

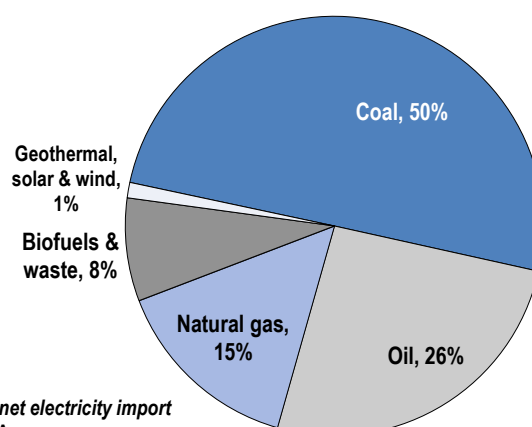
Poland

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 and eight large partner economies (Argentina, Brazil, the People's Republic of China, Columbia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Fossil fuels provide the bulk of Poland's energy supply, and particularly indigenous bituminous coal, which accounts for a half of its total primary energy supply (TPES). Poland has the highest level of coal-based electricity generation among OECD countries. Poland is thought to have significant unconventional resources, notably shale gas whose proven reserves have been estimated to stand at about 148 trillion cubic feet in 2013. Poland imports, however, two-thirds of its natural gas, 72% of which comes from Russia. Nearly 90% of Poland's oil imports also come from Russia.

Total Primary Energy Supply* in 2016



*excluding net electricity import
Source: IEA

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 six oil-producing companies in Poland. The Polish Oil and Gas Company (PGNiG), which is majority-owned by the government, is by far the largest, accounting for 98% of 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 all the transmission pipelines and underground storage facilities.

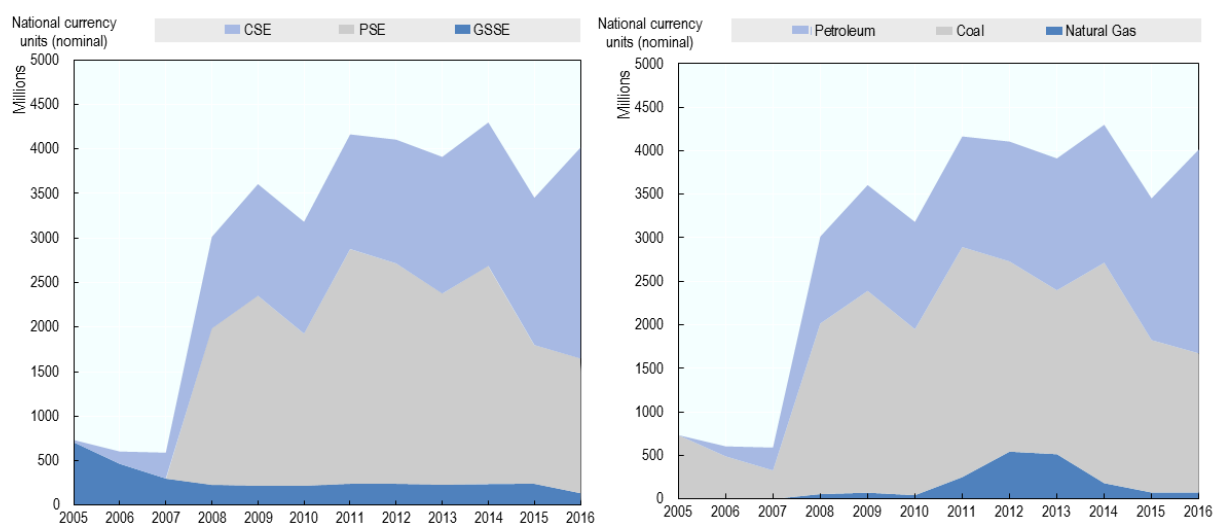
In Poland, more than 100 companies are licensed to generate electric power in Poland, though only four control a substantial part of the market: Polska Grupa Energetyczna (PGE), Tauron Polska Energia, Energa, and Enea. These companies, created in 2007 out of the former state monopoly Polskie Sieci Energetyczne 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. It also approves tariffs for electricity and gas transmission and distribution. End-user electricity prices are not regulated except for household tariffs,

which are subject to approval 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

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.

also subject to excise taxes and a fuel tax in the case of motor fuels. Excise taxes on gasoline are considerably higher than on LPG, which has incentivised demand for LPG.

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 and peaked in 2009 but has slightly declined since. The abrupt decrease in total support observed since in 2011 calls, however, for caution since no data are available for several of the support measures.

Since 2006 Poland provides refunds, financed from the state budget, for agricultural producers to offset the tax imposed on diesel used as propellant in farming. Support is limited to 86 litres per hectare of utilised agricultural area. This measure has its legal base in art 8 of the EU directive on the taxation of energy products. The amount of refund per 1 litre is determined each year. In 2018, it amounts to 1,00 PLN/1 litre

Examples of measures

Stranded-Costs Compensation (2008-)

This measure was introduced to compensate thermal power plants for the termination of long-term Power Purchase Agreements. Payments are financed from a para-fiscal levy imposed on all electricity consumers, the proceedings of which are accumulated into a fund. This fund is run by a special-purpose company that is fully-owned and controlled by the state.

Tax break for the Shale-Gas Industry (2014-)

To increase the country's energy security, Poland enacted in 2014 a law to encourage the development of shale-gas resources. The law plans to accelerate the issuance of licensing permissions for investors and allow tax-free exploration up to 2020.

