

POLSKA ENERGIA

 **TAURON**
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Nr 2 (28)
February 2011

TAURON GROUP CORPORATE MAGAZINE

ISSN 1689-5304



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Challenges of climate policy for Poland's energy sector

INTERVIEW WITH **LEOPOLD GABRYŚ**, ENERGY EXPERT AND FORMER VICE MINISTER FOR INDUSTRY AND TRADE

INTERVIEW BY: **JACEK MICHALSKI**

■■■ According to H.L. Gabryś, Directive 203/87/EC, amended as part of the Climate Package, specifies the basic regulations concerning carbon dioxide emissions. The most important of these concern (1) the terms of obtaining paid licenses for CO₂ emissions, differentiating between energy producers and other enterprises responsible for carbon dioxide emissions, and (2) the possibility to obtain part of the licenses for free with the assumption that the goal of purchasing of all licenses for the full price will be achieved in the subsequent years. We still do not know, however, how many and whether at all Poland is going to obtain partially paid licenses and what requirements will have to be fulfilled in order to obtain them. The main challenge at the moment is the qualification of "commenced investments" and the preparation of the National Investment Plan (Krajowy Plan Inwestycyjny – KPI), which will guarantee that the funds obtained from the purchase of licenses would be dedicated to investments fulfilling the assumed target levels of carbon dioxide emissions and required improvement of energy infrastructure. L.H. Gabryś believes that the government has neglected the goal of creating conditions necessary to enable Poland to benefit from the amendments introduced to article 10c of Directive 203/87/EC, which may result in a considerable restriction of payment derogation.

L.H. Gabryś is convinced that under the present circumstances it is more important to consider the consequences Poland is likely to experience as a result of the enforcement of the obligation to pay for all carbon dioxide emission licenses. The expert remarked that regardless of whether the derogation will be obtained or not, it will still be necessary to intro-



duce changes to the energy policy of the state, due to the discrepancies existing between its assumptions and the requirements formulated by the European Commission. In his opinion, without investments in new production capacities and thorough modernization of the existing power blocks, which are necessary from the point of view of Poland's energy security, the sector is bound to be confined to the present mode of functioning. L.H. Gabryś believes that electricity prices in Poland will grow acutely from year 2013. The expert has moreover clarified how the lack of decision on the terms of exchange of emissions licenses affects investment strategies of energy companies. In the first place, the situation affects investment forecasts in the production segment, with respect to the selection of production technologies and the profitability of investment strategies.

The interviewee has expressed his criticism of the fact that arguments of energy experts meet with misunderstanding from decision making authorities in the EU. In his view, Poland has not developed efficient mechanisms which would enable it to participate in the creation of EU legislation at the preparatory stage. A change of this state of affairs is becoming more and more crucial from the point of view of Poland's social and economic policy. He remarked that the costs of purchase of carbon dioxide emission licenses will sooner or later become an ingredient of the variable costs of energy and heat production. Of the consequences which will inevitably follow, the most important will be the transposition of their costs onto the costs of production.

"Challenges of climate policy for Poland's energy sector", p. 4-5, interview by Jacek Michalski



How much of regulation? How much of the market?

■ ■ ■ The most desirable extent of market regulation, the extent of the state's involvement in the economy, changes in ownership and the new shape of the energy market were among the topics discussed at the conference "We Change Poland's Industry" which took place on 3 February in Warsaw. The event was attended by representatives of the management of Tauron Polska Energia: the Deputy Managing Director for strategy and development Joanna Schmid and Deputy Managing Director for Economic and Financial Affairs Krzysztof Zawadzki. Joanna Schmid announced that the company is working on an updated corporate strategy, paying regard to the specific character of national and regional markets. She has also remarked that Tauron is planning investments in renewable sources of energy and distribution networks. The discussion centered on the new shape of the energy sector and mar-

ket in Poland, as well as the consequences of changes in ownership relations for investments, competition and clients. Participants of the debate addressed the question of the possibility of further asset exchange in the energy sector and how the market will be affected by strategic investments such as the nuclear energy project and the expansion of inter-zone connections.

Participants of the session entitled "Management. Chief Financial Officer" were primarily concerned with the global financial crisis and its impact on the financial condition of enterprises in Poland, as well as the role of chief financial officers in the changing reality and the current situation on financial markets. Other issues addressed were the new investment funding opportunities.

