



POLAND: FROM TAX REDUCTION TO TARIFF CONTROLS AND SUBSIDIES

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OUTLINE

1. Setting the context: energy system in Poland
2. Stylized facts on prices and consumed amounts of energy in 2021-23
3. Policy instruments and their outcomes
4. Discussion and conclusions

ENERGY SYSTEM IN POLAND: KEY PROPERTIES

- High energy intensity, large share of energy expenses in HH budgets
- Low extent of energy poverty
- Large role of SOEs in energy supply, direct political influence
- Heavy reliance on fossil fuels, slow energy transition
- Moderate import dependency, efforts to diversify gas supplies

ENERGY SYSTEM IN POLAND: INDICATORS

ENERGY BALANCES PER CAPITA, TONNES OF OIL EQUIVALENT (TOE) PER CAPITA, 2019

	Total energy supply	Final consumption - energy use	Household s - energy use	Households - space heating
EU27	3.16	2.09	0.55	0.35
Czechia	3.98	2.27	0.66	0.46
Germany	3.56	2.41	0.69	0.46
Poland	2.71	1.82	0.48	0.31

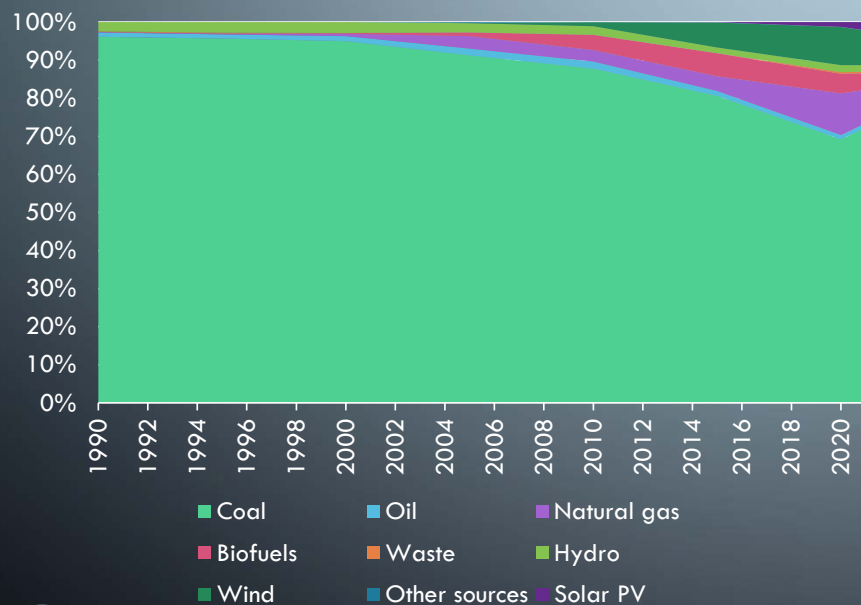
WEIGHT OF ENERGY EXPENSES IN TOTAL CONSUMER EXPENSES (IN % OF TOTAL)

Category	Poland			EU27		
	2021	2022	2023	2021	2022	2023
Electricity, gas, solid fuels and heat energy	8.3	8.9	8.5	6.1	6.8	6.5
Electricity	2.9	2.8	2.4	2.9	3.1	3.1
Gas	1.2	1.5	1.3	1.8	2.0	1.9
Solid fuels	1.4	1.9	2.1	0.4	0.4	0.5
Heat energy	2.8	2.7	2.7	0.6	0.6	0.6
Fuels and lubricants for personal transport equipments	4.7	5.6	4.9	3.8	4.5	4.3

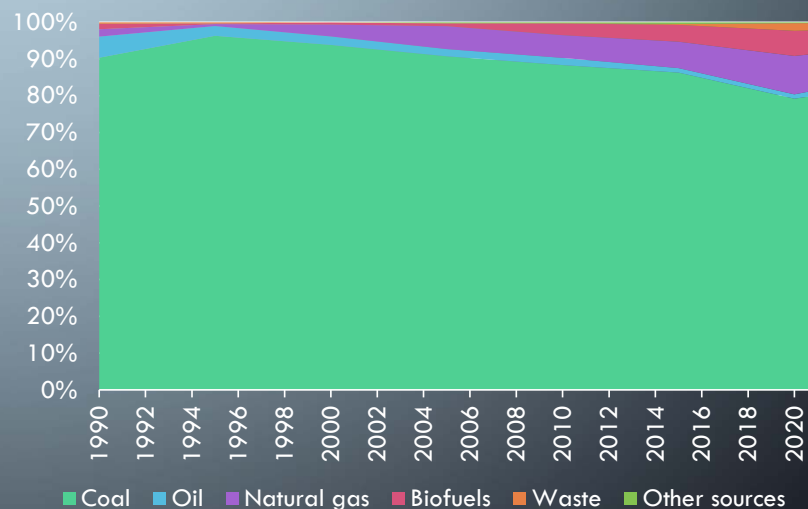
Source: own elaboration of Eurostat data.

