AND HEATING

The Polish district heating sector is an exception on a European scale due to its centralisation. This brings with it specific challenges, particularly with regard to its modernisation and greening. The construction industry, which is responsible for more than a third of global CO₂ emissions, also faces a major challenge.

The challenges of modernising and greening the heating sector in Poland are great. An energy transition is needed to reduce CO₂ and other greenhouse gas emissions. One way to achieve this is to increase the share of renewable energy sources in heat production, such as biomass and biogas. However, due to the centralised nature of the district heating sector, the implementation of such solutions is complicated and requires the cooperation of various institutions and actors, as well as the provision of an appropriate and stable legal framework to ensure development in this area.

In the case of buildings, the challenges are mainly related to CO₂ emissions. Buildings are responsible for more than 1/3 of global CO₂ emissions, which is a serious problem in the context of global warming and pollution. Solutions are needed to reduce CO₂ emissions during the operational phase of buildings.

One possible way to achieve this is to increase the energy efficiency of buildings, which will reduce energy demand and thus reduce CO₂ emissions. It is also worth paying attention to the use of green building materials and designing buildings in a more environmentally friendly way.

POSTULATES FOR CHANGE

14. 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.

15. 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.

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.

16. E-mobility and household electrification

It is important to provide broad support for households implementing efficiency-oriented solutions, in particular those that will result in a shift away from the use of fossil fuels. Broader support is needed for the use of electric transport, including electric personal transport. In the longer term, support should also be extended to hydrogen vehicles. In the electrification of transport and heating, incentives and standards are needed for solutions that increase the flexibility of energy consumption of these devices.

17. 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*.

At the same time, municipalities and cities should have the possibility to create special RES zones on their territory, where investors could benefit from simplified and shortened administrative procedures for the construction of RES installations (in particular in terms of spatial planning and environmental impact assessment obligations) and from an appropriate support system (e.g. in the form of property tax exemptions).

18. 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 public sector should be actively involved in running education and information programmes on new technologies, especially those related to the energy transition and climate protection. Action is also needed to develop new consumer habits, such as energy conservation and better resource management.

