

## Opinion on the proposals of *Draft National Energy and Climate Plan 2021-2030*

Acting on behalf of the Renewable Energy Association (hereinafter: "Association"), in connection with the ongoing consultation process on the draft *National Energy and Climate Plan for 2021-2030* (hereinafter: "draft"), the preparation of which results from the obligation imposed on the Member States of the European Union, we see a need for an opinion on the proposals for solutions presented in the document in question.

At the outset, we would like to refer positively to the review of some of the sectoral policies covered by the project and their updating in relation to the one currently in the process of updating Poland's Energy Policy until 2040 (hereinafter: "PEP 2040"). Bearing in mind that according to the assumptions, the project should present coherent directions and complementary with individual integrated sectoral strategies, we hope that the national objectives and targets set out in the project will serve as a reference point for other strategies and actions aimed at their harmonisation. Although the project optimises some of the sector-specific assumptions in terms of achieving the targets for the planned share of energy from renewable sources in gross final consumption of energy in 2030, some of them still need further modifications and additions.

### **Modernization Fund**

In the years 2021-2030, Poland will have at least 411 million emission allowances under a derogation and the Modernization Fund under the mechanisms for energy in the EU ETS. These funds may be used for modernization measures in the energy sector and for improving energy efficiency. According to the project, work is currently in progress on the most optimal definition of the areas and ways of using the above mentioned mechanisms in the national forum. We are convinced that until the final definition of the spending strategy for the funds in question, the solutions contained in the project cannot be subject to a fully reliable assessment.

It should be noted that only a modern power grid will be able to absorb the new generation from distributed sources with different operating characteristics than large scale centralised power generation, the possibility of RES development is strongly dependent on the outlays for network modernization. In view of the above, we postulate that the development and modernisation of the power grid should be the main direction of allocation of funds under the Modernisation Fund, taking into account also the development of local transmission networks based on public-private partnership.

## **Energy clusters**

The project foresees that 300 energy clusters and cooperatives will be created by 2030 as part of the development of sustainable energy areas at the local level. However, as the analysis [*Development of renewable energy sources in the Micro, Small and Medium Enterprises sector, including the possibility of using prosumer solutions. Current state and development prospects*] commissioned by the Department of Renewable Energy and Distributed Energy of Ministry of Energy to identify potential barriers to the development of distributed energy in Poland, the key to the development of such initiatives is the introduction of a special distribution tariff for cluster members limited to low or medium voltage grid. The purpose of introducing such a tariff is, on the one hand, to cover distribution costs incurred by Distribution Network Operators and, on the other hand, to introduce a tariff that is much more attractive than the normal distribution tariffs currently in force. This tariff would be limited in volume to the amount of energy generated by members of the cluster or cooperative and introduced into the power grid. Above this value, i.e. when the cluster draws energy from outside the cluster, distribution costs would be at current rates. In this respect, consideration should also be given to allowing surplus energy to be sold directly to entities located in the locations at short distances, both through a distribution network and within a network belonging to a cluster. A good example here are entrepreneurs subletting usable space (halls, shops, stores) with one connection and energy meters for billing energy consumption with the tenant.

In the area of clusters, the key element is building local added value and thus supporting initiatives which, through conducting activities consisting in energy generation, translate into an increase in energy security. We call for the introduction of certification to verify cluster initiatives as to whether they really provide added value in the local dimension and should benefit from the support provided for clusters. Moreover, we propose the introduction of additional incentives in the form of direct subsidies for cluster development from operational programmes and other national measures, as well as for public-private initiatives aimed at developing both generation sources and local transmission networks.

## **Onshore wind Energy**

It should be noted that the project, in relation to the values foreseen in PEP 2040, indicates a more realistic scenario for onshore energy values, anticipating further development of the sector. Taking into account the chronology of works on individual documents and their hierarchy, we hope that these data will serve as a reference point for updating the values provided for in PEP 2040. The project envisages replacing with new units of currently operating wind units, which will reach the assumed exploitation period, which unequivocally suggests abandoning the extinction of this technology. At the same time, we are convinced that in the light of the recent results of auctions for wind energy and in the perspective of lower and lower costs of this technology, gradually enabling the operation of on a market-based basis, the project does not take into account the key role that this technology should play in achieving the 2030 target. It should be made clear that this sector represents the greatest potential for the development of renewable energy sources and the

implementation of RES targets for 2030.

At the same time, we suggest that further legislative work be undertaken to enable an increase in investment in this sector. In view of the planned auctions for the sale of energy from renewable energy sources, in order to enable the development of wind power projects, the provisions of *the Act of 20 May 2016 on investments in wind power plants* with regard to the distance criterion “10h”; should be modified. The main risk resulting from the act in question is the creation of a long-term gap in the scope of wind power plant projects in the development phase. Taking into account the habitat development in Poland and being aware that the project preparation cycle from the greenfield to the ready-to-build phase is approximately 5-6 years, this period should be indicated as the potential downtime that will arise if existing projects are disposed of in the upcoming auctions. At the same time, it should be borne in mind that this provision is also negatively translated into for the functioning of the communes themselves, limiting the possibility of constructing residential buildings near wind farms. Referring to the differentiated level of acceptance of local communities for wind investments quoted in the project and the postulate to create participation systems of residents, we take the position that the above issues should be resolved within the scope of competences delegated to local governments and should be undertaken locally, in accordance with the principle of subsidiarity. Moreover, we believe that the validity of construction permits issued for wind power plants should be in accordance with the general principles provided for in the *Act of 7 July 1994. - Construction law*, thus contributing to the marketisation of RES and limiting the aforementioned downtime in the development of this technology.

