



INFORMATION
on the current status of the works over the project
of the renewable energy act

The project of the renewable energy act made by the Ministry of Economy was subjected to social consultations on 20 December 2011. These consultations lasted to 6 February 2012 and during this period numerous objections and remarks were made both by the experts and the associations and companies that represent and operate in the energy industry.

Up to 6 February 2012 over 130 entities brought their objections to this project.

The provisions on the principles of providing financial support to the projects that implement the renewable energy systems turned out to be most controversial.

In compliance with the project, although the system of green certificates is retained, the obligation to buy the renewable energy is to be cancelled (except for the microinstallations); the new system of investment support will be based on the adjustment factors established every three years. In the opinion of the experts and the associations from the energy industry, the changes can negatively affect the possibility of forecasting the profitability of a given investment and as a result the credits for the renewable energy projects may be more difficult to obtain, while the concluded credit contracts may be terminated.

At present, in compliance with the Energy Law Act, the seller is on principle obliged to purchase the electrical energy that is produced by means of the renewable energy sources and connected to the distribution network that is located in the seller's area, and offered by the energy enterprise. The purchase is made at the average sales price for the electrical energy for the preceding calendar year (Article 9a.6 of the Energy Law Act). Some experts hold that it is one of the most effective solutions supporting the development of the renewable energy sources.

The project in question introduces considerable changes in this aspect. The obligation to purchase the renewable energy has only been reduced to the microinstallations with the guaranteed price not lower than 70% of the average energy sales price for the preceding year, which in the opinion of many experts makes this solution economically unreasonable (it is possible that the energy distributor will never offer the higher price to the energy producer).

The cancellation of this obligation to purchase the renewable energy results in destroying the previous system that, imperfect as it was, did function and provided support for the renewable energy sources. The proposed change will lead to weaken the trust of the investors in the stability of the system supporting the renewable energy sources in Poland. In case the purchase obligation is cancelled and the price of the renewable energy is no longer guaranteed, the revenues will be uncertain and unpredictable. Moreover, without the guaranteed sales price, the investors will no longer be regarded as stable and predictable by the creditors. Consequently, the market in this type of installations will be down.

The drawbacks of this project also include the instability of the supporting system, no transient periods for the existing energy sources, no specifications for connecting to the network, ambiguous criteria of establishing the adjustment factors (in the case of the wind power plants they are on the brink of profitability), the reduction of the supporting period to 15 years. In the opinion of the experts and the companies operating in the energy industry, similar solutions considerably reduce the profitability of the projects, prolong the payback period, and affect the possibility of predicting the revenues from a given investment, which as a result make impossible any reliable financial analysis.

In the opinion of the experts and the companies operating in the energy industry the publication of this project lead to anxiety and negative reactions of the banks as well as other institutions crediting the renewable energy investments; the aforementioned entities withdrew from concluding new contracts and they consider the possibility to discontinue the crediting of the launched and the existing investments. As a result, the very publication of the act project threatened the economical interests of almost all entities that were subject to previous regulations and undermined the financial forecasts on which the programs for the development of the renewable energy sources in Poland were based.

It was also emphasised that the new supporting system will hamper the development of new technologies of the renewable energy sources, both small-scale (microinstallations), e.g. small wind power plants, microbiogas plants and large-scale (e.g. offshore power plants). The project completely leaves out the heating systems based on the renewable sources. For some types of the renewable energy sources, in particular for the geothermal energy as the only renewable energy source, the project leaves out the possibility of obtaining any support. Furthermore, the experts raise the objection that in compliance with the project the least beneficial technologies that should be gradually withdraw will obtain the greatest support; moreover, the project creates redundant bureaucratic barriers that will retard the development of the micro energy plants.

The experts also held that the project includes no legal solutions concerning the participation of the communes in creating conditions for the development of the renewable energy, although they play a significant role (the spatial development plans, the responsibility under the act on emergency management, etc.). The lack of the legal solutions concerning the communes increases the risk undertaken by the investors in the renewable energy sources and reduces their possible development.

It must be acknowledged that at present it is impossible for the act to come into force in 2012 as was initially planned. The Ministry of Economy analyses the objections brought against the act; however, it is difficult to predict what the Ministry's approach to the objections will be. Therefore, it is now impossible to predict the final wording of the act. Due to the fact that so numerous objections

against the act were lodged, the Palikot's Parliamentary Movement appointed a team of experts that will prepare the proposal of modifications to the project. In the opinion of the chairman of the parliamentary energy sub-committee it is possible that the act will be passed in autumn this year, which means that the act will come into force in 2013 at the earliest.

dr Agnieszka Łuszek – Zając
radca prawny

Magdalena Przydróżna – Urbanowicz
radca prawny

Kancelaria Prawna Schampera, Dubis, Zając i Wspólnicy sp. k.
Plac Solny 16, 50-062 Wrocław
Tel: +48 71 326 51 40, Fax: +48 71 326 51 41, wroclaw@sdzlegal.pl
agnieszka.luszek-zajac@sdzlegal.pl
Tel. kom.: +48 502 411 215