

MARKET OVERVIEW¹

Sector Highlights²

- According to Energy Regulatory Office analyses the risk of power deficits has been put off to 2020. Until 2028 much more power utilities will be constructed than closed.
- What is now visible in the sector is the trend of the consolidation of smaller utilities – Ministry of Treasury hopes that bigger companies will be able to ensure energy security.
- Right now Poland is the fourth biggest energy producer in EU. On the other hand Poland has lower energy consumption than EU average.

20 255,1 km of networks

DKK 24 billion sector turnover

451 companies

The district heating companies - operating on the basis of concessions issued by the Energy Regulatory Office (URE) - generate approx. 57% of the heat produced in Poland. The number of companies with concessions granted i.e. with heat sources above 5 MW stood at 451 entities in 2014. They employed over 32 952 people and maintained an installed thermal power of 56 796.2 MW. The income level of the heating sector was approx. DKK 28.7 billion (PLN 16.8 billion). At the same time, the length of operated heating networks was approx. 20 255.1 km. The share of heat generated in co-generation with electricity production accounted for 64%.

Fuels

In general the fuel used for DH in Poland is still very heavily relying on fossil fuels. Figure 1 below shows the share of different energy sources used as fuel in DH-plants in 2013. In 2014 the structure was almost the same, only the share of RES fuels increased to 7.8% and so the share of coal fuels decreased to 75%.

Even though there have been some small changes, the need to change the fuel structure used for heat production is among the key challenges of the sector for the coming years. Since 2013, Polish heating companies are obliged to buy 20% of the required CO₂ emission rights. The share of hard coal in heat production dropped only moderately since year 2002, where it accounted for 79.1%, while the share of biomass increased by 2.3% points.

The CO₂ emission regulations have clearly mobilized the district heating sector for raising voices urging Polish authorities to introduce regulatory changes that would promote new investments and modify the current heat tariffs system. Said more direct there is a great need for new green technology on an area where Danish companies are well known and recognized in Poland.

¹ Source: *Energetyka ciepła w liczbach – 2014*, URE 2015

² Source: *Poland Energy Sector Report Overview, February 2016* EMIS Insight

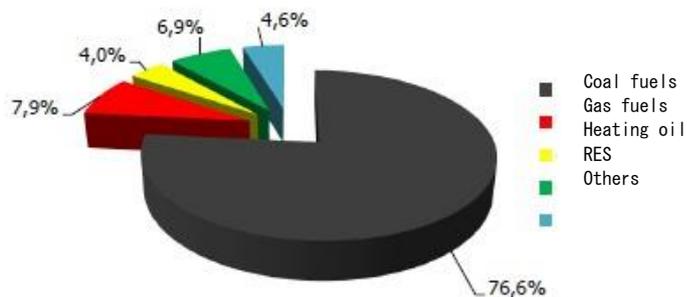


Figure 1 - fuels structure in 2013

Sector structure

1/4 of power produced comes from 8 biggest power plants

58 % of power sources below 50 MW

30% heating companies mixed ownership

First of all, the district heating sector is still much diversified. The mixed ownership structure is getting more popular, even though the majority of the companies are still public owned. Secondly, the market is dominated by rather small players with capacities below 50 MW. Finally, it is worth noticing that there is a growing number of companies exclusively (70-100% of their turnover) focused on district heating activities and a diminishing number of industrial companies involved in heat production and distribution. The share of the first group in total number of concessioned companies increased from 53% in year 2008 to 62% in 2013.

Economic situation and investments

25% increase of companies investing in modernization and development (compared to 2002)

Average net price in 2016 per MWh = PLN 172/DKK 295

Decrease of sector fix assets depreciation indicator

The technical and financial situation of the Polish district heating sector is very challenging. Despite a growing value of investments, ongoing privatization procedures and the inflow of international investors the need for replacement investments is evident. The average age of the used equipment amounts to 35 years which results in the increase of power losses. What is more, the lengthening of power lines also contributes to this process. Apart from that, old equipment produces more pollution and CO.