"How much of regulation? How much of the market?", p. 3 (ER)

Charity concert for children's hearts

■ ■ ■ On 22 January in Kraków took place the third Viennese Charity Concert. Tauron Polska Energia was the main sponsor of the event in which Viennese musicians performed together with Polish artists to raise aid for the Pediatric Cardiology Clinic in Kraków. The concert took place in Auditorium Maximum hall at the Jagiellonian University and was moderated by editor Mieczysław Czuma and Marcin Daniec. Among the guests were many eminent personalities. The program included works by Strauss, Kalaman, Lehar, Schrammel and Lumbye. A new piece by Ingo Ingensand, "Galop Polensopp" was composed especially for the occasion. The event comprised also a slide show commemorating the last 30 years of the operation of the clinic and a charity auction. The funds raised by this year's concert will be dedicated to the purchase of new equipment for the Pediatric Cardiology Clinic in Kraków. The total sum of funds raised at the three charity auctions amounted to PLN76,600. The organizers of the concert were Schla Cordis Foundation and Mayor of Kraków Jacek Majchrowski.

"Charity Concert for Children's Hearts", p. 10-11, (JK)



The business portfolio is getting stronger

■ ■ ■ Tauron Polska Energia has won new tenders for the sale of electricity to business clients. The new receivers include the National Museum in Kraków, the manager of the stadium of Wisła Kraków Football Club and the Upper Silesia Aviation Association in Pyrzowice. CEO of Tauron Polska Energia Dariusz Lubera announced that Grupa Tauron is making strenuous efforts to maintain the present clients and obtain new ones. In 2010, their number was on a steady increase.

Last year, Tauron sold electricity to 80 percent of metal work companies in Poland as well as concerns such as Danone and PKN Orlen. In 2011, contracts for the sale of electricity to new business clients accounted for 4.2 TWh of electricity. The group of newly acquired clients includes Neonet, Lukas Bank, purchasing groups of Bosch, Siemens and Colgate, Palmolive Services and Hoop Polska. Vice president for business affairs in Tauron Polska Energia, Krzysztof Zamasz, an-

nounced that Tauron has the capacity to shape contracts on terms tailored to the clients' needs. Moreover, the group offers its clients access to programs such as Tauron Eko Premium – supplying renewable energy and Tauron Kompensacja, targeted at companies which are facing high costs of the port contract passive energy absorption and are willing to improve their energy efficiency.

"The Business portfolio is getting stronger", p. 8, (MS)

How to control rain?

CAN WEATHER BE SUBJECTED TO HUMAN WILL? MUCH DEPENDS ON THE SCALE OF THE INTENDED INTERVENTION. THE IMMENSE POWER OF SOME NATURAL PHENOMENA SUCH AS MONSOONS AND HURRICANES RENDERS US HELPLESS, AT LEAST AT THE MOMENT.

Andrzej Holdys

columnist „Wiedza i Życie”



■■■ Ever since the beginning of history, men have been trying to control nature. After the Second World War, the laboratories of General Electric company in Schenectady became the site of experiments with silver iodide aimed to produce a miracle remedy for the Atlantic hurricanes which have been devastating the South East coast of the USA. As was discovered at that time, silver iodide applied to clouds consisting of cooled down water drops would turn the drops into ice particles, which would attract more and more water drops, until they would become large enough to fall to the ground, turning from ice into water on the way and producing rain.

The first successful experiment of this type was conducted in November 1946 when scientists managed to provoke a heavy snowfall over the state of Massachusetts. Shortly after that, the Americans launched the Cirrus project, supported by the US Army. It was assumed that silver iodide may also be used to lessen the impact of hurricanes by affecting the structure of clouds around the hurricane and weakening its force. However, the first trial of the method proved that hurricanes are resistant to human interference.

In the early 1950s, attempts to influence weather conditions have been made in over 10 percent of the territories of the USA. In the 1960s there took place the last attempt to reduce the impact of Atlantic cyclones. Nonetheless, silver iodide proved useful for the dispelling of cold mists over airports, stopping the hail and snowstorms and inducing the fall of rain and snow. The purpose of these experiments was chiefly mili-



tary. The US has been trying to control weather in North Vietnam, which eventually led to the signing of the ENMOD convention implementing a ban on military application of environment modification techniques in Geneva in 1977.

