

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR POLAND

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

PUBLIC

25 June 2024

1. INTRODUCTION

The objective of this report is to summarise the key comments received from stakeholders during the consultation period on the Bank's Strategy for Poland and provide the EBRD's management response.

In accordance with the EBRD Access to Information Policy (AIP), the draft strategy for Poland was posted on the EBRD website in for 45 calendar days, starting from 10 May 2024. The public was invited to comment on the draft strategy no later than 24 June 2024. The previous strategy was also made available on the EBRD website at <https://www.ebrd.com/poland.html>

Information about the public consultation process was posted on the EBRD's dedicated "Have your say" webpage, which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. Targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

During the consultation period, the Bank did not receive any written comments.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with civil society organisations (in person format) on 28 February 2024.

The objective of the meeting was to gather civil society's feedback during the preparatory phase for developing the draft strategy. Six CSO representatives from 6 different civil society organisations participated in the consultation.

The EBRD was represented by the Regional Head for Poland & Baltics, the Country Economics, Strategy and Policy and the Civil Society Engagement teams.

The summary of the key messages and the list of CSO participants in the consultation process are provided in the Annex 1 to this report.

2. Summary of Public Comments

Comment	EBRD Response
Fossil Fuels and Subsidies	
<p>We wish to reiterate the key recommendation of the European Scientific Advisory Board on Climate Change: to urgently and fully phase out fossil fuel subsidies, in line with existing commitments. Transition away from an energy-intensive economy based on fossil fuels plays a pivotal role in Poland's geopolitical and energy security as well as for protecting Polish citizens from the cost-of-living crisis. For this reason, we strongly recommend that the Bank does not support any projects and activities directly or indirectly related to fossil fuels or which entail the risk of creating a lock-in effect, further delaying clean and just transition in Poland.</p> <p>Moreover, we would like to emphasize that EBRD's decarbonisation strategy for Poland should focus on phasing out fossil fuel deployment rather than fossil fuel emissions (e.g., through CCU/CCS). Consequently, the application of CCU/CCS technologies and hydrogen should always be targeted towards activities with no or limited alternative mitigation options in order to prevent unnecessary and costly fossil gas infrastructure lock-ins.</p>	<p>The EBRD committed to ensure full alignment of all of its activities, including financing, with the Paris Agreement starting from 1st of January 2023 onwards. It means that all the projects financed by the Bank must be scrutinised for their alignment with the objectives of the Paris Agreement.</p> <p>The EBRD Energy Sector Strategy for 2024-2028 was adopted by the EBRD Board in December 2023. The prime focus remains on financing energy transition away from fossil fuels. Given the legacy issues and energy security considerations, the Bank may be highly selectively still support fossil-fuels projects, however will do it increasingly rarely and subject to detailed scrutiny and sound justification which goes beyond Paris Alignment considerations. The specific and selective conditions have been included in the Strategy and its Annex D that can be found here.</p> <p>EBRD's approach and decision process ensures robust scrutiny for all projects with fossil-fuels component, which includes a carbon lock-in test as essential element of the procedure to obtain endorsement from the Board for any financing.</p>

	<p>Additionally the Bank may explore opportunities for decarbonisation of hard to abate sectors, through Carbon Capture Use and Storage (CCUS) (including transporting and associated infrastructure for CO2) where it is economically feasible and has a systematic impact to promote wider decarbonisation and environmental goals, i.e. through regional hubs. Application of CCUS in energy sector is currently not considered as it is not cost-competitive.</p>
<p>EBRD funds and support should be geared towards a swift transition to healthy and zero-pollution energy options for households and business models that foster the deployment of modern zero-emission heating and heat-storage technologies, including industrial heating and cooling, improving energy efficiency, and utilization of waste energy in district heating systems.</p>	<p>These activities will be eligible for financing from the EBRD under the new Country Strategy for Poland 2024-29. The strategy includes references to: 1) supporting the decarbonisation of district heating and hard-to-abate sectors that can lead to systematic transformation of the industry towards net zero; 2) financing CAPEX investments to reduce GHG emissions in industrial processes and applications (e.g. manufacturing of low carbon products); 3) supporting the switch to cleaner energy sources to address acute air pollution and high carbon intensity. These activities are also included in the Energy Sector Strategy of the Bank and draft Infrastructure Sector Strategy (out for public consultation – it can be found here).</p>
<p>Renewable Energy and Hydrogen</p>	

