

# Jaworzno coal power plant Poland

**Sectors:** Coal Electric Power Generation

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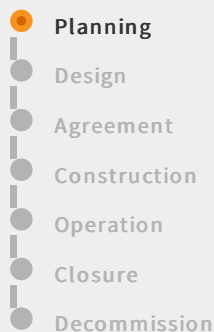
## Status



**Sectors** Coal Electric Power Generation

**Location**

**Status**



**Website**

<http://www.tauron-wytwarzanie.pl/oddzialy/jaworznoiii/Strony/informacje.aspx>

## About Jaworzno coal power plant

A new hard-coal powered generation unit is planned for the Jaworzno III power plant in the Silesian Voivodeship of southern Poland. The unit, if built, will have a generating capacity of 843MWe (electrical megawatts), and will burn more than 2.7 million tons of coal annually, producing more than 4.7 million tons of CO<sub>2</sub>. The plant is owned by Tauron S.A. (previously Poludniowy Koncern Energetyczny S.A., PKE), one of the largest power industry companies in Poland. The Jaworzno III plant is located next to Tauron's coal mining unit, PKW, which will provide around 80% of the feedstock.

The new unit does not hold an International Plant Protection Convention (IPPC) permit, nor are there ongoing administrative proceedings concerning permissions for the accompanying infrastructure. The wooded area around the housing estate where the power plant is to be constructed has been levelled. Pipes and wires have been already put through the purged area. At the same time earthworks in the north part of area are in progress.

In April 2014 the consortium [secured guarantees](#) for the work from three state-controlled financial institutions: insurer PZU, bank PKO Bp and state development bank BGK. This represents over 50% of the needed funds for Jaworzno.

## What must happen

It needs to be clear for banks that signed the letter of intent that investing in Jaworzno III, alongside the rest of the Polish coal sector, presents is a huge risk and they should not get involved in that project.

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## Issues

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### Human rights and social issues

One of the main problems presented by the new units is the health impact of coal combustion on the citizens of Silesia region and the city of Jaworzna. The investment area is characterised by bad air quality. On 21st November 2011, the European Commission sued Poland in the European Court of Justice for lack of progress in its implementation of the Ambient Air Quality and Cleaner Air for Europe (CAFE) Directive (2008/50/EC), which should have been implemented in Poland by the 11th of June 2010. The directive requires in particular that the PM10 (larger dust particles) level does not exceed 50 milligrams/m<sup>3</sup> more than 35 times a year. However this PM10 level is breached with much higher frequency in many Polish metropolitan areas including Jaworzno and Rybnik in the Silesia region.

Since then, the CAFE Directive has been transposed into Polish legislation, but actions to address bad air quality are few and do not adequately address the issue. On top of that, the construction of the new unit will not mean an automatic shutdown of the oldest and most polluting units in Jaworzno, thus adding to the pollution rather than leading to an improvement of the air quality in the region. Protests over poor air quality have already led to changes in regional legislation in the Malopolskie Voivodship (province) and its capital, Krakow, and similar protests have taken place in the nearby city of Rybnik.

The local health impacts from coal mining, transportation and combustion are also a significant concern, and communities living in proximity to these activities are experiencing adverse social impacts, such as loss of amenities, displacement, and loss of social capital as well as facing increased risks of respiratory disease, heart disease, and lung cancer. In addition, burning coal causes health related problems related to coal ash and air pollution. The plant also contributes to the region becoming 'locked in' to coal-based energy production for the next 40-50 years, making the shift to a renewable energy based society all the more difficult.

A housing complex is currently located at the future construction site of the new unit. The residents from that complex were supposed to have been moved to a new location, but this process is still on-going. The date of the resettlement has already been moved a number of times, and people are still living on the future construction site. The wooded area around the housing estate has been already leveled, causing concern to the inhabitants of the complex.

Another important issue is that both the Polish constitution and European Union legislation guarantee the right to live in a clean environment, and the quality of the air that citizens breathe every day is part of that right. The local health impacts from coal mining, transportation and combustion are also a significant concern, and communities living in proximity to these activities experience adverse social impacts including displacement and loss of social capital, as well as facing increased risks of respiratory disease, heart disease, and lung cancer.

