

Offshore wind farms (OWF) – an update from Poland

With costs coming down, a pre-existing supply chain, and other sites being developed nearby, Poland is well placed to develop and build a large-scale offshore market. Investors with know-how and experience in this field are attracted to the business opportunities available by joining the most advanced projects as joint venture partners, acquiring on-going projects, or securing the area and developing new projects. The Polish market is also interesting for companies involved in OWF supply chains and financing processes.

Overview

POLAND is an emerging offshore market which investors are looking at with great interest. The traditionally coal-based Polish energy sector has undergone significant technological transformation, and a progressive shift to RES has been observed in recent years. There are various reasons for this shift starting with the RES targets set by the EU, the increasing prices for CO₂ emissions, growing climate change awareness, outdated coal-based energy power stations, and the need for greater diversification and energy security for the country.

In 2018, the RES share in the gross final energy consumption in Poland amounted to 11.3%¹; therefore, far below the required 15% set for 2020, and up to 21%-23% set for 2030². As a result of this

situation, the Polish government has identified offshore wind power as one of the key RES that would allow the country to achieve its EU RES share goals, as well as constituting a viable replacement for the coal-based power stations that are now being decommissioned. Offshore wind was included in the draft Polish Energy Policy 2040 (**PEP 2040**)³ as a **strategic direction for the development of the Polish energy sector**.

As yet, no OWFs have been constructed but key Polish energy companies (subsequently supported by major European offshore wind companies) have already entered the game or have shown increased interest. The first OFW should be completed by 2025, and by 2040 offshore wind will account for the greatest amount of energy produced by RES in Poland.

¹ Source: Share of energy from renewable sources, 2018 (in % of gross final energy consumption), Eurostat, 23 January 2020, available at <https://ec.europa.eu/eurostat/web/energy/data/shares>.

² Based on the draft of „National Energy and Climate Plan for the years 2021-2030” submitted to the European Commission on 30 December 2019. Available at <https://www.gov.pl/web/aktywa-panstwowe/draft-of-national-energy-and-climate-plan-for-the-years-2021-2030>.

³ The draft Polish Energy Policy 2040, available at <https://www.gov.pl/web/aktywa-panstwowe/polityka-energetyczna-polski-do-2040-r-zapraszamy-do-konsultacji1> (in Polish only).

Potential

To date, between **10 and 13 OWFs are under consideration (with an area of up to 1,200 sq. km)**. Based on the draft Spatial Plan for Polish Maritime Areas, the total area dedicated for OWFs amounts to **2,300 sq. km (10 GW)**³. According to the current version of the draft PEP 2040, the OWFs capacity to be available by 2040 will be **8 GW**.

The medium-term forecast for the development of OWFs according to the draft Offshore Wind Act⁴ is the goal of granting support to the OWFs generating 4.6GW by 2022 (which corresponds to the business cases of the three most advanced projects). In subsequent steps, the Offshore Wind Act aims at increasing the total installed capacity of OWFs to be covered by the support scheme by 2.5GW in 2025, and by a further 2.5GW in 2027 providing a **total of 9.6GW**.

A number of other sources are more optimistic: according to the European Wind Energy Association WindEurope, the potential for Poland's wind energy in the Baltic Sea is estimated at 28 GW by 2050 which is one third of the capacity that could theoretically be generated there⁵.

Legal Framework

In January 2020, the Polish Ministry of State Assets published and released for public consultation the long-awaited final draft of the Act on the Promotion of Electricity Generation in Offshore Wind Farms (**the Offshore Wind Act**). The draft was the result of work and consultation with many partners, including sector and business representatives. The Offshore Wind Act is expected to be adopted in the first part of 2020.

The Offshore Wind Act specifically covers a dedicated support scheme for OWFs (quasi-CfDs and auctions) and introduces certain solutions facilitating the development and operation of OWFs, as well as incentives for the development of local supply chains. Permitting the processing, construction, and operation of an OWF remains subject to general legislation (to be amended under the Offshore Wind Act), in particular the Act on Maritime Areas, the Energy Law, the Renewables Energy Act, the Act on Providing Information on the Environment and its Protection, Public

Participation in Environmental Protection and on Environmental Impact Assessments, and the Building Law.

Most Advanced Projects

The most advanced OWF projects are those of **Polenergia** – the largest Polish private, vertically integrated energy group, implemented within a 50/50 joint venture with **Equinor**. Polenergia is the first entity to obtain environmental decisions for two OWFs: Bałtyk II, with a total capacity of up to 600 MW (April 2017), and Bałtyk III, with a total capacity of up to 1,200 MW (July 2016), along with the GCC for Bałtyk II, the GCA for Bałtyk III, and a valid environmental decision for the construction of the transmission infrastructure (March 2019). Initial geological tests of the sea-bed have already been carried out with respect to these projects and a two-year wind measurement campaign with the use of the LIDAR system has also been completed. The third project, Bałtyk I, with a total capacity of up to 1,560 MW, has a location permit and a GCC from the TSO⁶.

