

Energa Group Poland

Sectors: Coal Electric Power Generation

● On record

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Sector	Coal Electric Power Generation , Biomass Electric Power Generation, Electric Power Distribution, Hydroelectric Power Generation, Wind Electric Power Generation
Headquarters	
Ownership	<i>listed on Warsaw Stock Exchange</i> PKN Orlen is the majority shareholder with (90.9%), with Norges Bank (1.92%) OFE Metlife (1.71%) and OFE Nationale-Nederlanden (1,45%) as some of the other shareholders. Energa's complete shareholder structure can be viewed here .
Subsidiaries	Energa Elektrownie Ostrołęka SA – Poland Energa Finance AB – Sweden Energa Operator – Poland
Website	http://grupa.energa.pl

About Energa Group

The Energa Group is a Polish energy company. Its core business entails the distribution, generation and sale of electricity. Energa is one of the four largest energy companies in Poland and the third distribution system operator (DSO) in Poland in terms of volume of electrical energy supplied to end-customers. Energa operates coal, hydropower, wind, biomass, and photovoltaic power plants with a total installed generation capacity of approximately 1.38 GW. Energa's electricity generation is [61% based on fossil fuels](#). This percentage share will increase if Energa starts operating the new 1,000 MW [Ostrołęka C gas power plant](#). In 2019, the company held assets totalling [PLN 20.97 billion](#) (USD 5.64 billion).

What must happen

Financial institutions should avoid financing Energa via corporate loans and bonds while the company is pursuing its plans for the Ostrołęka gas power plant. The loans provided by the European Investment Bank (EIB), the European Bank of Reconstruction and Development (EBRD) and Nordic Investment Bank should be terminated due to the serious possibility of usage of those funds for the Ostrołęka C plant.

Latest developments

PKN Orlen will engage in Ostrołęka C power plant only if it uses gas-based technology

[May 19 2020](#)

Extension of the analyses period within the Ostrołęka "C" Project

May 7 2020

Why this profile?

Energa S.A. in cooperation with Enea S.A. is constructing a new 1 GW gas-fired power plant Ostrołęka C.

Impacts

Social and human rights impacts

Studies have estimated that Energa's plants contribute significantly to the deterioration of health in Poland. The pollution emitted by the Ostrołęka A (decommissioned) and Ostrołęka B power plants was estimated to result in 129 premature deaths annually, 1,370 years of life lost and more than 30,000 lost work days. The Elbląg plant is estimated to contribute to 16 premature deaths each year, 165 years of life lost and about 3,500 lost work days. The planned Ostrołęka C gas power plant would further increase these impacts.

Environmental and climate impacts

Energa operates coal, hydropower, wind, biomass, and photovoltaic power plants with a total capacity of approximately [1.38 GW](#). Energa's electricity generation is [61% based on fossil fuels](#). This share will increase when Energa starts operating the new 1,000 MW [Ostrołęka C gas power plant](#).

Energa's main impact on the environment and climate change is related to its contribution to overall Polish CO2 emissions (in 2018 these amounted to [334 million tonnes](#)). Energa's two main facilities (Ostrołęka A+B and Elbląg) emit a lot of air pollutants. Each year together they produced almost 11,000 tonnes of SO2 and 5,500 tonnes of nitrogen oxides ([Greenpeace Wegiel Zabija report](#)). These pollutants not only harm people's health, but also corrode buildings and damage the environment by causing deforestation and acidifying waterways to the detriment of aquatic life.

The intense water usage and waste dumping at the Ostrołęka power plants have also led to the polluting of local water sources – most notably the Narew river – by heavy metals such as: cadmium, nickel, zinc, copper, chromium, cobalt and lead. [Recent studies show](#) that the Narew river is contaminated beyond the 'I geochemical' class with cadmium segments. The Narew's aquatic flora is polluted by a high accumulation of zinc, lead and chromium in the underwater roots parts.

Governance

Timeline

PKN Orlen will engage in Ostrołęka C power plant only if it uses gas-based technology

May 19 2020

PKN Orlen [announced](#) that it will only invest in building a power station in Ostrołęka if it uses gas. "We cannot act in isolation from market trends and European Union's regulatory policies. The investment in Ostrołęka will be conducted but it has to be based on gas technology," Chief Executive Daniel Obajtek said in a statement.

