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POLISH INCENTIVE SCHEMES FOR RENEWABLE ENERGY GENERATION

November 2018

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I. General overview of existing legal framework

The incentive schemes applicable to renewable energy sources are regulated in the Renewable Energy Sources Act dated 20 February 2015 ("**RES Act**") and the secondary legislation issued thereupon.

*[**Applicability of the main incentive schemes**]* Under the foregoing legislation, the installations generating electricity from renewable energy sources (hereinafter "**RES Installations**") may benefit from one of the following incentive schemes, depending on the date of commissioning of the installation:

(1) **CERTIFICATE-BASED SCHEME** – applicable solely to the RES Installations commissioned by 1 July 2016;

(2) **AUCTION SYSTEM -** applicable to all RES Installations:

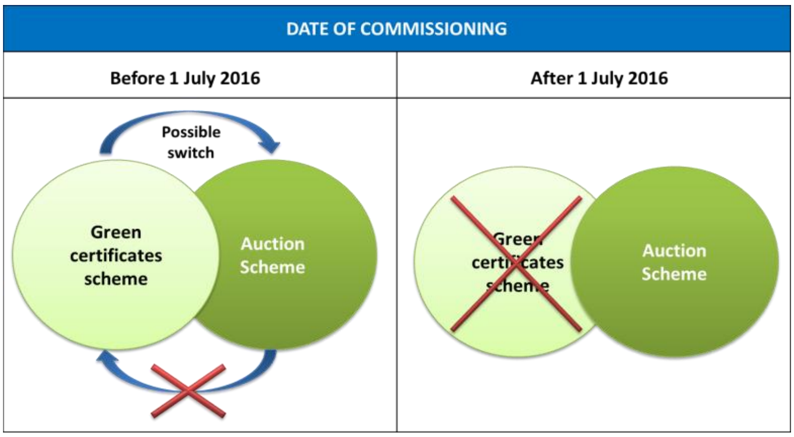
a) commissioned before 1 July 2016 - if the operator of the pertinent RES Installation decided to start in the auction available to such installation and give up the certificate-based incentive scheme upon winning the auction, except for the following types of RES Installations commissioned before 1 July 2016:

- hydro power installations with total installed electric power exceeding 20 MW;
- multi-fuel power plants which are not qualified as "dedicated multi-fuel power plants".

b) commissioned after 1 July 2016 and upon completion of the pertinent auction,

c) commissioned after 30 June 2016 but before completion of the auction in which given RES installation was selected – if the entire electricity from such installation generated before completion of the respective auction was sold at the commodity exchange and/or organized market by end of December 2020 and such manner of electricity sale was notified to the President of the Energy Regulatory Office not later than 14 days before the date of commissioning;

- with reservation that the total period of support available to the RES Installation under either certificate-based or auction-based schemes cannot exceed 15 years from first generation.



II. Certificate-based incentive scheme

*[**General assumptions of the certificate-based incentive scheme – RES installations commissioned by 1 July 2016**]* The certificate-based incentive scheme is based on tradable certificates of origin whereby renewable energy producers receive:

a) **price for electricity sold at competitive market** (with the right of the renewable energy producer to sell the entire generation to the so-called "obligated supplier" at a price equal to the average electricity price in the preceding quarter which is currently equal to PLN 186.21/MWh – approx. EUR 43.30/MWh (based on EUR/PLN 4.30), such right being applicable to all RES installations with installed capacity below 0.5 MW as well as all the biogas-fueled installations), as well as

b) **price for tradable certificates of origin granted to the operator of the RES Installation** (either as the so-called "**Green Certificates**" granted for RES Installations other than those fueled by biogas or "**Blue Certificates**" granted to the biogas-fueled RES Installations), such certificates of origin to be purchased in particular by suppliers selling electricity to final consumers (or major final consumers) and thus burdened with obligation to obtain and redeem certificates of origin up to the redemption quotas specified in the law.

[Redemption quota]

The redemption quotas for certificates of origin create a demand for those certificates and thus have impact on certificates market prices. The RES Acts sets forth the maximum redemption quotas for the certificates of origin (i.e. the obligatory level of certificates of origin that have to be redeemed compared to the total amount of electricity sold to the final consumers in Poland) separately for Green and Blue Certificates at the levels of: 19.35% for the Green Certificates and 0.65% for the Blue Certificates. However, the secondary legislation decreased those redemption quotas to the following levels:

a) in 2017 - 15.4% for the Green Certificates and 0.6% for the Blue Certificates;

b) in 2018 - 17,5% for the Green Certificates and 0.5% for the Blue Certificates;

c) in 2019 - 18,5% for the Green Certificates and 0,5 for Blue Certificates.

As a result, while the redemption quotas for Blue Certificates correspond to the maximum generation from the existing biogas-fueled power plants, the redemption quotas for Green Certificates are much below the level of supply of Green Certificates.