### **Alternative support mechanisms**

Referring to the technological maturity mentioned above, we take the position that the project should take into account alternative support mechanisms to the existing systems to a greater extent. In this area, the potential and budget-neutral support instrument for renewable energy sources, the guarantee of origin, needs to be complemented. The growing demand for these voluntary instruments is evidenced by the steadily growing turnover and the growing number of members of the Guarantee of Origin Register. It should be stressed that this market is much more developed in other European countries, where in 2018 alone guarantees of origin for more than 500 TWh of energy from renewable sources were issued, at an average price of 1,3 EUR/MWh. In the case of Poland, in 2018 the Polish Power Exchange recorded transactions with the volume of almost 17 TWh, which is a 6-fold increase compared to 2017. Average guarantee prices on the Polish market obtained in December 2018 amounted to 0,51 PLN/MWh. It is worth noting that these instruments are an important element of the principles of the EU renewable energy market and are strongly promoted within the framework of EU legislation. The key factor required to increase the turnover dynamics in Poland is the modification provisions enabling the benefits of the cross-border nature of guarantees of origin to be reaped. Consideration should also be given to the introduction of other mechanisms aimed at investors wishing to sell electricity on a competitive market without participating in support schemes, such as bank guarantees or other forms of financial security for the implementation of investments aimed at enabling projects to operate on market terms

## **Biomass / Waste to Energy**

The use of local biomass resources is also particularly important in Poland for the development of a decentralised generation. The development of sources based on this energy carrier will contribute to the reduction of costs of this technology and will allow to supplement the work of less stable generation sources. We are of the opinion that stable RES sources, such as biomass blocks with wind and photovoltaic power plants, should be made legally possible, with the proviso that stable sources would only work if less stable sources did not work.

While remaining in the area of using local resources, greater emphasis should be placed on obtaining energy from the thermal transformation of waste, which is part of the closed-circuit economy concept. This energy carrier should play an increasingly important role, contributing to both waste management and the generation of electricity and heat.

Some of the associations dealing with these issues have made available the results of the C-14 carbon isotope tests carried out in accordance with the reference standard. PN-EN 15440:2011, which showed that the tested alternative fuel RDF (Refuse Derived Fuel, waste code: 19 12 10) contains about 33% of biomass. Significantly, in *accordance with the Regulation of the Minister of the Environment of 8 June 2016 on detailed technical conditions for the qualification of a part of energy recovered from thermal transformation of municipal waste*, a part of energy recovered from the thermal transformation of this waste will be recognised as energy from renewable energy sources. At the same time, it should be noted that due to the energy potential and too high calorific value, these wastes are subject to a landfill ban in accordance with the *Regulation of the Minister of Economy of 16 July 2015 on the admission of waste to landfill sites*. The key problem we see is that the incinerator is not adapted to process this material. It is necessary to simplify the procedures for the qualification of the share of energy from RES and to recognise the potential this source represents and which could be disseminated within existing plants operating regional municipal waste treatment installations. This would allow effectively manage waste at the place of its production for energy purposes. In this respect, it is necessary to review the *Act of 14 December 2012 on waste and relevant provisions* on environmental protection in order to adapt the regulations to the changing technologies and their availability in the scope of gasification of waste and pyrolysis.

## **Offshore wind**

As in the case of PEP 2040, the Association welcomed the assumptions presented in the draft concerning the development of offshore wind energy, and the potential volume of installed capacity is a perspective for the development of this sector. However, we are of the opinion that in the light of the current state of advancement of individual projects being developed in Poland, the first energy could have been produced earlier, probably already in 2024. Moreover, we believe that if the Baltic Sea potential is fully exploited and a hub for offshore wind energy supply chain companies is established in Poland, an investment with an installed capacity of 12-14 GW can be carried out. A key factor in achieving optimal development of this sector is the adoption of

regulations streamlining the procedures for issuing permits, defining the principles of operation of the support system and connection to the network, as well as the issue of cooperation with the supply chain. Separate attention should also be paid to the discussion on the Polish Maritime Spatial Development Plan and consideration of further expansion of the areas designated for the development of renewable energy sources. At the same time, we believe that the project should take a more progressive approach to the integration of renewable sources with the power system. Already today, energy from offshore wind farms is quite well forecasted and integrated into the grid. In view of technological progress and the gradual connection of power to the grid by 2040, this energy, contrary to what is envisaged in the project, will not have a negative impact on the national power grid.

### **Energy prosumers**

We are of the opinion that the project does not take into account key solutions from the point of view of increasing the dynamics of prosumer energy development. Significant in this respect is the indication, when discussing the potential of solar energy within the framework of individual RES technologies in the energy mix, of the use of only poor quality land and post-industrial areas, while ignoring the roofs of public, municipal, residential, industrial buildings and farms. It should be borne in mind that recent years have shown great interest in the prosumer energy sector, which is increasingly translated into the structure of the Polish RES market. However, in addition to continuation of grant or loan support from national and EU funds, systemic solutions are also required to fully exploit the potential of this sector. We are of the opinion that the key factor limiting the development of prosumer energy is the inability to rely on the definition of prosumer of small and medium-sized enterprises or municipal utilities, which cannot benefit from the following from the system of discounts in accordance with Article 4. *1 of the Act of 20 February 2015 on Renewable Energy Sources* and thus receive compensation for excess energy entering the grid. It is also crucial that all microinstallations are subject to a lower VAT rate of 8%. This will reduce the cost of purchasing the installation and provide additional incentives for potential investors.