Extension of the analyses period within the Ostrołęka "C" Project

May 7 2020

On 7 May 2020 companies Energa SA and Enea S.A. decided to extend the analytical period regarding further actions of the Ostrołęka "C" Power Plant construction project with a capacity of approx. 1,000 MW, which according to the original assumptions of the utilities, were to be completed by 7 May 2020. The companies assume [that analysis will last about a month](#).

PKN ORLEN closes the acquisition of the ENERGA Group

Apr 30 2020

[PKN ORLEN](#) has acquired an 80% interest in the ENERGA Group, conferring approximately 85% of total voting rights at its general meeting, in a transaction that has formally made PKN ORLEN the owner of the Gdańsk-based company. The acquisition was the largest transaction of its kind on the Polish fuels and energy market. It took only four months to complete. During that period, PKN ORLEN met all conditions precedent necessary to carry out the acquisition, including reaching the 66% threshold for shares subject to the tender offer. Their final price was set at PLN 8.35 per share.

PKN ORLEN about to close the largest transaction on Poland's energy market

Apr 27 2020

Within no more than four months [PKN ORLEN fulfilled all conditions](#) precedent to the acquisition of the ENERGA Group, including reaching the threshold of 66% of shares covered by the tender offer.

The combined business will have an even greater investment potential. In accordance with the declaration made in agreement with the State Treasury, PKN ORLEN will continue the strategic projects of the Gdańsk-based group, with the proviso that the terms on which they will be continued will be subject to a review.

At the same time, the Company plans to further develop the areas in which ORLEN and ENERGA are already active (e.g. electromobility), but also to take on new projects, such as offshore wind farms.

PKN ORLEN closer to take over the ENERGA Group

Mar 31 2020

The European Commission has given its unconditional approval for [PKN ORLEN's plan to take over the ENERGA Group](#).

Analysis of technological, economic, financial and other aspects of Ostrołęka C to be completed by May 7 2020

Feb 23 2020

The Management Board of Energa [informs](#) that on 21 February 2020 the companies ENERGA and ENEA signed the Arrangements on the analyses during the suspension of work on the Ostrołęka Project "C". The Arrangements determine the detailed scope and schedule of analyses of technical, technological, economic, organizational and legal aspects as well as financial aspects of the Project. According to the Sponsors' assumptions, the multi-stage analysis process will be completed until 7 May 2020.

Enea and Energa Group announce Ostrołęka C coal power plant suspended

Feb 14 2020

The Management Board of Energa announced that on February 13, 2020 an Agreement Concerning Further Activities in the Ostrołęka Project C was concluded between Energa and Enea. They decided to suspend financing for the project for the construction the planned Ostrołęka C coal power plant ([Energa press release](#)).

Poland's first free online calculator shows coal Ostrołęka C's (un)viability

Aug 27 2019

Instrat analysts published an [open-source online viability \(NPV\) calculator of the coal power plant Ostrołęka C](#). So far, [four studies on Ostrołęka C have been published](#) showing a loss between PLN 2.3 billion to over PLN 6.2 billion negative NPV - much more than the investment CAPEX. The latest update sheds an even more negative light on the project - the baseline scenario suggests a loss of PLN - 7.5 bn and electricity price of 500 PLN/MWh (LCOE, 117€/MWh). That is a third more than the electricity cost from photovoltaics (360 PLN/MWh) and almost twice of onshore wind farms (260 PLN/MWh, IRENA). The model gives a detailed overview of the economic situation of all similar new coal-fired power plants in Poland and Europe. The model is based on CC-BY SA 4.0 license.

Tempus challenges European Commission's approval of Polish energy subsidy scheme

Mar 14 2019

Ostrołęka C's capacity contract might be at risk as UK's [Tempus challenges European Commission's approval of Polish energy subsidy scheme](#), claiming it shuts cleaner, cheaper technologies out of the market and deprives European consumers of a better future. Polish state-run utility companies Enea and Energa said that the subsidies from capacity market would help to finance the new coal-fired unit in the northeast of Poland.

New controversies yet still no financing model

Feb 7 2019

According to the report published by Energa, the financing model for Ostrołęka C project was to be completed by January 28th 2019. The deadline wasn't met yet there has been no announcement from any of the two investors regarding financing. Interestingly, new information has been revealed by the Polish press.