The certificate-based incentive scheme operates so that market price for certificates should not exceed in practice the so-called "substitute fee" ("buy-out" price) which is an alternative method of fulfillment of the obligation to obtain and redeem certificates of origin. Such substitute fee is currently calculated separately for each type of certificates of origin (Green Certificates and Blue Certificates) as 125% of the annual weighted-average market price of respective certificates of origin calculated for the last year but not more than PLN 300.03/MWh (approx. EUR 69.77/MWh) and such substitute fee operates as a cap for the market

price of certificates. In practice, as of October 2018 the average-weighted market price of Green Certificates was equal to PLN 140.97/MWh (approx. EUR 32.78/MWh) while the average-weighted market price for Blue Certificates was equal to PLN 306.16/MWh (approx. EUR 71.20/MWh).

[Limitations and exclusions] The support within the certificate scheme is not available to hydro-power installations with installed capacity exceeding 5 MW. As regards the multi-fuel power plants using biomass, biofuels, biogas and agricultural biogas, other than "dedicated multi-fuel power plants", the support is also limited by: (i) implementing cap on Green Certificates that may be obtained in each year at the level corresponding to the average annual "green generation" in the period 2011-2013 and (ii) applying further correction with special "co-efficient" set by the Council of Ministers to such certificates.

The certificates of origin are not granted to RES electricity generated in those hours for which an average market price quoted on the day-ahead market is negative for at least 6 subsequent hours.

If the price of certificates of origin quoted at the Polish Power Exchange is lower than the substitute fee for the period of more than 1 month, there will be limited possibility to pay "substitute fee" as an alternative method of the fulfillment of the obligation to obtain and redeem certificates of origin.

III. Auction-based incentive scheme

[Basic assumptions of the mechanism] Given RES installation may benefit from the auction-based incentive scheme if it is selected within the so-called "auction for the sale of the electricity from RES installations" (hereinafter as "the auction"). The auctions are carried out at least once a year in order to select the RES Installations authorized to benefit from support in the form of:

a) in respect of the **RES installations** with installed capacity **below 0.5 MW** - the **power purchase agreement** concluded with the "obliged supplier" based on which the "obliged supplier" would purchase the entire electricity generated within the selected RES installation for the price agreed within the auction; or

b) in respect of the **RES installations** with installed capacity of **0.5 MW or higher** – the **sliding feed-in premium** which means that the electricity generated in the RES Installation selected within the auction should be sold at the competitive market (power exchange, OTC transactions) while the RES operator will be granted the statutory right to compensation of the difference between:

   (i) the envisaged revenues from sale of the offered and actually generated electricity for the price agreed within the auction (as decreased by the investment state aid granted to the project and indexed with CPI); and

   (ii) market value of the same electricity calculated based on the daily arithmetic average price calculated as arithmetic average of all weighted average hourly electricity prices quoted at the commodity exchange in the day-ahead and two-days-ahead transactions ("Compensation").

[Support period] In any case the support would be limited to the maximum period of 15 years starting from the first sale of electricity from the pertinent RES installation upon the relevant generation concession but in any case ending not later than on 31 December 2035, save for the offshore wind installations where the support period may be extended to 31 December 2040. The maximum 15-year period of support may be further shortened with respect to given projects covered by given auction by way of the regulation issued by the Minister of Energy. As the RES operator is eligible to receive the premiums with respect to the electricity generated based on the Generation License only, availing of the full 15-year incentive period requires obtaining the Generation License covering WF by the end of 2020 (with commissioning of the WF effectively starting in practice not later than in 3rd quarter of 2020 in order to allow completion of the licensing proceedings by the end of 2020

[Financing] Under auction system financial sources available within the incentive scheme are collected from the final energy consumers by TSO and DSOs (so-called "RES Payers") in a form of the so-called "RES fee" and then transferred through the state-controlled company named Zarządca Rozliczeń S.A. ("SO") to the RES operators selected within the auction either directly or – in case of RES installations below 0.5MW – through so-called "obliged suppliers". The amount of the RES fee is established by the Polish NRA on annual basis taking into account the forecasted premiums and subsidies to be distributed by Zarządca Rozliczeń S.A. within the incentive scheme in the next year.

[Abroad RES installation] Subject to number of pre-requisites (i.a. prior conclusion of the intergovernmental agreement between Poland and the state in which the respective foreign RES installation is located, providing for mutual availability of incentive schemes in each country to RES installations located in both countries), the auctions will be available to the RES installations located abroad, it being however specified that the maximum volume of electricity generated abroad and purchased within Polish auction may not exceed the threshold defined in regulation issued by the Council of the Ministers and in any case such threshold not exceeding 5%.

