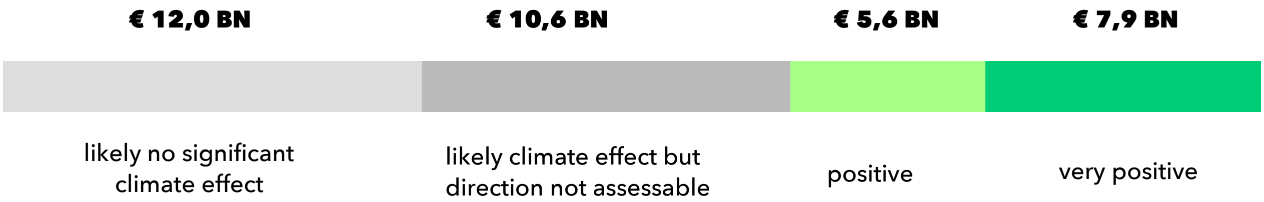
GREEN RECOVERY TRACKER ANALYSIS: POLAND

After completing a consultation on the draft originally presented on February 26, 2021, the Polish government submitted its National Recovery and Resilience Plan (RRP) to the Commission on April 30, 2021, while at the same time requesting another month for additional modifications before the European Commission launches its official assessment. The RRP lays down reforms and investments that will together cost €23.9bn in grants and €12.1bn in loans (Poland could still apply for an additional €21.1bn in loans).

Our analysis shows that overall, the investments envisaged by the plan can make a positive contribution to the green transition. However, while the RRP includes measures that have the potential to fast-track and scale-up decarbonization efforts, the lack of detail and the lack of tangible targets attached to the measures proposed make it impossible to say whether the plan will be able to fully realize that potential and to what extent it will contribute to the EU climate policy targets. This is reflected in the spending shares we identified:



In focus: Green Spending Share

We find that Poland's recovery plan achieves a green spending share of 28%, below the EU's 37% climate spending benchmark. Notably, when only considering the measures financed through grants, the plan achieves a green spending share of just 13%. At the same time, 29% of the spending may have a positive or negative impact on the green transition depending on the implementation of the relevant measures, illustrating the importance of further scrutiny during the further planning, review and implementation of the recovery measures. The government itself claims that the plan achieves a climate share of 48.3% (18.2% among the grants; 68.3% among the loans).

Our calculation of the green spending share aims to mirror the approach used for the official assessment of national recovery plans, which distinguishes between measures contributing fully to climate mitigation (100% coefficient) and measures contributing partly (40% coefficient). Therefore, we fully count "very positive" measures towards the green spending share, while "positive" measures are weighted using a coefficient of 40%, which is applied to the associated costs. All individual assessments can be accessed via the country page on our website.

OUR HIGHLIGHTS

Good Practice

Support for developing the renewable energy industry

Poland's recovery plan includes significant support measures for the offshore wind industry. Following recommendations provided through the public consultation process, the government has tailored the use of financial instruments to increase the economic efficiency and effectiveness of the investment. Port infrastructure for offshore wind (terminals etc.) will be supported through grants (€437m), whilst the development of offshore wind farms (1500 MW) will be supported through loans (€ 3 250m).

Bad Practice

Weak strategic planning for the green transition

The recovery plan does not foresee a revision of national strategic documents to align them with the EU's 2030 and 2050 climate targets and does not envisage the implementation of key frameworks such as the long-term decarbonization strategy. The legislative changes that are included in the document are not sufficient to fast-track the green transition (e.g. some still enable support for investments in gas) or unlock necessary investments in key sectors (e.g. climate adaptation of urban areas). Investments described in the plan rarely include specific (climate) targets, conditionalities or performance indicators for individual support measures, making it difficult to see how progress will be monitored and how it will contribute to the national and EU climate targets.

To Our Surprise

Low ambitions on the development of rail transport

The recovery plan offers substantial support for the rail sector, with total investments of €3.4bn in grants and €700m in loans. However, the measures envisaged will support upgrades of existing rail lines and purchase of rolling stock, while no expansion of the rail network is planned.

KEEP AN EYE ON…

- …the link between the recovery plan and broader climate policy: most of the climate-relevant measures in the RRP refer to the Polish National Energy and Climate Plan (NECP) and the 2040 Energy Policy (PEP2040). However, the plan does not offer quantitative information regarding its contribution to the achievement of the objectives of these policy frameworks. Only very few measures include climate conditionalities or quantitative green targets, and the majority of the climate-relevant measures do not have assigned targets that would make it possible to track their success. Furthermore, Poland's domestic energy policy is not yet aligned with the EU's increased 2030 GHG emissions reduction target and the transition to climate neutrality by 2050. Broader political and regulatory initiatives will therefore be necessary.
- …measures that may support fossil fuels: the lack of detailed information on some measures makes it impossible to exclude the possibility that they may at least partially support fossil fuel projects. These include €300m allocated to investments in heating systems which are going to include support to combined gas heat and power plants (that meet a 250 g CO_2e/kWh emissions performance standard), €3,201m (€3.2bn) for a major residential energy efficiency program that may, besides much-needed investments into energy efficiency improvements, also support the roll-out of gas boilers for decentralized heat generation, €800m allocated to the development of hydrogen technologies and other alternative fuels, which could include support for fossil gas transport infrastructure, as well as €1,131m for the purchase of buses that use alternative fuels including fossil fuels such as CNG, LNG and LPG. Due to the risk of these measures (partially) supporting fossil gas projects we assess them as "likely climate effect but direction not assessable".
- …the 'do no significant harm' (DNSH) principle: the plan does not contain a detailed explanation of how each measure conforms to the principle. It offers only a general statement that all the measures have been reviewed for compliance by a consultancy, however, a report of that review has not been made public. Moreover, in many cases the measures consist in support schemes that will provide finance to projects that will be selected at a later stage, and the plan does not specify how DNSH compliance is going to be assured. The risk of non-compliance is particularly high in the case of the measures concerning water management (which could support harmful grey infrastructure as well as legal reforms undermining biodiversity safeguards in water management), development of investment grounds (which can have negative deforestation and biodiversity impacts), and the construction of network infrastructure (which can have negative impacts on protected areas that may not be prevented under the EIA laws currently in force in Poland).