[According to Newsweek.pl](#) the head of the department responsible for investment risk assessment in PZU – the largest Polish insurer which could provide insurance for Ostrołęka C – is no other than Konrad Tchórzewski, son of the minister for energy. The newspaper also undermines the Ministry for Energy's position that this power plant will be beneficial for Poland: *the Americans and the French will earn money on the construction, while Russia will provide coal. What the Poles will get are fines for tons of CO2 emissions and expensive electricity.*

[Dziennik Gazeta Prawna](#) speculates that construction costs may increase from 6 to 8 bln PLN (1.4 to 1.86 bln EUR). In order to reduce them GE Power/Alstom Power, the consortium chosen to be the general contractor, could well hire a subcontractor from China. According to the newspaper's source it could be China Energy Construction Group.

Coal could be falling from sky, and Ostrołęka C still would not be viable - new study shows

Jan 15 2019

Shortly after the results of Polish capacity market auctions were released, an updated version of the viability study of Ostrołęka C once again showed that burning coal is economic nonsense. Despite a vast subsidy of 2.7 bn PLN (0.6 bn EUR) and 15-year long contract, the unit would still bring no profit at all for the investors. The project would bring investors a negative net present value (NPV) of ca. -6.2 bn PLN (-1.5 bn EUR), compared to -2,3 bn PLN as the previous report showed. This exceeds the investment budget of ca. 6 bn PLN (1.4 bn EUR).

An updated version of the report "Capacity market and the failed rescue. Updated report: Ostrołęka C - next steps for Europe's last coal power plant" by Michał Hetmański from InStrat Foundation embeds latest events and data into the model: capacity market auctions results, reform of the ETS framework and the recently published Polish Energy Policy 2040. Results of the study clearly show deep unviability of the Ostrołęka C project.

[Full Report](#) available in Polish, with [executive summary](#) in English.

Financing model for Ostrołęka C to be announced on January 28, 2019

Dec 30 2018

[According to report published by Energa](#) an agreement was signed, the intention of which is to conclude a new investment agreement specifying the terms of cooperation between the Issuer and ENEA S.A. and financing the Ostrołęka C Power Plant ("Project") in the Construction Phase. ENERGA S.A. and ENEA S.A. declared a financial commitment to the amount of: ENEA PLN 1 billion, ENERGA not less than PLN 1 billion and other investors - in the remaining scope necessary to cover the Project's financial outlays

The **schedule and terms of financial involvement of individual entities will be agreed by January 28, 2019** Energa will inform the conclusion of an agreement or agreements regarding the financing of the Project in a separate current report.

Management Board of Elektrownia Ostrołęka Sp. z o.o. on the issue a notice to proceed related to the construction of Ostrołęka Power Plant C

Dec 29 2018

On 29 December 2018 the Management Board of ENERGA SA received information that on 28 December 2018 the Extraordinary General Meeting of Shareholders of Elektrownia Ostrołęka Sp. z o.o. had granted its consent to the issue a notice to proceed ("NTP") related to the construction of Ostrołęka Power Plant C with a capacity of 1,000 MW.

On 28 December 2018 the Management Board of Elektrownia Ostrołęka Sp. z o.o. had issued notice to proceed related to the construction of Ostrołęka Power Plant C for the general contractor, a Consortium of GE Power Sp. z o.o. as the leader and ALSTOM Power Systems S.A.S.

Even with the capacity contract Ostrołęka C will not be able to cope with market realities

Dec 24 2018

The auction of the capacity market for 2023 was closed with a price of PLN 202.99 per kilowatt (kW). According to preliminary results, the new Ostrołęka Power Plant unit will receive a 15-year contract. According to Carbon Tracker economists, Ostrołęka C would need subsidies from the capacity market amounting to as much as PLN 400 for each kW offered, for a period of 15 years.

According to the published preliminary results of Friday's capacity auction, Ostrołęka C power plant will receive a contract, which is a source of additional financing for the investment. However, this does not remove doubts as to the economic rationality of the project. Management of the company is not gambling and therefore the investment of Enea and Energa in the new Ostrołęka C coal unit should not be continued - [says ClientEarth](#).

