

Brussels, 11 July 2018

POLISH POWER SECTOR EXPECTATIONS FOR THE COP 24 IN KATOWICE

1. The Polish Electricity Association wishes to underline the great importance of the 24th Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 24), which will take place on 3-14.12.2018 in Katowice. Bearing in mind the key negotiations on the regulatory framework for **the electricity market design of the European Union** planned for the second half of the year, the upcoming Climate Summit will be a special opportunity to present in the global perspective the current achievements in climate protection, both in the entire European Union and in Poland – the conference host.
2. The members of the PKEE are contributing towards the achievement of the goals of the Paris Agreement and are diversifying the electricity generation fuel structure in Poland – the share of coal in the domestic energy mix has significantly dropped since 2008, the date of adoption of the energy and climate package. At present, the share of coal in the installed capacity in the Polish power grid is **around 71%, compared to around 83% in 2008**. In parallel, **over the same time, the share of RES has increased from 4% to 20%**.
3. Moreover, according to the declaration by the Ministry of Energy, **after 2025 no new build coal-fired units are planned in Poland**. In parallel, wind farm projects are being built in the Baltic Sea, where in the Polish zone we estimate the potential at 6-8 GW new generating capacities. Also, the construction of a zero-emission nuclear power plant continues to remain the strategic option. Energy projects based on natural gas are being intensively pursued too, both concerning the electricity and the district heating.
4. The PKEE supports a **gradual electrification of the EU economy** in areas not subject to the EU ETS, including in energy-intensive industries as well as transportation and building sectors. At the same time, we will be striving to minimise the impact of the power sector on the natural environment until 2050 with a gradual transformation of the fuel mix towards low emissions. At present, the PKEE is contributing towards the analysis of **the potential for reduction of the CO₂ emissions in the EU power sector until 2050** being developed by EURELECTRIC, which will present the **specific circumstances of Poland**.
5. In the updated mid-century strategy we will not avoid the **discrepancies between forecasts and reality**. The cost and availability of the RES technologies have dramatically changed even with respect to just 2011 when the previous roadmap was developed, thus the current **assumptions definitely will change during the coming decades**. Taking as an example the prices of wind and photovoltaic energy – at present these solutions are less costly than assumed ten years ago, while the clean technologies of key significance to a cost-effective decarbonisation - including the CCS and CCU – have not yet reached a market commercialisation.

6. In the context of electrification of the economy, one of the flagship themes of the December conference will be the **growth of electromobility**. Poland has the opportunity to become one of the leaders of this process. During the COP in Katowice, we are also planning an accompanying event concerning the climate funds and fair and just transition.
7. PKEE supports the establishment of the **Just Energy Transition Fund** in progress of the work on the new EU post-2020 Multiannual Financial Framework. A supplementary solution is to **increase the funds dedicated to, among others, the power sector in the existing structural funds for 2021-2027** – particularly within the Cohesion Fund, so as to allow a just energy transition for the regions reliant on coal and the modernisation of the power sector towards low emissions. Regardless of the new budgetary framework, it will also be important to **maximise the compensation mechanisms under the reformed EU ETS**. It should be remembered that according to the analyses by the PKEE, the low emissions investments will cost the Polish electricity sector in excess of **EUR 150 billion until 2050 (over PLN 600 billion)**.
8. **The EU contribution towards the achievement of the Paris Agreement in 2030 should at the present stage remain unchanged**. Adoption of the Winter Package legislation and thus of the architecture of the Energy Union completes the EU proposal. The consensus reached at the EU level on the climate ambitions of 40% reduction of the CO₂ emissions by 2030 has contributed towards swift ratification of the Paris Agreement. What is needed first and foremost is the assessment of the just adopted solutions; therefore any **possible declarations as to the next tightening of the climate goals, even before the COP24 or during the conference itself, in our opinion would be premature**. According to the decision 1/CP.21, the parties may again communicate their nationally determined contributions until 2030.
9. The EU ETS Directive itself provides for a review of ambitions in the context of the progress of implementation of the Paris Agreement and the growth of emissions allowances markets in other large economies. It should be stressed that the **CO₂ price has over the last year tripled from ca. 5 EUR/t CO₂ to ca. 15 EUR/t CO₂**, resulting in a significant burden on the generating assets in Poland and in consequence on the final consumers.
10. It is important that the EU emissions reduction ambitions should be met by **adequate measures by other large developed economies, but also by the rising Asian economic powers (China, India)**. Without their adequate contribution we will not achieve the climate protection goal, however, definitely, **the competitiveness of the European economy will be weakened and we will be facing the carbon leakage and shifting industry production outside the EU**. Under the **global transparency mechanism**, the efforts towards further reductions should be demonstrated in the context of **effort evaluation mechanisms**, e.g. as a % of the GDP of the country concerned, and used as the basis for the **future obligations' assessments**.