

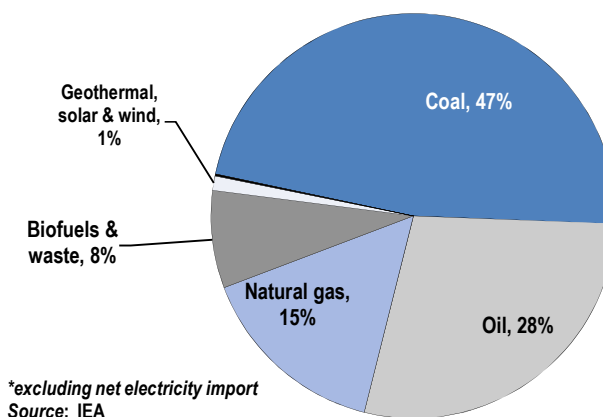
## Poland

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

### Energy resources and market structure

Fossil fuels provide the bulk of Poland's energy supply, and particularly indigenous bituminous coal, which accounts for almost a half of its total primary energy supply (TPES). Poland has one of the highest levels of coal-based electricity generation among OECD countries in Europe, ranking behind Germany only in terms of electricity units generated by coal. The importance of energy from imports has been increasing that in 2018, the country recorded its energy imports exceeding its indigenous production. Imports of crude oil and natural gas – constituted 64.3% of total imports in 2018. Among source countries, Poland imports around two-thirds of its natural gas and more than three quarters of its oil from Russia.

Total Primary Energy Supply\* in 2018



The structure of Poland's energy sector has changed dramatically since the early 1990s, following the collapse of the Communist Bloc. Some assets were privatised, but the state has retained large stakes in most of the main companies. The state holds 100% of shares belonging to the biggest coal producers – Katowicki Holding Węglowy S.A. – and a majority of shares in the second, Jastrzębska Spółka Węglowa S.A. Former second largest producer – Kompania Węglowa S.A. got liquidated in 2017, and its 11 mines have been subsequently transferred into state-owned Polska Grupa Górnicza (PGG).

There are four oil-producing companies in Poland, belonging to two capital groups: PGNiG and Grupa LOTOS. The Polish Oil and Gas Company (PGNiG), which is majority-owned by the government, is by far the largest, accounting for 81% of domestic production, mostly from on-shore wells. Through its subsidiaries, PGNiG S.A. also dominates the downstream gas sector, even after the implementation of market reforms in recent years to comply with EU directives. The company controls virtually all gas imports and owns the majority of distribution pipelines and underground storage facilities.

In Poland, more than 100 companies are licensed to generate electric power in Poland, though only four control a substantial part of the market: Polska Grupa Energetyczna (PGE), Tauron Polska Energia, Energa, and Enea. These companies, created in 2007 out of the former state monopoly Polskie Sieci Energetyczne S.A. (PSE), are vertically integrated, with activities in generation, distribution, and direct supply. Poland's transmission grid is operated and owned by PSE Operator S.A., which remains in state ownership.

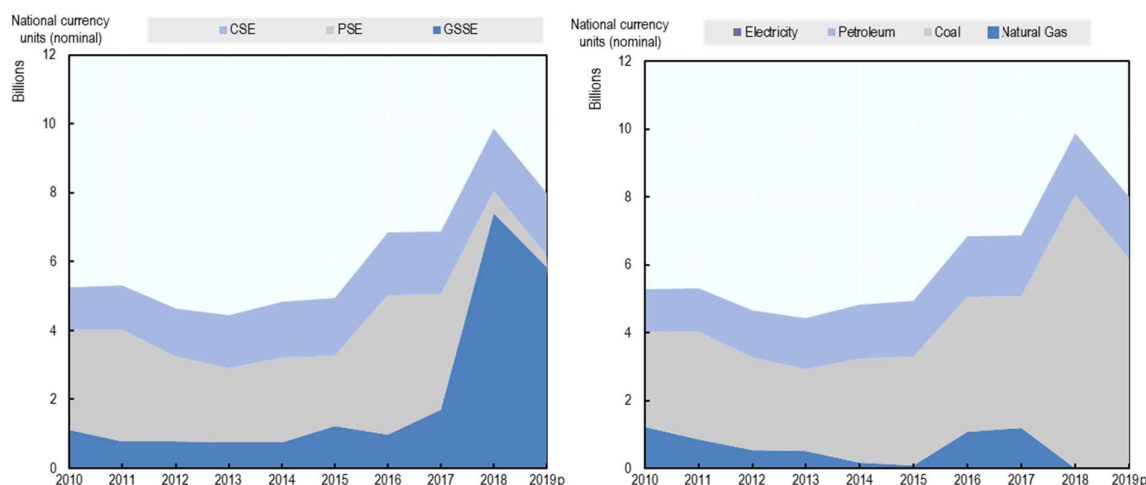
### Energy prices and taxes

Prices for coal, oil, and oil products in Poland are set by the market. The Energy Regulatory Authority (ERO) regulates natural-gas prices for all consumer groups<sup>†</sup>. It also approves tariffs for electricity and gas

<sup>†</sup> Since 1 October 2017, tariffs for natural gas sales for institutional consumers are no longer subject to the approval of the ERO President.

transmission and distribution. End-user electricity prices are not regulated except for household tariffs, which are subject to approval by the ERO. After 1 January 2024, all types of gas sales will be based on market prices, and will no longer be regulated by the ERO. Sales of all fuels in Poland are subject to the country's regular 23% value-added tax (VAT). Oil products and electricity sales (both commercial and non-commercial) are also subject to excise taxes and a fuel tax in the case of motor fuels. Excise tax exemptions exist for certain uses of natural gas and coal, notably on electricity generation, passenger and freight rail transport, agriculture, fishing, and mining and metallurgical processes.

**Total support for fossil fuels in Poland by support indicator (left) and fuel type (right)**



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

## Recent developments and trends in support

Support for fossil fuels in Poland mainly comes in the form of compensations for the decommissioning of coal mines and for the termination of long-term Power Purchase Agreements (PPAs) that were signed with power plants. The stranded-costs compensation scheme provided to power plants was introduced in 2008, peaked in 2009 but has slightly declined since. In 2018, substantial aid was provided for restructuring the coal mining sector in relation to covering extraordinary costs borne by mining enterprises. Poland also provides refunds, financed from the state budget, for farmers to offset the tax imposed on diesel used as propellant in farming. Support is limited to 100 litres per hectare of utilised agricultural area, but can be increased for agricultural producers engaged in cattle farming. The amount of refund per litre is determined each year. In 2019, it amounted to PLN 1.00/litre. Due to its preliminary nature, the decrease seen in 2019 might be driven by the lack of data for several measures.

## Examples of measures

### Special one-off compensation for retirees and pensioners (2018-)

This measure aims to compensate for the loss of the right to free coal and for the cessation of free coal collection by persons not employed by mining enterprises. This measure complements the Act on Compensation for Lost Coal Allowances with benefits amounting to PLN 10,000 per applicant. Qualified beneficiaries include retirees of mining plants, pensioners or miner's orphans.