### Environmental issues

Burning coal is one of the most polluting methods of energy production. It causes significant changes to air quality through emissions of toxic substances such as SO<sub>2</sub>, NO<sub>x</sub>, small and large dust particles (PM10 and PM2.5) and heavy metals such as mercury and cadmium. Coal burning is also the largest single contributor to GHG emissions worldwide and thus has an impact on the climate of the region and the planet. Coal mining and coal combustion also cause serious water shortages and pollution both by modifying ground and subterranean water flows and sewage discharges that affect river and sea flora and fauna. One of the most serious secondary effects of pollution from coal combustion is ocean acidification and acid rains. The Silesia region and Jaworzno city itself are already struggling with chronically poor air conditions, and the new unit would do little to improve this situation.

### Other issues

The full costs of energy generated from coal are not fully accounted for. For example, a series of subsidies are still provided to the coal sector in Poland, at both local and national levels.

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## Governance

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### Other applicable regulations

Tauron has chosen a consortium of investment banks that will support it in developing a financing strategy and also in process of raising funds for investment programme through i.a. bonds issued on best effort basis, or Eurobonds.

Source of financing that is recently most likely to use is issue of bonds addressed to the national finance investors thereafter issue of Eurobonds. However about which type of financing we will use and on what time will decide formulated strategy- said Krzysztof Zawadzki, vice president of economic-finance board in Tauron. Moreover, he added that Company will simultaneously prepare itself to diverse types of financing so it could "optimally exploit changing market conditions".

The consortium consists of: ING Bank Slaski, ING Bank NV London department, ING Securities (consortium leader), Uni Credit CAIB Poland, Bank Pekao SA, Uni Credit Bank AG, BRE Bank, Investment House of BRE Bank, UniCredit CAIB Poland, Bank Zachodni WBK, BZ WBK Brokerage House, Banco Santander and Goldman Sachs International. After preparation of investment programme, company in cooperation with banks that formed consortium will acquire in 2012-2015 finances from national and international markets, basing on recommendations included in Tauron development

strategy.

In second semester Tauron assumes to issue bonds worth 1,5 billion PLN and in the following year issue bonds worth 0,5 billion PLN and also issue Eurobonds worth 500 milion EUR- said Krzysztof Zawadzki Tauron vice president. Issue value depends i.a. on possibilities of gaining funds from PIR and BGK. Mr Zawadzki being asked about which projects will be funded by PIR, answers that these will be new units in Katowice and Lagisza, he does not exclude Jaworzno unit but he stresses that it would be a large investment.

## Updates

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### Poland's Tauron delays Jaworzno coal power plant by eight months

Feb 28 2017

WARSAW, Feb 28 ([Reuters](#)) - Polish utility Tauron said on Tuesday the start-up of a 910 MW coal-fired power plant it is building in Jaworzno would be delayed by eight months as it works to ensure the plant complies with EU climate rules.

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### Tauron signs contract for Jaworzno unit

Apr 17 2014

Polish utility Tauron Polska Energia signed on April 17 a much delayed contract to build a 910 MW unit at its hard coal fired Jaworzno III plant. A consortium of Polish boiler maker Rafako and construction company Mostostal Warszawa will lead construction of the unit after its EUR 1.29 billion bid was selected in a tender in January last year. The signing of the contract was delayed on several occasions because of the contractors' financial difficulties. In a market filing, Tauron said the unit, which will emit 2 million mt eq CO2 less than currently operating blocks, should be completed within 59 months and will be equipped with a supercritical bed boiler, be carbon-capture and storage ready and have an efficiency of not less than 45%. Siemens will supply and install the turbine island for the unit.

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### Difficulties for Rafako

Mar 19 2014

Rafako finds difficulties in assembling all of subcontractors for the investment. Potential subcontractors do not want to agree on joint and several solidarity for the contract. Assembling subcontractors for building works (that are worth 2 billion PLN) is one of the requirements to obtain bank guarantees for the investment. The other requirement set by PKO BP (the main prospective financing bank) is for Rafako to increase stock capital for 30 million PLN by issue of new shares.