[Pre-qualification to the auction] Participation of the RES project in the auction is possible upon positive outcome of the so-called "pre-qualification procedure" established to select entities authorized to submit offers within the auction:

a) pre-qualification criteria applied within the pre-qualification procedure are to select reliable investors with feasible RES projects (holding in particular the required environmental, zoning and construction permits) that meet the criteria for the incentive scheme;

b) pre-qualification certificate ("ready-for-auction certificate") granted upon successful outcome of the pre-qualification procedure authorizes to participate in auctions launched generally not later than 12 months after pre-qualification (but not later than validity period of the permits obtained for the pertinent RES project);

c) the ready-for-auction certificate is not transferable (does not constitute a tradable asset itself).

d) pre-qualification procedure shall not apply to RES installations commissioned before 1 July 2016, whose operators are required to submit the declaration of participation in auction scheme instead.

[Main auction rules] Under current law, the auctions are carried out based on the following basic assumptions:

a) the auctions for the renewable energy are carried out separately within the following “technology” baskets:

   (i) installations generating electricity using: (a) non-agricultural biogas, (b) hybrid power plants and/or biomass in dedicated biomass combustion installations, (c) biomass, biofuels, biogas or agricultural biogas in dedicated multi-fuel combustion installations as well as (d) biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants

   (ii) hydro power plants, geothermal power plant, offshore wind farms as well as power plants using exclusively biofuels;

   (iii) installations generating electricity using agricultural biogas;

   (iv) onshore wind farms and PV installations;

   (v) renewable hybrid power plant irrespective of the fuel used.

   - separately for installations with installed capacity up to 1 MW and above 1 MW as well as separately for electricity generated in RES installations commissioned before 1 July 2016 and after that date;

b) auction within given basket is carried out in given year if there is a budget (i.e. total volume and value of electricity that may be purchased in given year) allocated for this basket by way of the regulation issued by the Council of Ministers or directly in the statute (for actual budgets for 2018 auctions see below);

c) RES operator planning to submit offer within the RES auction is obliged to provide security in the form of bank guarantee or security deposit (pl. *kaucja*) in amount of PLN 60 per each kilowatt of installed capacity of the new RES Installation; the security has to be provided in such an advance which allows for its verification by the Polish NRA before the completion of the particular auction session (it can be submitted even before the particular auction is announced) and should meet the requirements specified in the Auction Rules developed by the NRA; the security is released, upon the request of the RES operator, within 60 days from the commissioning of the RES Installation (in case of the RES operator whose offer was selected within the auction) or within 14 days from the completion of the auction (in case of RES operator whose offer was not selected)

d) selection of the offers within the auction is based on the criterion of the lowest unit price offered for renewable energy up to the total volume allocated to the basket and in case of the same unit price offered – based on the criterion of the time of submission of the offer; in case the remaining volume of energy to be sold within the auction is less than the volume specified in the next lowest offer, the remaining volume is not sold within the auction (it effectively means that the offers are accepted exclusively in their entirety – if the last offer in the queue exceeds the amount of energy (or its value) available within the budget, such offer is dismissed and the relevant part of the budget is not used within this particular auction); the total value and volume of offers selected within the auction must not exceed: (a) the budget allocated for such auction as well as (b) 80% of an aggregate volume of electricity covered by all the offers submitted within given auction.

e) the price offered within the auction cannot exceed the so-called "reference price" established by the government on annual basis separately for each technology in order to avoid overcompensation of the beneficiary; the offers providing for prices higher than the reference price shall be rejected (for further information on the reference prices in the 2018 auctions please see below);

f) the fixed price for electricity agreed within the auction is binding on the parties within the whole incentive period (15-year or shorter if the Minister of Energy decides so with respect to RES installations selected within the auction in a given year) save for yearly indexation of such price with annual average index of retail prices of consumer goods and services, described by President of Central Statistical Office;

g) the auction price used for the purpose of calculation of the Compensation after the auction shall be decreased by the amount of the investment state aid in order to avoid overcompensation of the project;

h) the fixed volume of purchased electricity agreed within the auction for each year is binding on the parties within the whole incentive period (15-year or shorter if the Minister of Energy decides so with respect to RES installations selected within the auction in a given year), it does not include electricity generated before issuance of the generation license and would be verified after each three-year settlement period and upon completion of the entire incentive period; the quantity of electricity covered by the compensation rights shall be however decreased by the volumes generated in those hours for which an average market price quoted on the day-ahead market is negative for at least 6 subsequent hours;

i) he transfer of the title to the RES Installation together with the auction success (rights and obligations resulting thereunder) is admissible upon the consent of the Polish NRA, which is granted if the purchaser meets the formal criteria to operate the installation and there is no justified risk that the purchaser will not perform the obligations connected with the RES auction incentive scheme; the changes in the shareholders structure of the winning RES operator do not affect the validity of the certificate (but the change of control may require customarily consents from other authorities such as antimonopoly clearance or consents granted under the Act of 24 July 2015 on control of certain investments if the target is subject to protection based on that act)

