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PRESS RELEASE

Coal power industry on the turn

The production of electricity from coal in Poland is decreasing. For the first time in the country's history, in 2020 coal's share in the generation mix dropped below 70%. Renewable sources have slowly started to play a more important role in the mix, as well as gas. In the midst of the pandemic, domestic production has fallen faster than demand, and this gap is filled by energy imports. Poland remains the most expensive electricity market in the region.



This is the fourth edition of the Forum Energii report “Energy transition in Poland”. We summarise the year 2020 in which the cards were dealt in the power industry, like everywhere, by the COVID-19 pandemic.

The decreasing share of coal in energy generation in Poland is the result of overlapping trends. In 2020, demand for electricity fell, which was particularly evident in the initial phase of the pandemic. In addition, the rapidly rising cost of CO₂ emissions and constantly high cost of domestic coal, among other things, has made energy production in Poland increasingly uncompetitive. As a result, in the last year energy production was the lowest in a decade, reaching 158 TWh, almost 4% less than in 2019. Instead, imports of cheaper electricity to Poland are breaking new records, now covering nearly 8% of the annual demand and amounting to 13 TWh.

At the same time, however, the use of renewable energy sources (RES) is growing faster and faster. Last year, energy production from RES amounted to nearly 28 TWh. Thanks to attractive support systems, the solar energy sector developed extremely dynamically—in 2020, PV energy production was 3.5 times higher than the year before. Apart from solar farms, onshore wind power plants were also put into operation, which were created thanks to RES auctions that had already been decided.

“Despite this, the wind energy sector in Poland is still in crisis. The distance law, which is still in force, effectively blocks the development of new projects. Although the share of RES in energy consumption is increasing, it is not enough for Poland to meet its EU obligations in this respect. It is good that investments in offshore wind energy are gaining momentum, but it will still take several years before we will be able to report its share in the mix,” Joanna Maćkowiak-Pandera, CEO of Forum Energii, said.

Gas is increasingly important in the energy mix and already constitutes 10% of production. Poland is also diversifying the supplies of this raw material: currently, it imports 44% of its gas from Russia compared to only a few years ago when it was almost 80%.

However, the trend of higher wholesale electricity prices in Poland has not changed for years. It remains the most expensive country in the region, and at times also in the entire European Union. Even the price collapse on exchange markets at the beginning of the pandemic was not enough to change the situation. Wholesale prices remain high, partly because of the still large share of coal in domestic energy production.

The changes in the Polish energy sector are beginning to intensify, and the pandemic has also left its mark on the sector. It has highlighted the accumulating problems related to the huge costs of domestic energy production from coal and lignite and accelerated a shift away from these raw materials. In 2020, both the government and trade unions openly admitted that the era of coal in the Polish energy sector is coming to an end.

“We are at the perfect moment to make a real turnaround in the energy sector. There is no way back to black energy for several reasons. First, the European Union is offering huge support for climate protection in the new financial perspective. Poland will have at its disposal over PLN 130 billion, and together with loans over PLN 250 billion for investments in the energy sector. Second, the EU is radically reducing the possibilities for supporting investment in fossil fuels from public funds. Third, the prices of CO₂ emission allowances are breaking new records and are increasingly difficult for domestic energy producers to bear. Thus, if not climate issues, then economic issues will accelerate decisions to leave coal out of the Polish energy mix,” Maćkowiak-Pandera concluded.

Main conclusions

- The share of coal in electricity generation fell below 70% in 2020.
- On the other hand, the share of RES increased thanks to prosumer photovoltaics and onshore wind power plants. There was also an increase in gas-fired cogeneration units.
- Installed photovoltaic capacity rose to 4 GW.
- Electricity generation declined by 3.8% and demand decreased by 2.1%.
- Net imports of electricity reached a record 13.3 TWh, accounting for 7.8% of electricity consumption in Poland.
- Both consumption and production of steam coal declined. Coal reserves increased, reaching 15 million tonnes at the end of 2020.

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