

Ostroleka C coal power plant Poland

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[Project website](#)

Status



About Ostroleka C coal power plant

Ostroleka C power plant is a newly proposed coal power plant project with electric power output expected of up to 1,000 MW. The main investors in the Ostroleka C power plant are the 100% state-owned Energa S.A. and the majority state-owned Enea S.A. The plant will be using [ultra-supercritical technology](#).

Brief history

The Ostroleka C coal power plant is a greenfield project on the outskirts of the city where two other power plant units Ostroleka A and B have been operating, unit A already decommissioned.

ENERGA S.A. has signed an investment agreement with ENEA S.A. for the construction of Ostrołęka C. It was suggested in media statements that extra funding for this project is needed and that funding from the capacity mechanism is vital for it. Energa has explicitly mentioned another Eurobonds issue following a successful issue of close to EUR 500 million in March 2013, arranged by BNP Paribas, Bank of America and HSBC. To date, talks with banks which would support Ostrołęka C have failed. Polish Development Fund and Bank BGK, which have been rumoured to become the third investor of this project, have not joined it.

On 12th July 2018 the GE Power/Alstom consortium signed a contract for construction of Ostrołęka C TPP worth EUR 1.4 billion (USD 1.6). As a response, [EuroRating agency downgraded Energa's rating to BBB-](#).

[Analysis of investment profitability by InStrat](#) has shown that Ostrołęka C will never provide investors with return on the investment. Ostrołęka C requires "adding" PLN 2.3 billion throughout the life cycle of the power plant, i.e. an additional approx. 50% of the construction cost. The power plant does not generate positive NPV even under extremely unrealistic assumption of 100% exploitation in a year. As the analysts from [Carbon Tracker](#) [conclude in their report](#) - Ostrołęka C will burn more money than coal.

On the same day, [Polish NGOs filed a motion for annulment](#) of the Minister Jan Szyszko's decision to grant Ostrołęka C extension of its integrated permit. The NGOs point out flagrant breach of law in the decision-making process and major shortcomings of the document such as the lack of obligation to monitor emissions of heavy metals.

[Numerous experts](#) warn that this project will be permanently unprofitable, [harmful to human health](#), economy and environment, and that it will jeopardize Poland's energy independence.

Energa had already shelved Ostrołęka C project in 2012 due to its unprofitability. Poland's Highest Chamber of Control confirmed this decision as justified and denied Ostroleka C being necessary for ensuring state's energy safety. The plan to build this power plant was re-launched in 2015 as one of the electoral promises of the ruling Law and Justice (PiS) which came to power later that year. Current Minister for Energy Krzysztof Tchórzewski is its major backer, the plant being located in his constituency. The acceleration of the investment process in summer 2018 is directly linked to the upcoming local elections due on October 21 - construction of Ostrołęka C is among 5 electoral promises of PiS.

What must happen

All corporate loans and bond issuances should be avoided by all banks while ENERGA is pursuing its plans for the Ostrołęka C coal-fired power plant. Even loans or hybrid bonds that are targeted to grid expansion, modernisation and renewable energy sources (i.e. for Ostroleka Operator) may end up supporting the construction of Ostrołęka C. No insurer should underwrite this project. The fact that currently 57% of electricity generated by ENERGA is coal-based and the construction of the unit would push that value even higher, and that the project has already been shelved in 2012 due to a lack of financing (at that time all permits had been granted), means that the government taking decisions for ENERGA S.A. is serious about its plans to finish the construction of the unit at all costs – even if this is undermining the company's value and puts it at risk of becoming a stranded asset in less than a decade.

Issues

Social issues

The main social issues associated with the project are health-related and economic. First of all, the construction of this power plant means that the region will be locked into an outdated mode of energy production for the next 40-50 years, and thus will not be able to transition into a renewable-based society. This will have long lasting economic and health impacts. Should it become tied to this form of energy production, the local population will be exposed to high rates of pollution. In particular, this will produce health-related problems from coal ash and air pollution caused by burning coal. At the same time, the water pollution (especially mercury runoff) which results from coal burning only adds to the list of coal-related dangers.

According to independent experts, over its entire 40-year lifespan the Ostrołęka C power plant would cause between 900 and 2000 premature deaths, over 3000 cases of bronchitis, and between 50 000 and 100 000 cases of asthma attacks in children. The number of lost work days amounts to approx. 420 000. Health costs of Ostrołęka C were estimated at up to Euro 690 million.

The Ostrołęka C Power Plant is going to block RSE sources investment possibilities in the region as well as the related energy services. It may become a burden to the Polish energy system. The region is rich in agriculture which makes it particularly suitable for developing renewable energy. According to independent experts developing RES offers 45% more workplaces than Ostrołęka C. In the likely case when the coal is imported from abroad (most probably from Russia) – the Ostrołęka C Power Plant would employ only 250 people as the majority of workplaces would be transferred outside the Polish territory. Consequently, the employment rate related to renewable energy will be 1200% higher.