j) devices installed in onshore wind power plants are to be manufactured not earlier than 24 months (previously – 48 months) before the first electricity generation in such wind power plant and the first electricity generation should occur not later than 30 months from closing of the respective RES auction session (previously – 48 months) under the pain of return of the entire support (forfeiture of the security). In case of PV installations the devices must be manufactured not earlier than 18 months before the first electricity generation which must occur not later than 18 months from the closing of the respective RES auction session; on case of other installations, the respective periods are 36 months, save for offshore wind where the periods are 72 (for both manufacturing of components and commissioning);

k) modernization incentivized under the auction scheme may involve reconstruction of the installation, such reconstruction being allowed to benefit from the scheme if it is carried out after completion of the previous incentive period applicable to the installation under the Green Certificate and/or

auction incentive schemes (modernization of the installation still benefiting from the incentive scheme may not compete with other project and benefit from the new auction by end of the previous incentive period);

l) auctions are carried out in accordance with the Auction Rules developed by the Polish NRA and approved by the Minister of Energy and specifying certain detailed rules applicable within the auctions (e.g. form of communication and offering, persons authorized to sign the offer, requirements applicable to collaterals and its verification).

[2018 RES auction] As regards the 2018 auctions the following budgets are available:

	Type of RES installation (auction basket)	**Date of commissioning and/or modernization**	**AUCTION 2018**	
			Maximum volume [MWh]	**Maximum value [PLN]**
1.	RES Installations with installed capacity ≤1MW, generating electricity using: (a) non-agricultural biogas with installed capacity not exceeding 500 kW or exceeding 500 kW, (b) biofuels, (c) hybrid power plants and/or biomass in dedicated biomass combustion installations and hybrid power plants with installed capacity ≤50MW, (cd) biomass, biofuels, biogas or agricultural biogas in dedicated multi-fuel combustion installations as well as (de) biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants	Commissioned by 1 July 2016	915 336	512 588 160
		Commissioned after completion of auction	13 311 000	5 507 985 000
		Modernized	0	0
2.	RES Installations with installed capacity ≤1MW: (a) hydro power plants, (b) geothermal power plant, (c) offshore wind farms as well as (d) power plants using exclusively biofuels	Commissioned by 1 July 2016	1 475 211	767 716 880
		Commissioned after completion of auction	3 750 000	1 895 250 000
		Modernized	0	0
3.	RES Installations with installed capacity ≤ 1MW generating electricity using agricultural biogas	Commissioned by 1 July 2016	1 149 296	655 098 834
		Commissioned after completion of auction	11 700 000	7 160 400 000
		Modernized	0	0
4.	Onshore wind farms and PV installations with installed capacity ≤ 1MW	Commissioned by 1 July 2016	0	0
		Commissioned after completion of auction	16 065 000	6 243 300 000
		Modernized	0	0
5.	Renewable hybrid power plant irrespective of the fuel used with installed capacity ≤ 1MW	Commissioned by 1 July 2016	0	0
		Commissioned after completion of auction	1 140 000	473 100 000
		Modernized	0	0
6.	RES Installations with installed capacity >1MW, generating electricity using: (a) non-agricultural biogas, (b) hybrid power plants and/or biomass in	Commissioned by 1 July 2016	33 864 470	14 203 623 881
		Commissioned after	57 699 309	24 929 301 412

	Type of RES installation (auction basket)	Date of commissioning and/or modernization	AUCTION 2018	
			Maximum volume [MWh]	Maximum value [PLN]
	dedicated biomass combustion installations, (c) biomass, biofuels, biogas or agricultural biogas in dedicated multi-fuel combustion installations as well as (d) biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants;	completion of auction		
		Modernized	0	0
7.	RES Installations with installed capacity with >1MW: (a) hydro power plants, (b) geothermal power plant, (c) offshore wind farms as well as (d) power plants using exclusively biofuels	Commissioned by 1 July 2016	0	0
		Commissioned after completion of auction	5 400 000	2 592 000 000
		Modernized	0	0
8.	RES Installations with installed capacity >1MW generating electricity using agricultural biogas	Commissioned by 1 July 2016	1 467 617	807 189 350
		Commissioned after completion of auction	3 510 000	1 930 500 000
		Modernized	0	0
9.	Onshore wind farms and PV installations with installed capacity >1MW	Commissioned by 1 July 2016	0	0
		Commissioned after completion of auction	45 000 000	15 750 000 000
		Modernized	0	0
10.	Renewable hybrid power plant irrespective of the fuel used with installed capacity > 1MW	Commissioned by 1 July 2016	0	0
		Commissioned after completion of auction	10 260 000	4 206 600 000
		Modernized	0	0
	IN TOTAL:		**174 906 930**	**54900666427**

[2018 reference prices] As regards the 2018 auctions the following reference prices are applicable:

Type of RES installation	Reference price [PLN/MWh]		Reference price [EUR/MWh]* * exchange rate EUR/PLN 4,16	
	RES installations	Modernised RES installations	RES installations	Modernised RES installations
Agricultural biogas <500kW	630	630	151,08	151,08
Agricultural biogas ≥500kW	570	570	136,69	136,69
Agricultural biogas >1MW	550	550	131,89	131,89
Landfill biogas <500kW	560	560	134,29	134,29
Landfill biogas ≥500kW	550	550	134,29	134,29
Sewage treatment plant biogas <500kW	420	420	100,72	100,72