Ostrołęka C with 15-year capacity contract

Dec 21 2018

On 22nd of December 2018 Polskie Sieci Elektroenergetyczne S.A. published initial result of the capacity market main auction for 2023, including the closing price for the capacity auction which is 202.99 PLN/kW/annum. Elektrownia Ostrołęka Sp. z o.o., in which Energa S.A. holds 50% of shares, concluded capacity agreement for 15 years with a capacity obligation of 853 MW, under which the revenues may amount to PLN 173 million per one year, starting from year 2023 (revenues over a period of 15 years, may amount to PLN 2 596 million), whereas the price of the capacity obligation for long-term capacity contracts will be subject to an annual indexation of the average annual consumer price index.

The auction closing price provided does not constitute the final capacity auction result. The final results of the capacity auction shall be announced by the President of the Energy Regulatory Office in the Public Information Bulletin on his website, on the first working day following the 21st day after the end of the capacity auction. Until then, all contracts of sale of capacity obligations are conditional.

[SOURCE](#)

NTP for Ostrołęka C depends on the result of the capacity auction

Dec 19 2018

Energa S.A. announced that it will vote in favor of adopting a resolution on expressing consent to issue an NTP for the general contractor of Ostrołęka C. The resolution is going to be taken under provided that during a power capacity auction with the delivery period beginning in 2023, the price obtained by 'Ostrołęka C' Project for the power stated in the conditional certificate, i.e. 852,603 MW, for a period of 15 years **is not lower than defined in the auction strategy**.

[Source](#)

Minister of Energy admits that Ostrołęka C is unnecessary and economically harmful

Dec 5 2018

At COP24 Climate Summit in Katowice Minister of Energy Krzysztof Tchórzewski confirmed construction of Ostrołęka C power plant to be against Poland's economic and environmental interest. Now the minister justifies it with the necessity of cooperation with the European Union and the Baltic States and by the need to "meet deadlines". Stop Ostrołęka C coalition comments: no international documents support it. The Ministry of Energy have not presented any strategic document which would confirm that the Ostrołęka C power plant is an important element in the synchronization of the Baltic States' power systems with Continental Europe - neither documents of the European Commission, nor the Polish Power Grid or the Lithuanian operator LitGrid mention it.

To the best of our knowledge, a document stating that Ostrołęka C is necessary for synchronisation with the Baltic states simply does not exist. When other arguments have failed, Minister Tchórzewski reaches for a new, irrational justification for this coal project. Claiming that building a coal power plant is required by European solidarity and, at the same time, lack of any solidarity in protecting the climate by moving away from coal is the height of hypocrisy - comments Diana Maciąga, Climate Coordinator at the Association Workshop for All Beings.

Investor LGIM-lack of funds for Poland's planned Ostroleka coal plant a concern

Oct 17 2018

Legal & General Investment Management, Britain's largest asset manager, [said it has serious concerns](#) over Poland's planned development of the Ostroleka C due to unsecured financing for the project. LGIM is invested in both Enea and Energa.

"We have serious concerns about the development of a new coal plant in Poland, Ostroleka C given that they have not yet secured capacity market payments or confirmed third-party financing, (...) We don't believe the companies should proceed with this project until they can provide us with reassuring evidence of its financial viability and the role it will play in meeting the energy security and the carbon targets in Poland and Europe," said Meryam Omi, the head of sustainability and responsible investment strategy at LGIM.

Energa EGM votes for an NTP for Ostroleka C

Sep 4 2018

On September 3, the Extraordinary General Meeting of Energa voted for issuing a Notice to Proceed (NTP) for the Ostrołęka C power plant. Shareholders holding 23,5 million shares voted against, 4.6 million abstained. Neither the members of the Supervisory Board nor the Management Board of the company were present, disregarding the good investor relations practices. Issuing NTP before the capacity auction (due on December 21 2018) breaks the obligation towards Energa's bondholders: in the Eurobonds prospectus from February 2017, Energa AB stated that an NTP would not be issued before the auction. Following the EGM decision, both Enea and Energa suffered drop in share prices.

In order for the construction works to start the same consent must be expressed by the EGM of ENEA, which is on September 24, 2018.