Cloud seeding is still applied in over 20 countries, including Russia and the former Soviet Union, which would use the technique to dispel clouds for the celebration of Victory Day in Moscow. It is also applied on large scale in China to

cause rainfall in dry areas of the country, as well as to dispel the clouds, as was done during the Olympic games in 2008. Weather modification is also practiced in the USA. A team of scientists is currently working in the state of Wyoming to check whether the induced snowfall may help increase the reserves of drinking water obtained from snow melt.

“How to control rain?”, p. 28-29,

Andrzej Holdys



A CATASTROPHE IS (FAIRLY) UNLIKELY

WOJCIECH KWINTA
COLUMNIST
„BUSINESSMAN.PL”

WE ARE ENTERING AN ERA IN WHICH MAINTAINING THE PROVISION OF SUFFICIENT POWER SUPPLIES WILL BECOME MORE DIFFICULT.

■ ■ ■ Depending on the assumed scenario, the situation in which the demand for energy will exceed the supply may occur in a few months, one year or a few years. Forecasts referring to the period after the year 2020 are especially worrying, although, it must be admitted that a major part of the estimates was made at the time when the construction of nuclear power plants had not yet progressed beyond the stage of mere verbal declarations.

As far as the energy sector in Poland is concerned, it is indispensable for the country to invest in the regeneration of existing capacities and to extend the infrastructure by the building of new ones. There exists a clearly marked demand for the modernization and extension of

transfer and distribution networks, with the implementation of smart solutions. In the face of an uncertain future, some energy companies have given up on the realization of new investments. On the other hand, however, it would be sufficient to realize only part of the plans to prevent the occurrence of a crisis.

An increasingly attractive possibility are gas fueled power plants, which are likely to gain even more after the opening of the gas port in 2014, which will diversify the sources of gas supplies to Poland. Power supplies may also be increased by imports. Poland's capacity in this area are currently very modest, however, the situation is expected to change as a result of the installation of phase shifters in Krajnik and Mikołowa power plants,

as well as the construction of power bridge to connect Poland and Lithuania. Among other possibilities, it is worthwhile to mention the establishment of connections with electricity networks in Ukraine and Belarus, and, possibly, also with Russia. Changes stimulating investments in new capacities are to be implemented on the wholesale electricity market. The inevitable increase of electricity prices may provide encouragement for new investments and be an impulse to a more efficient use of electricity. All these possibilities are a proof that Poland has a chance to protect itself from interruptions in electricity supplies and reduce the likelihood of a possible blackout.

A catastrophe is (fairly) unlikely, p. 26, Wojciech Kwinta



Progress in renewable energy sector

■ ■ ■ On 31 January, the EC published an announcement assessing the measures which have been taken so far with the view to increase the use of electricity obtained from renewable sources. The document presents a review of the progress made on the realization of this objective in Europe as well as the key challenges to be faced by year 2020. As it turns out, the aims of energy policy by year 2020 may be not only fulfilled but

also exceeded, provided that the member states succeed at the full implementation of their national strategies and improvement of financial instruments. The document emphasizes the role of international cooperation between EU member states as well as the importance of integration of renewable energy sources on the unified European market. The EC has called on member states to implement national strategies for renewable

energy and raise the efficiency of infrastructure planning. EU member states have also been requested to speed up the development of electricity networks in order to be able to integrate the growing supplies from renewable sources.

The EC has indicated that renewable energy sector receives relatively low support from the EU. The institution is therefore intending to conduct a review of financial instruments implemented directly by the EC and managed by the member states or other EU institutions on the basis of the financial strategy of the EU for the period after 2014.

Upon the announcement of the document in Poland, the Economy Ministry specified new terms for the appropriation of aid to renewable sources, depending on the type of fuel and differentiating between newly commenced and ongoing investments. It is expected that the EU policy and the existing support systems will make it possible to optimise the costs of renewable energy production without posing a burden for the economies of EU member states.

Progress in renewable energy sector, p. 18-19, Stanisław Tokarski, Jerzy Janikowski