Sewage treatment plant biogas ≥500kW	385	385	92,33	92,33
Biogas not specified above <500kW	420	420	100,72	100,72
Biogas not specified above ≥500kW	385	385	92,33	92,33
Biomass in dedicated biomass combustion installations and hybrid power plants	415	415	99,52	99,52
Biomass, biofuels, biogas or agricultural biogas in dedicated multi-fuel combustion installations	325	325	77,94	77,94
Biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants ≤50MW	450	450	107,91	107,91
Biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants >50MW	435	435	104,32	104,32
Biofuels	475	475	113,91	113,91
Onshore wind farm ≤1MW	320	310	76,74	74,34
Onshore wind farm >1MW	350	350	83,93	83,93
Hydro power plants ≤1MW	500	500	119,90	119,90
Hydro power plants >1MW	480	480	115,11	115,11
Geothermal power plant	455	455	109,11	109,11
Solar ≤1MW	420	420	100,72	100,72
Solar >1MW	400	400	95,92	95,92
Offshore wind farm	450	450	107,91	107,91
Renewable hybrid power plant irrespective of the fuel used ≤ 1 MW	415	415	99,52	99,52
Renewable hybrid power plant irrespective of the fuel used > 1 MW	410	410	98,32	98,32

[Budgets after 2018] Currently there are no reliable information concerning budgets to be allocated within the RES auctions in years following 2018. Nevertheless, in its approval of the revised Polish RES auction regime the European Commission stated that:

a) "the total budget for the scheme is PLN 40 billion (approximately EUR 9.2 billion) with respect to RES support";

b) "support under the RES support scheme may be granted in the auctions that can be organized no later than 30 June 2021 (the day of settlement of the auction is decisive in this respect)".

[Penalty for delay in commissioning] First sale of the electricity from the new RES installation developed upon the success in the auction should occur not later than within 36 months (save for solar energy where the deadline is 18 months, onshore wind installations where the deadline is 30 months and offshore wind installations where the deadline is 72 months) following the auction, such commitment being secured with bank guarantee or money deposit in the amount of PLN 60/kW of the installed capacity (see point c)

above). Failure to commence sale of RES electricity from RES Installation within the statutory deadline would result in deprivation of the Compensation right and loss of the auction security as well as 3-year prohibition on participation in the auction-based incentive scheme.

Please also note that the winning project will be entitled to update the interconnection agreement in order to postpone the deadline for first generation arising from such agreements until at least the deadline arising from the auction (i.e. 18 months for PV, 30 months for onshore wind, 72 months for offshore wind and 36 months for other installations) – if only the deadline actually specified in the interconnection agreement is earlier than the deadline for the first sale of electricity arising from the auction rules.

[Investment state aid] Total level of state aid granted under the auction scheme will be decreased by the investment (but not the operational) state aid granted to the project. As a result, the auction price used for the purpose of settlements with the RES operator after the auction (for the purpose of payments made by the "obliged supplier" or reimbursement of the difference between the auction price and the market price of electricity) shall be decreased by the amount of the investment state aid.

[Compensation settlements] Compensation settlements between the winning RES operator and Zarządca Rozliczeń S.A. (Settlement Operator) are made upon the statutory provisions and auction success which means that there is no written agreement concluded between the winning RES operator and the Settlement Operator (or Polish NRA or the government). Payment of the compensation is secured by way of the "RES fee" collected by the DSOs/TSO from the end-users of the Polish electricity system, it being specified that the rates of such RES fee are adjusted by the Polish NRA at least once a year based on the forecasted premiums/subsidies to be distributed within the scheme within the next week.

Compensation is settled on monthly basis upon application submitted by the RES operator within 10 days from end of the month subject to the settlement. The Compensation for given month would be the sum of daily compensations being calculated as the product of:

a) volumes of electricity actually generated, fed into the transmission/distribution grid and sold within each day of given month (subject to deduction of (i) the overload electricity, i.e. the electricity production exceeding the declared maximum capacity of the RES installation, as well as (ii) electricity generated in those hours when the weighted average electricity prices quoted at the day-ahead and two-days-ahead market were negative for at least 6 subsequent hours as well as subject to the qualification that the volumes taken into account for the purpose of the settlements in given calendar year cannot exceed the volume specified for such year in the auction offer and cannot include volumes questioned by the Polish NRA as not eligible to the Compensation);

b) daily difference between:

   - the price agreed within the auction (as decreased by the investment state aid granted to the project and then adjusted with the CPI index); and
   - daily arithmetic average of all weighted average hourly electricity prices quoted at the commodity exchange in the day-ahead and two-days-ahead transactions (currently published as the TGEBase index).