The investment in the renewable energy, which seems to be a good alternative for Ostrołęka C, creates an investment market in the energy sector for Prosumer Energy Independent Investors reaching from 10 to 17 billion PLN for the country, and for the Ostrołęcki micro-region (RES sources covering the local energy needs) between 670 and 870 million PLN.

Environmental issues

The burning of coal is one of the most polluting forms of energy production. It causes significant changes to air quality through emissions of GHGs, has impacts on the climate of the region and the planet and causes water pollution. In the case of Ostrołęka C, the zone of the planned power plant covers two Natura 2000 regions: Dolina Dolnej Narwi (Lower Narew Valley) PLC200003 and Doliny Omulwi i Plodownicy (Omulwia and Plodownica Valley) PLB140005, and will also have an indirect impact on Puszcza Biala (Biala Forest) PLB140007. Mercury produced in the process of coal burning has serious effects on water quality and the emissions from the plant affect both the fauna and the flora of the protected areas. Furthermore, there has been neither a climate impact assessment or a comparison with alternative fuel sources carried out, thus the choice of coal is made based on the investors' preference, limiting public participation in the fuel selection process.

Governance

Updates

Energa EGM votes for an NTP for Ostrołęka C

Sep 4 2018

On September 3, the Extraordinary General Meeting of Energa voted for issueing 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 (duo 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 31 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 a 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 17 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.

NGOs file for annulment of the Ostrołęka C integrated permit

Jul 13 2018

12 July 2018, the Association Workshop for All Beings, with the support from Frank Bold lawyers and the Society for Earth, **filed a motion for annulment of the former Minister for Environment Jan Szyszko's decision regarding the extension of the integrated permit for the Ostrołęka C coal power plant referring to the flagrant breach of law**. Additionally, the current integrated permit has a number of shortcomings. It does not specify two basic parameters, such as the gross electric power and the net electric power, making the calculation of the electrical efficiency, which co-decides whether the installation meets the requirements of the BAT standards, impossible. Estimation of the pollutants amount is also not possible because this document does not include the power plant's operating time. Last but not least, the integrated permit does not specify the obligation to monitor the emission of heavy metals such as mercury, arsenic, cadmium, chromium, copper, nickel, lead or zinc.

GE Power and Alstom Power System sign contract with Ostrołęka C

Jul 12 2018

On July 12 the American-French consortium of **GE Power** and Alstom Power System signed a contract to build the Ostrołęka C Power Plant. The consortium had won the tender with the amount of PLN 6.02 billion. The Ostrołęka S.A. power plant, co-owned by Energa and Enea, had allocated only PLN 4.8 billion to the order. This confirmed the earlier concerns of experts that the project is significantly underestimated. GE Power had already signed a letter of intent for cooperation in the construction of Ostrołęka C Power Plant with Polimex-Mostostal S.A., a Polish company which had lost the tender but has close links to project owners: Energa and Enea, who are among its shareholders.

Polish NGOs caution Prime Minister Morawiecki to stop plans for new coal power plant

Jul 12 2018

On July 12th, 27 major Polish NGOs working on climate protection published **an open letter to Poland's Prime Minister Mateusz Morawiecki**. They are asking him to stop the Ostrołęka C coal-fired power plant project. According to experts, this TPP will be uneconomic and harmful to the environment and public health. It will jeopardize Poland's energy safety while blocking the development of clean energy on regional and national level.

GE Power and Polimex-Mostostal to build Ostrołęka C

Jul 5 2018

On 22.06.2018 GE Power and Polish company Polimex-Mostostal **signed a letter of intent** with respect to the construction of the Ostrołęka C power plant. GE Power Sp. will subcontract Polimex-Mostostal S.A for one or more of the following scopes: construction work, delivery of steel structures and assembly of steel structures. The two companies may also partner in the area of project work and other services and deliveries required for the implementation of the Ostrołęka Project. Polimex-Mostostal has struggled with financial problems until in 2017 65,93% of its shares were purchased by state-owned energy companies, including PGE, Enea and Energa.

Ostrołęka C secretly granted extension of the IPPC

Jun 18 2018

Ostrołęka C received an integrated permit (IPPC) in 2011. The date from which the entity was obliged to start operating was set for June 2016. As the investment process was prolonged, this requirement could not be met. The investor applied to the Marshal of the mazovian voivodship for extension of this term till 2022. In accordance with the law the Marshal refused, justifying his decision with the fact that the application was submitted in July 2016 (one month after the deadline established in the integrated permit). As a result the Ostrołęka C's IPPC would become invalid on 30 June 2018. In September 2016 the investor appealed directly to the Minister for the Environment and received a prolongation of its integrated permit. According to the Minister for the Environment, extending the IPPC was a matter of public interest. The amendment to the IPPC was not publicly announced.

In winter 2017/18 the NGO's from the Strop Ostrołęka C coalition submitted a request for public information on the environment to the Ministry regarding the project's development, including its IPPC. In response they were provided with a set of documents but it was lacking any trace of the amendment. It was only in May 2018 that the coalition learnt about the amendment via journalists. It is highly unlikely that the vital document was excluded from the documentation unintentionally.

