Brussels, 25th of July 2022

**Position of the Polish Electricity Association (PKEE) regarding the REPowerEU chapters in recovery and resilience plans**

**The exceptional situation in energy markets caused by Russia’s invasion of Ukraine requires Europe to revise its energy transition plans. We need to be better prepared to meet new challenges while building energy security for the entire EU and its individual regions. The current situation shows that there is no turning back from the road toward climate neutrality; however, we cannot forget about the different starting points of the Member States (MSs) and substantial differences in how intermediate targets can be achieved.**

We fully support the REPowerEU plan to phase out the dependency on fossil fuel imports from Russia. In recent years Poland made a significant effort to diversify its gas imports by investing in developing gas infrastructure and securing gas supplies from various sources. We are consistently modernising the district heating systems and developing the trigeneration potential. However, in large-scale district heating systems in Poland, the only available option is to switch from coal-fired sources to high-efficiency cogeneration units based on natural gas, since alternative possibilities (such as electrode boilers) can be implemented in specific circumstances only.

Storage capacity development plays a crucial role in energy policies in many countries, including Poland. We fully support the proposal to consider storage assets as being in the overriding public interest and facilitate permit-granting procedures for their deployment. The above should apply to all energy storage technologies, including pumped hydro storage plants. It is necessary to facilitate the implementation of this type of investment also within the framework of state aid rules. We, therefore, believe that stand-alone electricity storage should be treated as energy infrastructure within Guidelines on State aid for climate, environmental protection and Energy - CEEAG also after 2023.

Due to the different starting points and specific energy mixes, the costs of the energy transition are still unevenly distributed across the individual MSs. To ensure energy security and stability of the market, appropriate support mechanisms are required to boost energy transition. According to the Energy Policy of Poland until 2040 costs of transformation of the Polish energy sector will reach around EUR 200 bn which significantly exceeds the total amount of the currently available national funds and EU funds for decarbonisation. The PKEE members have to incur further significant costs of investments in new generation capacities and operating costs.

REPowerEU is an opportunity to seek a more accurate key for the allocation of EU funds to ensure that coal-reliant Member States have sufficient resources for transformation, considering that the geopolitical and market circumstances directly affecting the functioning of the energy market in the EU have changed. Development of renewable energy sources (RES) in the most vulnerable MSs should be additionally fostered, i.a. via EU ETS-based instruments like the Modernisation Fund. The proposal to release a certain number of allowances from the Market Stability Reserve (MSR) to finance post-pandemic recovery is a step in the right direction. However, these additional funds should be mainly allocated to transition in the MSs which face the greatest challenges, to mitigate the results of the current geopolitical crisis.

We recognise that the changes in the Recovery and Resilience Facility (RRF) are the right step. The revenues generated by the auctioning of a limited portion of EU ETS allowances from the MSR should be allocated to the financing of REPowerEU - related measures, however, and crucial, an allocation key must be used to address the current challenges arising from the energy crisis more adequately. First, it is critical how the EUR 20 bn received from the auctioning will be allocated fairly between MSs. Second, transfers by MSs from other EU Funds towards the RRF should be voluntary.

The PKEE members believe that the new provisions may give the EU appropriate tools to deal with the current crisis and even better support the transition if they restore the economic stability and take into account the different capacities and regional specifics of individual MSs.

**About PKEE**

The Polish Electricity Association is an association of the power sector, whose activities focus on issues related to the functioning of the industry in a modern market economy. We engage in actions and projects thanks to which the Polish power industry can better meet the challenges related to the European integration, ensuring security of energy supply, competitive market, environmental protection and development of state-of-the-art technologies.