ENERGY SYSTEM IN POLAND: ENERGY MIX

ELECTRICITY GENERATION

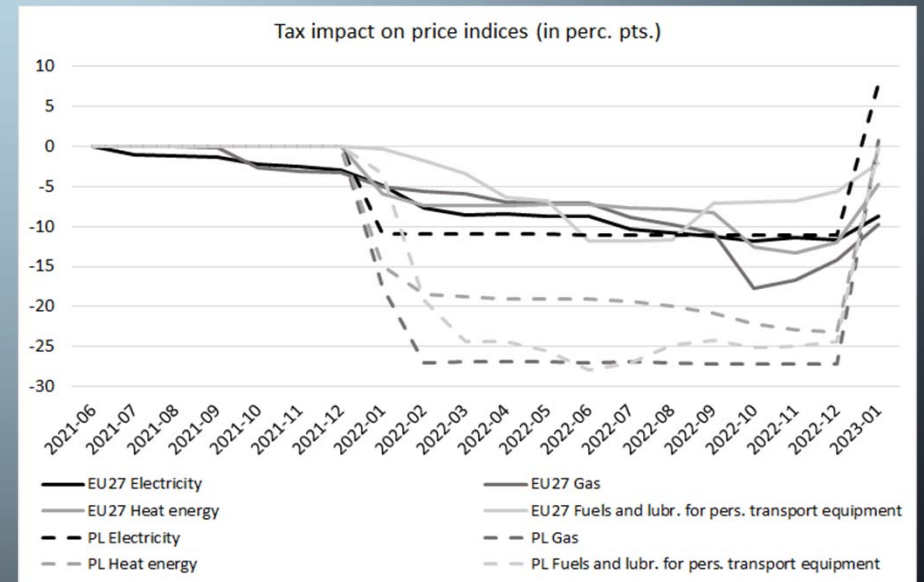
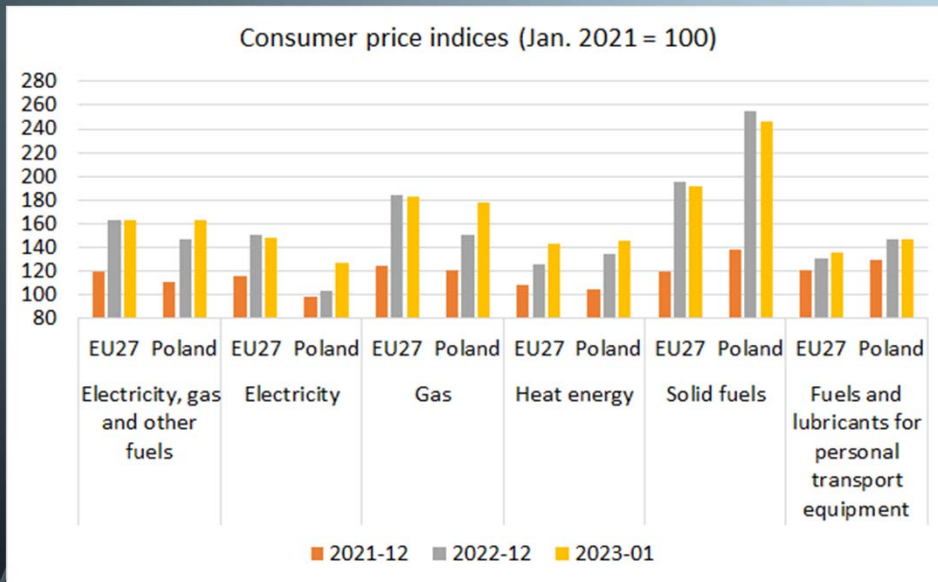