GE Power, Alstom to build Poland's last coal-fired power plant

Apr 5 2018

Energa and Enea have **announced** that the consortium of GE Power and Alstom has won the tender to build Ostrołęka C with a bid of PLN 6.23 billion. The 1000 megawatt powerplant is expected to open in 2023 and to power roughly 300,000 homes. GE power will design the plant using **ultra-supercritical technology**. The plant is expected to be the last coal-fired power plant to be build in Poland as energy minister Krzysztof Tchorzewski has **said**. Energa and Enea plan to make use of a **back-up power capacity scheme** approved by the EU in February. It allows them to be paid for keeping the plant online to produce when electricity is needed.

Energa to announce result of power plant tender

Mar 15 2018

The results of the tender for the construction of Ostrołęka C is expected within days **according to Energa's acting Chief Executive Alicja Klimiuk**. She declined to comment on whether the tender could be cancelled because all three bids overshot the budget. She did add that the project will participate in a power capacity auction later this year.

Energa closes bidding process for Ostrołęka C

Dec 28 2017

The bidding process for the construction of Ostrołęka C was closed on **December 28th**. Three groups have submitted offers to build the project. China Power Engineering Consulting Group has offered to build the unit for PLN 4.85 billion (USD 1.38 billion). A consortium of GE Power and Alstom Power Systems has proposed a PLN 6.23 billion contract. A group of Polimex-Mostostal and Rafako proposed a contract of PLN 9.59 billion. Energa has stated they will consider more than just cost for the final decision. Energa and Enea have planned to spend PLN 4.8 billion, however, they have not ruled out attracting investors to help finance the project.

Ostrołęka C to be the last coal unit built in Poland?

Sep 7 2017

According to [an article published on September 6th](#) (in Polish), during the Economic Forum in Krynica, Poland, Minister for Energy Krzysztof Tchórzewski said that 'he would like Ostrołęka C to be the last new coal unit built in Poland'. He sees the future of energy in nuclear power and coal gasification. The author of the article stresses that construction of Ostrołęka C is not yet certain and that 'several energy experts unofficially claim that this unit will not be built'. It must be noted, however, that another article published on the same day quotes Minister Tchórzewski's claim that Poland does not abandon investments in coal and will build new coal units.

Energa to build Ostrołęka C even without capacity market

Aug 10 2017

[According to Reuters](#) Energa will go ahead with plans to build the Ostrołęka C power plant, irrespective of whether Poland introduces a power capacity scheme – the so-called capacity market. Energa Chief Executive Officer Daniel Obajtek said in August 2017: 'When it comes to Ostrołęka, generally we are not waiting for the law to be introduced. This process will be conducted irrespective of this'. This statement clearly contradicts Energa's previous position that the capacity market is essential for the Ostrołęka C project to be profitable. The latter was found in the project's base prospectus of February 2017 and in the company's answer to the Shareholders questions asked during Energa's AGM, issued in July.

Energa and Enea signed the investment agreement on Ostrołęka C Power Plant

Feb 1 2017

On 8 December 2016, Energa and Enea entered into an investment agreement aimed at the joint preparation, construction and operation of a new coal-fired power unit with a gross capacity of 1,000 MWe in Ostrołęka. Enea will purchase a 50-percent stake with a value of PLN 101 million currently held by Energa in the share capital of the special purpose vehicle established for the execution of the project (source [4-traders.com](#)). The project's joint venture [received approval](#) by the Poland's Office of Competition and Consumer Protection (UOKiK) on the 18th of January 2017.

Poland's Energa suspends plan to build 1 GW coal-fired unit

Sep 17 2012

It was announced on September 17, 2012 that Poland's Energa has suspended plans to build a 1000-megawatt coal-fired unit in the country's north-east due to problems securing financing and will instead invest in the power grid, gas-fired generation and renewables.

Ostrołęka C in talks to secure financing

Mar 16 2011

Ostrołęka C Power Plant is currently past administrative procedures and permits stage and is currently trying to secure financing for the planned investment. It is in talks with Societe Generale on project finance and in talks with strategic investors and financing institutions. The power plant estimated costs are PLN 6 bln (EUR 1,5 bln). ENERGA S.A. is undergoing a process of privatisation.

Financiers

BNP Paribas, Bank of America and HSBC all have ties to the company given their arranger roles for a March 2013 Eurobond issue from 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.

In March 2018 Polish Development Fund (PFR) declared it may join the Ostrołęka C project. However, as of November 2018 the Fund has not agreed to become the third investor of this power plant. Neither has the BGK Bank.

On October 23 2018 the Ministry of Energy announced that Ostrołęka C obtained a stand-by arrangement with a consortium of banks but no further information was revealed.

UNIQA and Vienna Insurance Group (VIG) are bidding for underwriting of Ostrołęka C construction. Polish insurer PZU has faced [public criticism](#) for its readiness to get involved with the Ostrołęka C project.

Banks

BNP Paribas France profile Details ▼		
Bond issue – underwriter Eurobond to ENERGA <i>source: link</i>	EUR 300 million	February 2017
JPMorgan Chase United States profile Details ▼		
Bond issue – underwriter Eurobond to ENERGA <i>source: link</i>	EUR 300 million	February 2017

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