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### Letter of intent by Rafako

Mar 18 2014

In November 2013 Rafako S.A. concluded a non-binding letter of intent with numerous of financial institutions e.g. PKO BP, PZU, TUiR Warta, KUKE and Generali TU. Meanwhile on 27th of February Tauron, for the sixth time, has extended the deadline for Consortium to obtain bank guarantees to the 30th of April 2014.

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### Rafako signs deal with North China Power Engineering

May 27 2013

Polish boiler maker, Rafako, signed May 27 an agreement to add North China Power engineering to its consortium to build a 910-MWe unit at the hard coal-fired Jaworzno III plant owned by the country's second largest utility, Tauron Polska Energia. "Cooperation with a Chinese partner not only means access to capital, which Polish companies are often lacking," CEO Pawel Mortas said in a statement. "One could not possibly overestimate the access to a giant market of energy deals that we gain by starting this cooperation," he added. Rafako said it planned to sign an EPC contract with Tauron in July. In January Tauron chose a bid valued at Zloty 5.41 billion (\$1.67 billion) gross submitted by Rafako and Polish construction company, Mostostal Warszawa. Rafako's bid was chosen despite being higher than the gross Zloty 4.9 billion one offered by China National Electric Engineering (CNEEC). CNEEC and third-placed bidder SNC Lavalin challenged the decision but in May Poland's National Chamber of Appeals (KIO) rejected their appeals.

## Financiers

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### Banks

[Bank Gospodarstwa Krajowego](#) Poland [profile](#)

[Details](#) ▼

Uncategorised performance bonds <i>source:</i> <a href="#">link</a>	PLN 126.3 million	April 2014
Uncategorised return guarantee <i>source:</i> <a href="#">link</a>	PLN 48 million	April 2014
<b>PKO Bank Polski</b> Poland <a href="#">profile</a> <span style="float: right;">Details ▼</span>		
Uncategorised performance bonds <i>source:</i> <a href="#">link</a>	PLN 126.3 million	April 2014
Uncategorised return guarantee <i>source:</i> <a href="#">link</a>	PLN 48 million	April 2014

## Insurance companies

<b>PZU</b> <span style="float: right;">Details ▼</span>		
Uncategorised performance bonds <i>source:</i> <a href="#">link</a>	PLN 126.3 million	April 2014
Uncategorised return guarantee <i>source:</i> <a href="#">link</a>	PLN 48 million	April 2014

At present Tauron does not have capital to cover the investment, and moreover it is quite deeply indebted. The company signed two contracts to issue national bonds, one worth PLN 1 billion, and the other worth PLN 5 billion. Both agreements were signed on 31 July 2013. The first, for a bond issue program for the total value of up to PLN 5 billion, was with ING Bank Slaski, Bank Polska Kasa Opieki and BRE Bank ([Tauron press release](#)). The second, for arrangement and underwriting of a PLN 1 bn bond issue, was signed with Bank Gospodarstwa Krajowego (Poland's state-owned bank) ([Tauron press release](#)).

One additional source from which it could raise funds is the Polish Investment Programme. Under the programme, finance for investment projects is provided by Bank Gospodarstwa Krajowego (BGK, the state development bank of Poland) and Polskie Inwestycje Rozwojowe S.A. (PIR). Investments are required to offer market rates of return, and investments will be analysed with the same criteria that are used by commercial banks.

As mentioned in [this Reuters article](#), Tauron plans to sell bonds in the first half of 2014 to finance the project, already delayed due to some financing difficulties. The group does not rule out increasing a planned 1.5-billion zloty bond issue if necessary to finance the flagship project. The Bank of China has decided not to finance Jaworzno (March 2014).

## Related companies

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ABB has closely cooperated with the Jaworzno III Power Plant since 1997 to modernize all power units.

**North China Power Engineering** China

**Rafako Engineering** Poland

**Siemens** Germany

Siemens will supply and install the turbine island for the unit.

**Tauron Polska Energia** Poland