HEAT GENERATION



Source: IEA

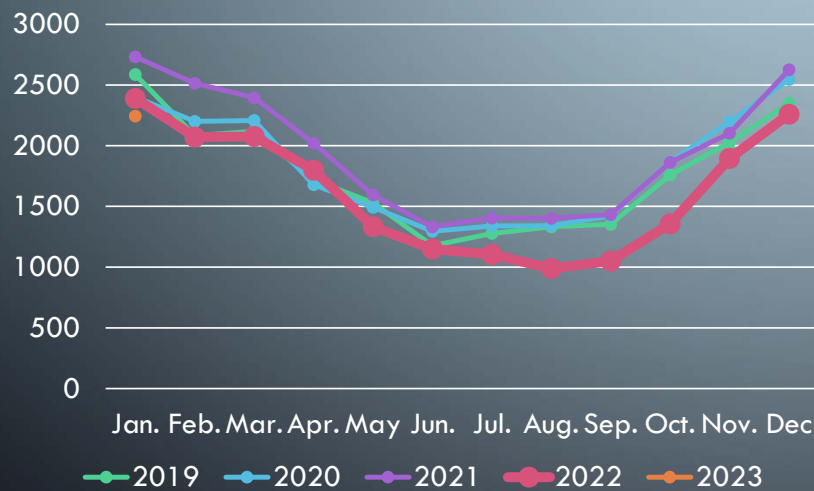
PRICES OF ENERGY IN 2021-23



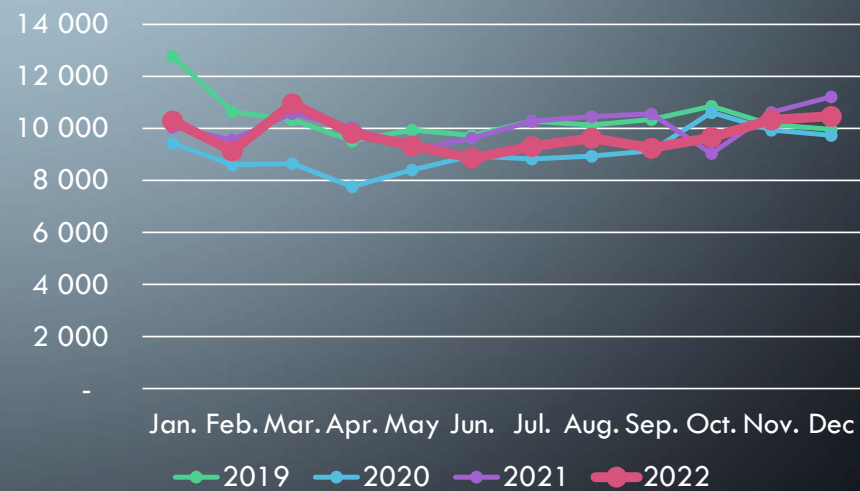
Source: own elaboration of Eurostat HICP data.

AMOUNTS OF ENERGY USE IN 2021-23

NATURAL GAS CONSUMPTION
(MLN M3)



GROSS INLAND DELIVERIES OF COAL AND COKE
(THO. TONNES)



Source: own elaboration of Eurostat data.



POLICY INSTRUMENTS AND THEIR OUTCOMES

1ST WAVE (EARLY 2022): FOCUS ON TAXES

- Radical cut of indirect taxes and duties for energy and food at the end of 2021, deepened and extended at the beginning of 2022
- Coal and electric heating allowances in the last quarter of 2022
- A rather modest financial support for poorest households in the first half of 2022

2ND WAVE (LATE 2022/2023): TARIFFS CONTROLS AND SUBSIDIES

- Price cap on electricity for energy use up to 2MWh annually per household
- Price cap for small firms and so-called „vulnerable institutions”
- Price cap on gas for households
- Mechanism of lost revenue compensation for energy providers
- Subsidies for most energy intensive companies
- Suspension of coal norms
- „Voluntary” margin compression of state-owned petrol and energy giant Orlen at the beginning of 2023
- Decreasing consumption in the budgetary sphere

STRUCTURAL LONG-TERM MEASURES

- House insulation and furnace replacements at massive scale
- Curbing and channelling a small boom of distributed electricity production
- Subsidies designed in a progressive manner, but some gaps persist
- Removing barriers for wind farms installations
- New natural gas providers, LNG capacity expansion and introducing nuclear power

DISCUSSION AND CONCLUSIONS

- focus on **households**, with firms generally supposed to pay market prices.
- negative consequences for **inflation embedding**
- individual measures broadly defined and not particularly targeted to shield the most vulnerable parts of the population → relatively high fiscal costs (partially avoidable)
- interventions have increased consumer demand for energy and fossil fuel use
- early policy attention was paid to stabilization and diversification of gas and coal supplies, rather than to an accelerated decarbonization and energy savings

DISCUSSION AND CONCLUSIONS

- **Some evolution:** extending the breadth of measures to include small firms, and at the same time shifting the burden of financial costs from the budget towards energy providers
- **From the environmental point of view** both modes of intervention amount to lowering prices for all households (and a considerable part of companies). It is hard to imagine net fossil fuel use reduction in reaction to current policies.
- Poland's policy developed in an ad hoc manner, in response to direct pressures and demands from the incumbent energy sector and financial situation of households. Only financial motives and direct pressure from the European Commission were able to enact certain policy changes.
- the government made some bolder steps towards decarbonization, including liberalizing law regulating the conditions for building onshore wind farms and striking a preliminary deal to build nuclear energy capacity