<p>We strongly support EBRD providing financial and technical assistance for domestic production of renewable hydrogen.</p> <p>We recommend that the Bank approaches projects with caution to ensure that renewable energy used for hydrogen production is sustainable. Development of hydrolyser capacities using bioenergy from forest biomass combustion or conventional fossil-based power sources should not be supported.</p> <p>In this, EBRD should encourage the precise targeting of renewable hydrogen use to decarbonise niche and hard-to-abate sectors, well-defined uses that cannot be electrified, notably in industrial processes, selected transport modes (long-distance maritime, aviation) and the steel industry.</p>	<p>The draft Country Strategy for Poland 2024-29 explicitly targets the EBRD’s support for green hydrogen, which is in line with the EBRD Energy Sector Strategy 2024-28 that stipulates support for “the sustainable production, distribution, storage and supply of renewable fuels of biological origin (biogas/bio-ammonia and/or bio-methane) and non-biological origin (green hydrogen, with its derivatives), as well as low-carbon hydrogen”.</p> <p>Additionally, all the projects containing a biomass component, require an examination of the sustainability of supply chains, in accordance with the Bank-wide Environmental and Social Policy available here. The conditions applied by the Bank are in accordance with the REDIII (Renewable Energy Directive¹) criteria and the corresponding verification in place i.e. International Sustainability & Carbon Certification, Roundtable on Sustainable Biomaterials etc.</p>
<p>Production of electrolytic hydrogen can play an important role in supporting energy system stability and as energy storage (power to gas), particularly in the management of the surplus renewable energy which would be otherwise wasted. However, as its subsequent reconversion to electricity is very resource intensive, it should be considered only after alternative solutions have been implemented.</p>	<p>EBRD is bound by the principles of sound banking, which implies careful assessment of cost-competitiveness and affordability for projects that receive EBRD financing.</p>
<p>Biomass and Biogas</p>	

¹ Directive (EU) 2023/2413 of the European Parliament and of the Council of 18 October 2023 amending Directive (EU) 2018/2001, Regulation (EU) 2018/1999 and Directive 98/70/EC as regards the promotion of energy from renewable sources, and repealing Council Directive (EU) 2015/652

<p>EBRD can help in realizing Poland’s considerable potential for sustainable biogas production. Biogas can play an important role as fuel for cold capacity reserve to balance the net-zero energy system on an annual basis and as feedstock for the chemical industry.</p>	<p>The draft of the Country Strategy for Poland 2024-29 already includes specific reference to biogas/biomethane as one of technologies potentially eligible for EBRD support.</p>
<p>We are deeply concerned by the scale of the planned increase in biomass consumption in Poland, which presents a major threat to both biodiversity and human health. Incentivised with substantial volumes of national subsidies for bioenergy use, even in sectors with alternative mitigation options (e.g., electricity and low-temperature heat production), it is expected to become the main “RES” fuel in the heating sector.</p> <p>Burning woody biomass is a major contributor to air pollution, in the case of Polish households second only to coal, and a source of particulate matter (PM10, PM2.5), black carbon (BC), CO₂, CO, polycyclic aromatic hydrocarbons (PAHs), VOCs including CH₄, and other cancerogenic compounds. Fossil fuels must not be replaced with wood burning either in power and heat plants or in cookers and fireplaces in private households.</p> <p>EBRD should also exclude indirect support to utility-scale biomass production through related infrastructure, advisory services, technical assistance, or financial intermediaries.</p>	<p>All the projects containing a biomass component will, in line with the draft of the Country Strategy for Poland 2024-29, require examination of sustainability of supply chains in accordance with the Bank-wide Environmental and Social Policy available here. Additionally, the projects are expected to be consistent with the technical criteria specified in the Annex to GET handbook, that stipulates that all the “Biomass shall be supplied from sustainable and socially acceptable sources, as demonstrated through compliance with internationally accepted sustainability certifications, and the activity shall not interfere with food security”. More detailed conditions can be found in the cited document (activity 5.10) and are consistent with abovementioned REDIII and credible certification criteria.</p>
<p>Energy Efficiency, Infrastructure and Community Involvement</p>	
<p>We applaud EBRD's focus on addressing the acute air pollution and high carbon intensity of heat and energy production in Poland, but we must stress that cleaner options fall short of this target and need to be excluded in favor of genuinely clean and climate-neutral alternatives which have other co-benefits such as</p>	<p>The fossil fuels approach included in the EBRD Energy Sector Strategy 2024-28 reads: “The Bank will limit financing to fossil-fuel projects with a strong ambition to accelerate the low-carbon transition in specific</p>

