

# A plan for the biggest greenfield coal project in Europe

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CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

## Summary

At a whopping 2000 MW, the planned Pólnoc power plant (Elektrownia Pólnoc) in northern Poland would be the largest greenfield coal-fired power plant in Europe. Located in the Pomerania region, which until now has had no coal industry and in recent years has witnessed an unprecedented surge in the wind energy projects, the plant would sit perilously close to three Natura 2000 sites and cool itself with waters from the nearby Vistula river. This cooling process would pollute the Vistula with mercury and heavy metals from the industrial sewage produced by the plant and seriously rise its temperature and salinity.

Private investors and the Polish government see opportunity in the absence of large energy generation units in northern Poland. The plant is included in Poland's energy policy until 2030 document<sup>1</sup>, as well as regional and local spatial and energy documents. „It is a white spot on the Polish energy map,“ they say. The investors have sought two international financial institutions (IFI) for financing, both the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

## IFI financing for the Pólnoc power plant

Total project costs for the Pólnoc power plant are estimated between EUR 3.1 and 3.86 billion. The project sponsor has confirmed that communication with IFIs is ongoing as recently as in May 2011, yet it is so far unclear what sum either the EIB or EBRD would consider financing.

What is certain is that if this project obtains IFI financial support, scarce public resources will be diverted from energy efficiency and renewable energy investments. This is especially relevant given the size of the coal projects planned in Poland that if carried forward will lock Poland in to a fossil fuel-intensive energy production model that will endanger the country's ability to fulfill EU greenhouse gas reduction goals. What is more it is in the EU-15 citizens

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<sup>1</sup> Poland's energy policy until 2030, 10<sup>th</sup> of November 2009.

public interest to make sure that the public money from their home countries does not produce environmentally harmful results.

## Financing the future Polish energy market

Poland's energy market is at a crossroads. Almost 90 percent of electricity is produced from coal, with two thirds of installed coal capacity older than 30 years and one third nearly 40 years old<sup>2</sup>. According to the Public Consultancy Board for the National Programme of Emission Reduction, more than 6 GW of ageing generation capacity (roughly 20 percent of total current installed capacity) will have to be taken out of operation by 2015. For this reason, major investments in energy capacity are needed in order to maintain current levels of energy generation<sup>3</sup> and satisfy EU climate and environmental legislation. This situation offers an opportune moment for IFI financing to blaze new energy markets, by channelling investments towards the goals of EU climate and energy policy and supporting a transition towards a energy efficient energy production model based on renewable energies

In providing financial support for energy efficiency and renewable energy projects and refraining from supporting fossil fuel investments, the EBRD and EIB can shape changes to energy markets particularly in new Member States. Such financing needs are particularly acute given that the projected costs for Polish energy generation and infrastructure until 2020 range from EUR 41 billion<sup>4</sup> to EUR 98,5 billion<sup>5</sup>.

## The project's environmental impacts

The Północ power plant is planned within five kilometres of three Nature 2000 sites. These are two Habitat Directive Sites: "Wacmierz" (PLH 220031) and Lower Vistula Valley (PLH220033) and a Bird Directive Site Lower Vistula Valley (PLB 040003)<sup>6</sup>. The impact on Wacmierz Habitat Directive Site has not been addressed at all in the recently concluded EIA procedure and both the construction permit, Greenhouse Gases permit and IPPC permit are being challenged by environmental NGO Client Earth in court.

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<sup>2</sup> Age distribution of Poland's power plants by fuel, International Energy Agency, 2010.

<sup>3</sup> Poland generated a total of 35 762 MWhrs of electric power in 2009 and was a net exporter of electricity.

<sup>4</sup> Estimates by Krzysztof Żmijewski, secretary general of the Public Consultancy Board for the National Programme of Emission Reduction and

<sup>5</sup> „Polska 2030“ report prepared by the Strategic Advisors Body to the Prime Minister of Poland (June 2009).

<sup>6</sup> Projects EIA.

Pólnoc power plant yearly CO2 emissions would be over 13 million tones, which is similar to added CO2 emissions Latvia and Malta each year or more than yearly emission of countries like Sudan, Kenya, Armenia or Luxembourg in 2009<sup>7</sup>.

## Recommendations

There is still time to reconsider support from the EIB and EBRD for the Pólnoc power plant, as it would not be operational before 2016. There will no doubt be investors for other fossil fuel projects that look to both banks in the future however.

Given their role in supporting the transition to a safer and sustainable future the EIB and EBRD should:

- Drop financial consideration for new fossil fuel projects in Poland, including the Pólnoc power plant.
- Increase lending for renewable energy and energy efficiency projects in Poland, especially in places like Pomerania, where major energy generation units are lacking and there is remarkable potential for renewable energy.

## For more information

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<sup>7</sup> US Energy Information Administration, „An atlas of pollution: the world in carbon dioxide emissions“ 2010