If the amount of Compensation for given month is negative (i.e. market price of electricity in given month is higher than the price arising from the auction), such balance is settled with positive amount of Compensation in subsequent months or – if there is no such positive amount of Compensation – it is returned to the Settlement Operator in 6 monthly installments upon completion of the incentive period (however, the amount paid back to the Settlement Operator in this manner cannot be higher than the amount of Compensation paid to the RES operator). Upon completion of the incentive period, the RES operator may obviously continue commercial sale of electricity from the RES Installation.

[Penalty for generation shortfall] If the generation from the RES Installation selected within the auction falls in any 3-year settlement period below 85% of the volume offered within the auction and accruing to such period, the beneficiary (operator of the RES Installation) shall be subject to financial penalty in the amount calculated as: $0.5 * C_A * (E_{OA} – E_{WA})$, where:

- C_A - price offered within the auction for electricity generated from respective RES installation,
- E_{OA} - volume of electricity to be generated from respective RES installation within given 3-year settlement period in accordance with offer submitted in the auction,
- E_{WA} - volume of electricity actually generated from respective RES installation and fed into the grid within given 3-year settlement period.

As a result, the financial penalty would calculated based on the entire missing volume of electricity, including the admissible 15% shortfall.

Liability for the shortfall might be mitigated to the extent that such shortfall was caused by: (a) restrictions imposed by way of the generally binding laws, (b) curtailments introduced due to need to ensure secure operation of the electricity grid, (c) failure within the electricity system, (d) Force Majeure consisting of natural disasters, war, terrorism, riots, breakdown of the nuclear power plant, (e) technical breakdown of the RES Installation which is sudden, unforeseen and independent of the WF OPERATOR. It effectively means that the WF OPERATOR incurs risk of i.a. lack of primary energy (wind).

[Sanctions for incompliance of RES Installation parameters] Incompliance of actual status of the RES Installation with the statements or information provided by the RES operator at the stage of the pre-qualification to the auction scheme and/or included in the auction offer or information to be notified after the auction (such as information on characteristic parameters of the RES Installation and/or statements on fuels used to generate electricity, and/or declared total level of state aid granted to the RES operator and/or annual volumes and prices offered within the auction and actually taken into account for the purpose of the Compensation settlements) may result in deprivation of Compensation right in whole or in part (i.e. no subsidy granted or obligation to return subsidy as the case may be) with respect to the volumes of electricity which are qualified by the Polish NRA as not being subject to Compensation.

[Auctions completed to date] On 28 November 2016 the President of ERO published the first Auction Rules launched the initial RES auctions which took place in 2016 (30 December 2016) and 2017 (29-30 June

2017). The results of the particular auctions are available at https://www.ure.gov.pl/pl/rynki-energii/energia-elektryczna/aukcje-oze/6573,Komunikaty-i-ogloszenia.html.

The 2016-2017 RES auctions were carried out in accordance with the following parameters as regards the reference prices and budgets (please mind that the provisions applicable to the 2016-2017 RES auctions provided for different technological baskets than those specified for the RES auctions launched from 2018 onwards and certain budgets originally allocated to certain baskets within 2017 RES Auctions were thereafter cancelled as presented in the below tables with deletions):

Reference prices

Type of RES installation	**Reference price [PLN/MWh]**	**Reference price [EUR/MWh]*** * exchange rate EUR/PLN 4,31
Agricultural biogas ≤1MW	550	127,61
Agricultural biogas >1MW	550	127,61
Landfill biogas	405	93,97
Sewage treatment plant biogas	365	84,69
Biogas not specified above	355	82,37
Biomass in dedicated biomass combustion installations and hybrid power plants ≤50MW	415	96,29
Biomass, biofuels, biogas or agricultural biogas in dedicated multi-fuel combustion installations	325	75,41
Biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants ≤50MW	450	104,41
Biomass in CHP dedicated biomass combustion installations and CHP hybrid power plants >50MWe and ≤150MWt	435	100,93
Waste incineration plants	**385**	89,33
Biofuels	475	110,21
Onshore wind farm ≤1MW	320	74,25
Onshore wind farm >1MW	**350**	81,21
Hydro power plants ≤1MW	480	111,37
Hydro power plants >1MW	480	111,37
Geothermal power plant	455	105,57
Solar ≤1MW	450	104,41
Solar >1MW	**425**	98,61
Offshore wind farm	**470**	109,05
Renewable hybrid power plant irrespective of the fuel used ≤ 1 MW	455	105,57
Renewable hybrid power plant irrespective of the fuel used > 1 MW	405	93,97