New report smashes Ostrołęka C - the power plant shows deep unprofitability

Aug 30 2018

The latest report by Michał Hetmański, Instrat Foundation, "[Ostrołęka C - what's next with the last coal-fired power plant in Europe?](#)" shows complete lack of profitability of the largest new coal-fired power plant in the EU and serious legal doubts connected with it. Ostrołęka C can get only 15% of its revenues from the capacity market. **Even under optimistic assumptions it will never provide investors with return on the investment.** Ostrołęka C requires "adding" at least PLN 2.3 billion throughout its life cycle, i.e. an additional approx. 50% of the construction cost. In the optimistic scenario of a very slow increase in the prices of CO₂ emission allowances and rapid rise in electricity prices - the power plant still turns out to be unprofitable. The power plant can generate electricity (LCOE) at a price of 488 PLN / MWh or even 505 PLN / MWh. This is much more than in the case of just recently developing Polish wind farms (300), offshore farms (420) and even photovoltaic (440).

Energa's rating downgraded due to Ostrołęka C

Jul 18 2018

On July 16 EuroRating downgraded Energa's rating from BBB to BBB- in response to Energa signing the contract with GE Power/Alstom to build Ostrołęka C power plant. EuroRating assessed the current structure of Energa financing as relatively weak and pointed out that another large expenditure for the construction of the Ostrołęka C power plant (mainly financed by the increase in debt) will cause its further deterioration. The agency also noted that this power plant would need to use imported coal and thus harm Poland's energy safety and advised withdrawal from this project on its early stage.

Financiers

BNP Paribas, Bank of America and HSBC all have ties to Energa Group given their arranger roles for a March 2013 Eurobond issue for Energa. The EIB, the EBRD and the Nordic Investment Bank have provided loans since 2009 for distribution and the company's development of renewables. Polish banks: PKO BP, Pekao S.A. and Bank Gospodarstwa Krajowego (BGK) have all provided loans to ENERGA in the last three years.

BNP Paribas and JPMorgan Chase also arranged a new bond issuance in February 2017. Despite Energa acting CEO [stating](#) that the company could issue eurobonds to finance the Ostrołęka C project at that time, it stated a few days later that the use of proceeds of this eurobond would not be used for new coal power generation projects. But there is no way to verify this statement, and [a Reuters article](#) a few weeks later confirmed that such a bond issuance helps the company to find money for coal projects.

Banks

BNP Paribas France [profile](#)

[Details](#) ▼

Bond issue – underwriter EUR 300 million 2017 - 2027
source: Bond program prospectus, Luxembourg Stock Exchange
[link](#)

Bond issue – underwriter EUR 500 million 2013 - 2020
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Bank Pekao

[Details](#) ▼

Debt – corporate loan EUR 135 million - 2022
source: Consolidated quarterly financial statement Q3 2016
[link](#)

HSBC United Kingdom [profile](#)

[Details](#) ▼

Bond issue – underwriter EUR 500 million 2013 - 2020
source: Consolidated quarterly financial statement Q3 2016
[link](#)

JPMorgan Chase United States [profile](#)

[Details](#) ▼

Bond issue – underwriter EUR 300 million 2017 - 2027
source: Bond program prospectus, Luxembourg Stock Exchange
[link](#)

PKO Bank Polski Poland [profile](#)

[Details](#) ▼

Debt – corporate loan EUR 138 million - 2021
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Bond issue – underwriter EUR 16 million
To be issued, date not yet known.
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Investment banks

Merrill Lynch

Details ▼

Bond issue – underwriter EUR 500 million 2013 - 2020
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Nordic Investment Bank

Details ▼

Debt – corporate loan EUR 46 million 2009 - 2022
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Multilateral development banks

European Bank for Reconstruction and Development (EBRD)

Details ▼

Debt – corporate loan EUR 185 million 2009 - 2024
EUR 64 million added in contract annex
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Debt – corporate loan EUR 185 million 2013 - 2024
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Bond issue – underwriter EUR 250 million 2017
ENERGA SA is in the process of raising financing from the European Investment Bank of up to EUR 250 million in the form of hybrid bonds.
source: Energa Group
[link](#)

European Investment Bank

Details ▼

Debt – corporate loan EUR 230 million 2013 - 2030
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Debt – corporate loan EUR 242 million 2009 - 2025
source: Consolidated quarterly financial statement Q3 2016
[link](#)

Related Dodgy Deals