

Piotr Oliński, External expert
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FOR Communication 6/2024: Freezing prices will not save the Polish energy sector

In the face of the energy crisis, politicians' neglect in the development and modernization of the Polish energy sector is becoming increasingly visible. Freezing electricity prices is a costly and short-term solution, resulting from neglect in this area. The Polish energy mix, overly dependent on coal, requires decisive modernization actions, which, however, because of current policies, are systematically delayed. The development of Polish nuclear energy should be considered a particular priority.

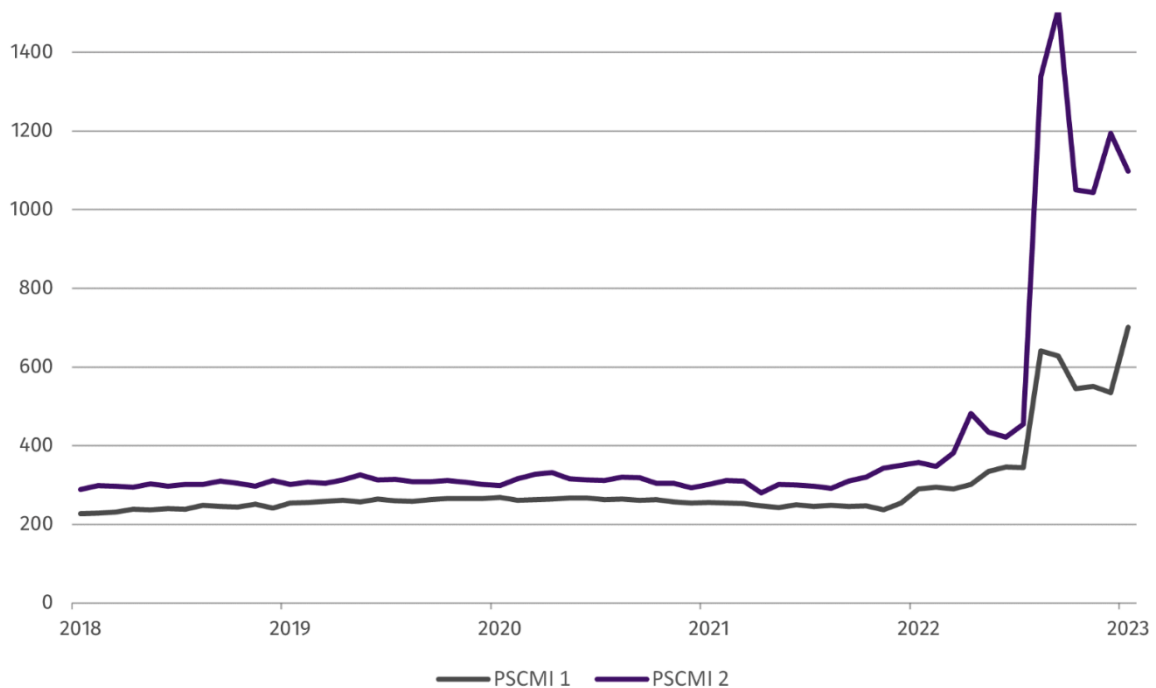


Figure 1. Results of PSCMI 1 and PSCMI 2 indexes in 2018–2023 (prices per ton of coal in PLN). Source: Industrial Development Agency

In addition to delays in the energy transition and insufficient development of renewable energy sources, the Polish energy sector is struggling with the consequences of dynamic changes on the global market.

Rising coal prices, driven by global ecological trends and diminishing access to cheap raw materials, significantly affect energy production costs. The increase in coal prices on the global markets, as recorded by the Polish Energy Market Coal Index (PSCMI), highlights the need for diversifying energy sources and seeking alternatives to coal.

Additionally, the Polish energy sector faces a challenge related to rising CO2 emission prices within the EU ETS system. This mechanism, aimed at reducing greenhouse gas emissions, poses a particular difficulty for a country which energy production is primarily coal-based. The increase in CO2 emission prices significantly raises the operational costs of energy companies, directly impacting the energy prices for end consumers. These rises have been expected for years, putting domestic politicians in an increasingly negative light.

Vis-a-vis these challenges, the policy of freezing energy prices, though it may seem beneficial from a short-term perspective, does not offer a lasting solution to the problems of the energy sector. Ignoring the impact of rising CO2 emission prices, changes in the coal market, and the lack of action towards diversifying energy sources and investing in renewable energy sources, nuclear energy, and low-emission technologies, condemns Polish energy to further cost increases and the risk of failing to meet EU climate requirements.

It is time for Poland's energy policy to start actively responding to global and domestic challenges, including the dynamic changes in the coal market and the EU ETS system. Therefore, it is necessary not only to accelerate the energy transition but also to engage in strategic planning and investments that take into account global market and ecological trends, including investments in nuclear energy. Only such approach will allow Poland to achieve energy independence, development, and security in the long term.

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AUTHOR



Piotr Oliński

External expert

e-mail: piotr.olinski@for.org.pl

Civil Development Forum Foundation

Ignacego Krasickiego 9A

02-628 Warsaw

phone: +48 22 628 85 11

e-mail: info@for.org.pl

www.for.org.pl