Auction budgets

	Type of RES installation (auction basket)	Date of commissioning and/or modernization	AUCTION 2016		AUCTION 2017	
			Maximum volume [MWh]	Maximum value [PLN]	Maximum volume [MWh]	Maximum value [PLN]
1.	Installed capacity ≤1MW + load factor exceeding 3504 MWh/MW/annum irrespective of the technology used	Commissioned by 1 July 2016	0	0	~~1 659 047~~ 0 COMPLETED AND CANCELED AFTERWARDS	~~556 174 673~~ 0
		Commissioned after completion of auction	0	0	~~825 000~~ 0	~~308 182 262~~ 0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
2.	Installed capacity ≤1MW using biodegradable waste fraction (waste incineration plants)	Commissioned by 1 July 2016	0	0	0	0
		Commissioned after completion of auction	0	0	0	0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
3.	Installed capacity ≤1MW and load factor exceeding 3504 MWh/MW/a and CO2 emission not exceeding 100 kg/MWh	Commissioned by 1 July 2016	1 306 870	538 297 239	1 484 764 COMPLETED	631 329 732
		Commissioned after completion of auction	0	0	~~540 000~~ 0	~~299 025 631~~ 0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
4.	Clusters ≤ 1MW*	Commissioned by 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction	n/a	n/a	0	0


	Type of RES installation (auction basket)	Date of commissioning and/or modernization	AUCTION 2016		AUCTION 2017	
			Maximum volume [MWh]	Maximum value [PLN]	Maximum volume [MWh]	Maximum value [PLN]
		Commissioned by 1 July 2016 and modernized after 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	n/a	n/a	0	0
5.	Energy cooperatives (pol. *spółdzielnie energii*)≤1M*	Commissioned by 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction	n/a	n/a	0	0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	n/a	n/a	0	0
6.	Installed capacity ≤1MW using agricultural biogas	Commissioned by 1 July 2016	2 113 887	1 262 797 422	~~1 149296~~ **0**	~~683 370550~~ **0**
		Commissioned after completion of auction	0	0	~~8 190 000~~ 0	~~5 280 863 522~~ 0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
7.	RES installations with installed capacity ≤1MW not qualified under the baskets 1)-6) above	Commissioned by 1 July 2016	0	0	0	0
		Commissioned after completion of auction	1 575 000	744 936 736	**4 725 000**	**2 182 908 687**
					COMPLETED	
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
8.	Installed capacity >1MW and load factor exceeding 3504 MWh/MW/a irrespective of the technology used	Commissioned by 1 July 2016	0	0	~~10 502 338~~ **0**	~~3 768 589370~~ **0**
		Commissioned after completion of auction	0	0	~~10 500 000~~ **0**	~~5 423 952 758~~ **0**


	Type of RES installation (auction basket)	Date of commissioning and/or modernization	AUCTION 2016		AUCTION 2017	
			Maximum volume [MWh]	Maximum value [PLN]	Maximum volume [MWh]	Maximum value [PLN]
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
9.	Installed capacity >1MW using biodegradable waste fraction (waste incineration plants	Commissioned by 1 July 2016	0	0	0	0
		Commissioned after completion of auction	0	0	~~4 644 000~~ **0**	~~2 242 015 403~~ **0**
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
10	Clusters ≤ 1MW*	Commissioned by 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction	n/a	n/a	0	0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	n/a	n/a	0	0
11.	Energy cooperatives ≤1M*	Commissioned by 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction	n/a	n/a	0	0
		Commissioned by 1 July 2016 and modernized after 1 July 2016	n/a	n/a	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	n/a	n/a	0	0
12.	Installed capacity >1MW and load factor exceeding 3504 MWh/MW/a and CO2 emission not exceeding 100 kg/MWh	Commissioned by 1 July 2016	0	0	0	0
		Commissioned after completion of auction	0	0	~~540 000~~ **0**	~~305 387 878~~ **0**
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after	0	0	0	0

	Type of RES installation (auction basket)	Date of commissioning and/or modernization	AUCTION 2016		AUCTION 2017	
			Maximum volume [MWh]	Maximum value [PLN]	Maximum volume [MWh]	Maximum value [PLN]
		completion of auction and modernized after 1 July 2016				
13.	Installed capacity >1MW using agricultural biogas	Commissioned by 1 July 2016	2 309 382	1 365 351 905	~~2 118 162~~ **0**	~~1 260 181 015~~ **0**
		Commissioned after completion of auction	0	0	~~3 510 000~~ **0**	~~2 263 227 224~~ **0**
		Commissioned by 1 July 2016 and modernized after 1 July 2016	0	0	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
14.	**RES installations with installed capacity >1MW not qualified under the baskets 8) –13) above**	Commissioned by 1 July 2016	**0**	**0**	0	0
		Commissioned after completion of auction	0	0	~~5 175 000~~ **0**	~~1 972 413 921~~ **0**
		Commissioned by 1 July 2016 and modernized after 1 July 2016	**0**	**0**	0	0
		Commissioned after completion of auction and modernized after 1 July 2016	0	0	0	0
	IN TOTAL:		**7 305 139**	**3 910 483 302**	~~**46 950 507**~~ **6 209 764**	~~**22 698 184 704**~~ **2 814 238 419**