> …the design of financial instruments (grants vs. loans): after public consultations the government has included in the RRP also a strategy for the disbursement of €12.1bn (out of €34.2 bn available) from the RRF's loan component. While for a majority of investments for which the financing instrument has been changed from grant to loan the move makes economic sense due to their market maturity, there are some cases (mostly investments in public goods) for which the use of repayable loan is not justified (e.g. investments in the neutralization of threats and restoration of large degraded areas and the Baltic Sea; investments in the green transition of cities and their functional areas). For such investments it is unlikely that they will generate the return needed to attract private capital and thus it remains unlikely that they will happen at all, which may undermine the objective of dedicating 37% of RRF funds to climate-related investments. At the same time, the government intends to support investments through grants for which there is a business case that would allow them to sufficiently benefit from loans (e.g. support for low-carbon economy; development of transmission networks, smart grid infrastructure).

> …the interplay of the recovery plan with other EU and national funds: the government is currently planning the operationalization of several financing mechanisms, that will, at least partially, also support the green transition, including the Modernization Fund, the Just Transition Fund, the Cohesion Policy funds, and a new national fund financed through ETS revenues. The RRP does not cover how the measures supported through the RRF and these other funds will be aligned to ensure they are mutually reinforcing and complementary. All it does is state that RRP implementation and management of structural funds under the Partnership Agreement will be dealt with by the same institutional structure and projects will be assigned to one or the other source of funding based on their maturity and implementation timeframes.

> …the additionality of the plan's measures: The plan emphasizes, in several instances, that the envisaged funds from the RRF will not fully cover the investment needs associated with the given measures, without an indication of the scale and possible sources of the remaining funds. Furthermore, the available information does not make it possible to identify whether the RRP's funds will be used to cross-finance previously planned or existing programs. Some of the investments included in the RRP will certainly support existing programs or enable their expansion, but it remains unclear whether this will affect the scale of their funding from other sources.

> …how the plan's implementation will be monitored: the RRP is short on quantitative performance indicators and does not set adequate indicators, offering limited to no detail on impact, which will render it difficult to assess RRP's performance. While the RRP does describe an institutional setup for control and audit, there are no provisions of how transparency of implementation will be assured. A Monitoring Committee is to be set up as the main body in charge of ensuring correct implementation, but the plan

is not clear on how its members will be appointed, what support they will get from the governmental administration, or what powers the Committee will have – those aspects will only be defined later in a separate law. It will be crucial to ensure that the Committee has the capacity to effectively perform its role, especially since essential aspects, such as compliance with the 'do no significant harm' principle, are not yet sufficiently safeguarded and will need to be monitored and enforced during implementation.

OVERVIEW: MOST IMPORTANT MEASURES OF THE RECOVERY PLAN BY SECTOR

Sector	**Most important measures with effect on green transition**
Energy	• Hydrogen (€0.8bn, likely climate effect but direction not assessable) • Renewable energy in energy communities (€0.1bn, very positive) • Terminal infrastructure for offshore wind energy (€0.4bn, very positive) • Development of offshore wind farms (€3.3bn, loan, very positive) • Energy storage facilities (€0.2bn, loan, very positive) • Heating systems (€0.3bn, likely climate effect but direction not assessable) • Development of electricity transmission networks (€0.3bn, very positive)
Mobility	• Investments in railway lines – improving infrastructure (€2.4bn, positive) • Transport safety (€0.7bn, likely climate effect but direction not assessable) • Zero and low-emission public transport (€1.1bn, likely climate effect but direction not assessable) • Investments in passenger rolling stock (€1.0bn, positive) • Passenger rolling stock for regional railways (€0.5bn, positive)
Industry	• Support for a zero-emission economy (€1.1bn, positive) • Energy efficiency and renewable energy in enterprises (€0.3bn, very positive)
Buildings	• Replacement of heat sources and energy efficiency in residential buildings (€3.2bn, likely climate effect but direction not assessable) • Thermo-modernization of schools (€0.3bn, very positive) • Investments in green multi-dwelling residential buildings (€1.2bn, likely climate effect but direction not assessable)

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