<p>reducing energy poverty and improving the level of comfort and wellbeing.</p>	<p>country contexts and that are aligned with the goals of the Paris Agreement.” The specific and selective conditions have been included in the Energy Strategy and its Annex D that can be found here.</p> <p>EBRD’s approach and decision process ensure robust scrutiny for all projects with a fossil-fuels component and a carbon lock-in test is an essential element of the procedure to obtain endorsement from the EBRD Board for any financing.</p>
<p>Poland supports the development of energy communities through a variety of instruments: ESIF, RRP, and the Modernization Fund. Despite this, a very limited number of energy communities have become operational to date, mainly because of delays in launching calls for proposals targeting these initiatives, but also due to unfavorable financing conditions.</p> <p>We recommend that the EBRD in cooperation with the Polish authorities launch a support scheme covering the required contribution for energy communities, with low interest and long-term loan instruments. This should in turn allow the introduction in Poland of the Community Led Renovations (CLR) concept.</p>	<p>EBRD’s draft Country Strategy for Poland 2024-29 does not exclude financing such initiatives, as long as they can be structured in a way consistent with the Bank’s principles of sound banking. EBRD is an implementing partner of the InvestEU, which may make it easier for projects to meet such requirements. Additionally, the draft Country Strategy includes specific reference to “energy clusters for municipalities”, which may be eligible for financing in Poland.</p>
<p>Energy transformation will not succeed without the active participation of citizens and their feeling of ownership of the process. For this, comprehensive climate education is needed, both in schools and outside of them. The latter has been effectively done by the CSOs. However, three years into the 2021-2027 MFF, we observe that CSOs are not interested in applying for EU grants for education measures due to unattractive conditions – a requirement of a significant own contribution and very low eligible operational costs, even in larger projects. We recommended to the Polish authorities that the state provides necessary support for</p>	<p>EBRD can support CSOs through Technical Cooperation activities in which CSOs can participate.</p>

own contribution for CSOs. We recommend that the EBRD in cooperation with the Polish authorities develop a support scheme for CSOs as beneficiaries of EU funds, providing required co-financing for contribution to grants.	
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ANNEX 1

Consultation with Civil Society Organisations on the EBRD country strategy for Poland

Wednesday 28 February 2024

Key messages from Civil Society to the EBRD

1. Civil society organisations endorsed the Bank's Poland strategy priority to accelerate the green energy transition with crucial aspects of a just transition, including reskilling and restructuring. They also advised the EBRD to make a complete shift from fossil fuels (including blended gases) to renewable and affordable energy.
2. Civil society organisations also highlighted the importance of the EBRD's support for integrity business conduct and ensuring that businesses are both resilient and responsible. CSOs suggested that tools such as client performance requirements, and other E&S assessments can be used to promote a greater focus on "human rights in business" throughout the Bank's investments. Further, the CSO representatives recommended that the EBRD should enhance its engagement with the national ministries responsible for ESG policies to ensure their application with international standards.
3. CSOs moreover recognised the inter-linked dynamics of a growing Ukrainian and refugee population in the country with that of the local and aging demographics. They suggested that the EBRD should encourage more productive and inclusive

business and governance practices to dismantle fears of unfair competition from such geopolitical crises.

List of CSOs participating in the consultation meeting

1. Beata Faracik, Co-founder & President fo the Board, The Polish Institute of Human and Business Rights Pawel Marczewski, Head of Research Unit, The Batory Foundation
2. Diana Maciaga, Expert on Energy and Climate, Polish Green Network
3. Michal Smolen, Head of Energy and Climate, Fundacja In strat
4. Przemyslaw Baranski, Co-founder, Freedom Insitute
5. Anna Tryfon-Bojarska, Co-founder, Digital Affairs Institute & Leader of Polka Conference