The results of the RES auctions completed in 2017 are as follows:

AUCTION SESSION	**RES installations commissioned after completion of the auction with installed capacity ≤1MW not qualified under the other technological baskets**	**Existing RES installations commissioned with installed capacity ≤1MW and load factor exceeding 3504 MWh/MW/a and CO2 emission not exceeding 100 kg/MWh**
Date of auction session	29 June 2017	30 June 2017
Number of winning offers	352	44
Maximum price of the winning offer	PLN 398.00 / MWh	PLN 474.00 / MWh
Minimum price of the winning offer	PLN 195.00 / MWh	PLN 290.00 / MWh
Total volume of electricity sold	4 720 961,816 MWh	312 441,330 MWh

within the auction		
Total value of electricity sold within the auction	PLN 1 760 121 889.27	115 932 066,37

IV. Feed-in tariff and feed-in premium tarrif

[FIT for microinstallations] The RES Act provides also for separate incentives addressed to the so-called "micro-installations", i.e. RES Installations with installed capacity not exceeding 50 kW. In particular, the RES Act provides for a general feed-in tariff for micro-installations under which the "obliged suppliers" shall purchase electricity generated from micro-installations at a price equal to 100% of the average electricity market price as announced by the President of the ERO for the previous quarter, such obligation to be limited with respect to any given micro-installation to 15 years.

[FIT/FIP for certain biogas and hydro installations] The 2018 amendments to the RES Law introduced an additional RES incentive schemes, including guaranteed feed-in tariffs (FIT) or feed-in premium tariffs (FIP), which would be available to certain "micro-installations" and "small installations" (installed capacity below 0.5MW) as well as other RES Installations with installed capacity below 1 MW until 31 December 2035 as follows:

(a) under the new FIT incentive scheme, the operators of the "micro-installations" and "small installations" (installed capacity below 0.5MW) using biogas and/or hydropower would be entitled to sell the unused electricity generation to the "obliged suppliers" for the price equal to 90% of the applicable reference price (subject to possible adjustments due to the investment state aid which will decrease the price similarly as in case of the auction-based incentive scheme);

(b) under the new sliding FIP incentive scheme, the operators of the hydro and biogas-fueled RES Installations with installed capacity 0.5 MW ≤ P < 1 MW would be entitled to sell the RES electricity to any purchaser and claim for Compensation payable by the SO in the amount equal to the difference between: (a) the product of: volume of electricity actually delivered to the grid and 90% of the applicable reference price and (b) market value of the same electricity calculated based on average daily prices of electricity quoted at the commodity exchange in the day-ahead and two-days-ahead transactions; the foregoing FIP scenario may be also elected by the entities specified in point (a) above, i.e. micro- and small installations.

The RES operators applying for the FIT/FIP benefits with respect to the new (non-commissioned) installations will be obliged to provide security (reservation payment) in the amount of PLN 30/kW.

V. Onshore windfarm distance requirements

The law in force provides that the onshore wind farms not meeting the 10H-distance requirement are to obtain the use permit by 3 July 2021 or otherwise the building permits covering those installations expire (with obligation to decommission structures already developed). The construction permits for the projects being still under development may be also amended if it does not result in increase of the environmental impact. On the other hand, the operational onshore wind farms could not be modernized if such modernization results in increase of the installed capacity and/or environmental impact.

VI. Offshore windfarm distance requirements

Under current regulations, the offshore wind farms are expected to benefit from the auction-based incentive scheme provided for in the RES Law as described in section III above. However, representatives of the current government have unofficially stated that legislative work on a new incentive scheme specifically designed for offshore wind farms is ongoing. Such new scheme might be adopted in 2019 and might include: (a) an individual support mechanism for specific most advanced projects, and (b) a more complex state aid program available for most competitive projects - both subject to the European Commission's consent to, respectively, individual state aid or complex state aid program. In particular, according to Mr. Grzegorz Tobiszowski, the Secretary of the State in the Ministry of Energy, and Mr. Andrzej Kaźmierski, the Director in the Ministry of Energy, the Government expects development of 8 GW installed in the offshore wind farms by 2035 while the draft bill regulating this new incentive scheme would be revealed and passed to the Polish Parliament (as well as notified to the European Commission) as early as in the 1st quarter of 2019. According to those statements, such bill, once adopted, should allow development of most advanced projects based on the state aid in a form of the contract for difference notified to and accepted by the European Commission for each project individually. It is also expected that the offshore wind farms would be generally connected to the offshore grid developed by the TSO (except for the projects promoted by Polenergia and PGE who would have to develop the grid connection lines up to the onshore grid connection points). Based on the same statements, it is further expected that the offshore wind farm projects which are less advanced (not holding EIA Permit already and/or not able to obtain EIA Permit in the near future) would compete within the auctions for development of the offshore wind farms where the permitting and connection of the offshore wind farm would be ensured mostly by, respectively, the state/TSO in order to minimize support granted within the auction.

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