PGE Baltica, a subsidiary within PGE – the largest Polish State-owned energy group, has obtained location permits for three OWFs: Baltica 2, with a total capacity of up to 1,498 MW, Baltica 3, with a total capacity of up to 1,045 MW, and Baltica 1. The grid connection has been secured for Baltica 2 (GCC), and Baltica 3 (GCA). In January 2020, PGE Baltica was granted environmental permits for these projects. In December 2019, PGE Baltica signed a preliminary cooperation agreement with **Ørsted** concerning a 50% stake in Baltica 2, and Baltica 3.

PKN Orlen – the state-owned fuel and energy company, through its subsidiary **Baltic Power**, has a location permit for an OWF with a total capacity of 1,200 MW (the GCC has been obtained) and environmental surveys in the Baltic Sea have already commenced. **PKN Orlen is presently seeking an investor for this project.**

Two other early stage projects are owned by **EDP Renewables** (each up to 200 MW) – according to recent announcements, their new joint venture with **Engie** will also cover Polish market.

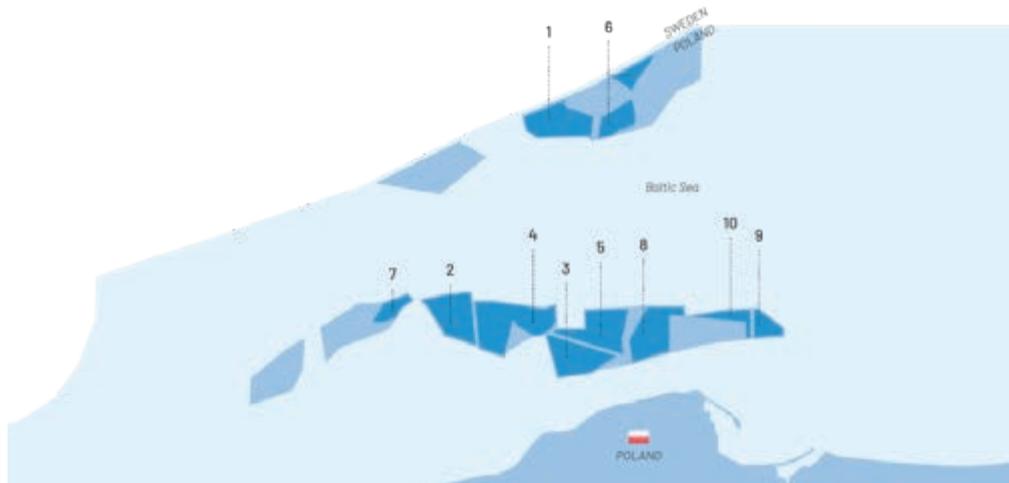
RWE Renewables also recently acquired shares in four projects with a total capacity up to 1.5 GW.

³ Other sources based on the previous version of the Spatial Plan for Polish Maritime Areas state for: 3,300 sq. km and 14 GW. OWFs can only be located within a Polish Exclusive Economic Zone.

⁴ Available at <https://legislacja.gov.pl/projekt/12329105/katalog/12656009#12656009> (in Polish only).

⁵ Source: Our energy, our future. How offshore wind will help Europe go carbon-neutral, Wind Energy Report, November 2019, available at <https://windeurope.org/wp-content/uploads/files/about-wind/reports/WindEurope-Our-Energy-Our-Future.pdf>.

⁶ https://www.polenergia.pl/pol/sites/default/files/news/pdf/2019_12_10_polenergia_i_equinor_wspolnie_zrealizuja_mfw_baltyk_i_en.pdf



Source: Polish Wind Energy Association, www.psew.pl

No.	PROJECTs with MDPs	AREA	GRID CONNECTION	ENVIROMENTAL DECISION
1	Polenergia/Equinor – Bałtyk I	128 km ²	1,560 MW (GCC)	
2	Polenergia/Equinor – Bałtyk II	122 km ²	600 MW (GCA) / 240 (GCC)	YES (2017)
3	Polenergia/Equinor – Bałtyk III	116 km ²	1,200 MW (GCA)	YES (2016)
4	PGE Baltica 2 / Ørsted	189 km ²	1,498 MW (GCC)	YES (2020)
5	PGE Baltica 3 / Ørsted	131 km ²	1,045 MW (GCA)	YES (2020)
6	PGE Baltica 1	108 km ²		
7	RWE Renewables	42 km ²	350 MW (GCC)	
8	PKN Orlen – Baltic Power	131 km ²	1,200 MW (GCC)	
9	EDPR – B - Wind	42 km ²		
10	EDPR – C - Wind	49 km ²		
	TOTAL	1,084 km²	7,093 MW	

(MDP – Maritime Development Permit, GCC – Grid Connection Conditions; GCA – Grid Connection Agreement)

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