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Poland: Law and Practice & Trends and Developments

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Sołtysiński Kawecki & Szlęzak

POLAND



Law and Practice

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Sołtysiński Kawecki & Szlęzak (SK&S) is a leading independent Polish law firm, advising domestic and international clients on complex regulatory, transactional and contentious matters. Established in 1991, the firm has a team of about 200 lawyers, and provides comprehensive advice across the full life cycle of energy projects and operations. It supports clients investing in energy infrastructure, including generation assets, networks, storage and DSR resources, assisting with permitting, real estate rights, financing, offtake agreements, public support schemes and construction contracts. The team advises on transactions, including identifying targets, conducting due diligence and negotiating agreements. The practice covers regulatory compliance in energy, fuels and emissions markets, including licensing, reporting and REMIT/MAR frameworks. It represents clients in regulatory disputes and advises on energy procurement optimisation, including contract negotiations, tender, and DSR programmes, as well as on project finance for sponsors and lenders.

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1. Structure and Ownership of the Power Industry

1.1 Law Governing the Structure and Ownership of the Power Industry

General Overview of the System

Poland operates one of the largest electricity markets in Central and Eastern Europe, with total gross electricity demand in Poland corresponding to approximately 175 TWh per annum as of 2025. Both production and consumption are in a long-term upward trend. The transmission system operator (TSO) forecasts a steady growth in demand up to 194 TWh by 2030, and 264 TWh by 2040 (respective increases of 11% and 60% compared to 2025 levels). This growth is driven primarily by the electrification of transport, digitalisation and the expansion of energy-intensive industries.

Poland is integrated into the European electricity market through the Single Day-Ahead Coupling (SDAC) and Single Intraday Coupling (SIDC) mechanisms, meaning that significant volumes of power are exchanged with neighbouring countries, and the domestic wholesale prices are closely correlated with those in neighbouring markets. In terms of price levels, Poland sits within the Central European mid-range band.

The 2025 generation mix was still heavily coal-dependent: coal and lignite accounted for 52.2% of total generation, while natural gas accounted for 13.2%, and renewable energy sources for 31.4%. Poland's energy transition strategy targets a 53.9% reduction in GHG emissions by 2030 compared to 1990 levels, with a 51.8% share of renewables in electricity generation by 2030 and approximately 65% by 2040. Reduction of the carbon footprint should also be boosted by commissioning the first nuclear reactor in 2036 and an increase in the total nuclear capacity up to 6 GW by 2040. Coal-fired generation is expected to exit progressively, with approximately 5–8 GW of coal capacity projected to leave the market by 2030 as subsidy schemes and capacity market contracts expire, with the coal fleet to be substantially phased out by approximately 2040 and the last coal mine scheduled for closure by 2049. A combination of ambitious renewable targets, a structured coal phase-out timeline, and the planned entry of nuclear capacity creates a substantial and well-defined pipeline of investment opportunities in generation, storage and grid infrastructure.

Market Architecture, Segments and Ownership

The electricity market encompasses:

- a regulated natural monopoly segment covering transmission and distribution infrastructure; and
- a competitive segment involving generation, storage, trading, and supply- and demand-side response.

Prices within the monopoly segment are regulated by way of tariffs approved by the President of the Energy Regulatory Office (ERO). For the competitive segment, prices are determined by market forces.

The generation and retail supply segments are dominated by four state-controlled integrated energy

groups: PGE, ENEA, Tauron and Orlen. Those groups control approximately 65% of generation and 77% of retail sales. Private and foreign capital participates primarily through independent renewable energy producers and traders. Please see **1.2 Principal State-Owned or Investor-Owned Entities** for further detail on market shares across all segments.

The transmission system is operated by a single state-owned TSO named PSE S.A., holding a statutory monopoly for the development and operation of the national transmission grid. The TSO is also responsible for the management of cross-border interconnections, and for the operation of both the balancing market and the capacity market. The distribution segment encompasses five principal distribution system operators (DSOs), each operating within a large geographically designated service territory, as well as tens of minor DSOs providing services within smaller grids erected within industrial and commercial zones.

Unbundling

The transmission grid serves as the backbone of the electricity system and is subject to full ownership unbundling according to EU law. Ownership separation of the transmission services promotes non-discriminatory network access and supports the development of effective competition within the liberalised segments of generation, storage and trading. In turn, DSOs are in principle subject to legal and functional unbundling from the competitive activities of their parent groups. In consequence, neither the TSO nor any major DSO may engage in generation, storage or electricity trading. Compliance with unbundling requirements is supervised by the President of ERO.

Legislative Framework

Poland's electricity sector operates within a regulatory framework largely implementing EU energy law requirements with certain local specificities. The primary domestic statute is the Energy Law Act of 10 April 1997 ("Energy Law"), which establishes the fundamental rules governing the generation, transmission, distribution and supply of electricity, together with the applicable licensing regime and the institutional framework for sector regulation. The directly applicable EU regulations – such as Regulation (EU) 2019/943 on the internal market for electricity and network codes issued thereunder, or Regulation (EU) 1227/2011 on wholesale energy market integrity and transparency – take precedence over domestic law in the event of conflict.

The Energy Law is complemented by a body of sector-specific legislation that establishes a dedicated regulatory regime and, where applicable, a tailored support framework for a particular technology or market service, including:

- the Renewable Energy Sources Act ("RES Act") (20 February 2015), which governs renewable energy generation and establishes an auction-based contract for difference (CfD) support mechanism administered by the President of ERO;
- the Offshore Wind Act (17 December 2020), which establishes a permitting and support regime for offshore wind in the Polish Baltic Sea zone, with Phase I based on administratively set prices, and Phases II and III based on competitive auctions;
- the Capacity Market Act (8 December 2017), which establishes a technology-neutral reliability mechanism with capacity payments for generators, storage and demand response; new-build assets may receive agreements of up to 17 years; and
- the Atomic Energy Law (29 November 2000), which governs the licensing and safety oversight of nuclear activities; a dedicated investment support framework for the planned first nuclear plant is under development.

Environmental protection legislation and building law also play an important role in the permitting of generation and network projects.

1.2 Principal State-Owned or Investor-Owned Entities

Transmission

The Polish transmission system covers grids with a nominal voltage of 220 kV or more. It is operated by PSE S.A., which is the single state-owned TSO and is responsible for developing the transmission grid, ensuring system security and adequacy, and managing cross-border interconnections. It also operates the balancing market, ancillary services markets and the capacity market. PSE does not carry out generation or electricity trading activities.

Distribution

Distribution grids with a nominal voltage of up to 110 kV are operated by the DSOs licensed by the President of the Energy Regulatory Office. There are five major DSOs responsible for the operation and development of distribution grids within the respective regions of Poland, four of which (PGE Dystrybucja, Tauron Dystrybucja, Enea Operator, and Energa Operator) are ultimately controlled by the State. The fifth major DSO operating within the capital city of Warsaw (Stoen Operator) is controlled by the German-based E.On group. Apart from those major DSOs, there are tens of DSOs controlled mainly by private investors and operating smaller distribution networks located within industrial and commercial zones.

Generation

Electricity generation in Poland remains concentrated. The four main state-controlled groups – PGE, ENEA, Orlen and Tauron – together account for about 64.6% of domestic generation. Based on 2024 data, PGE is the largest generator with a 35.8% share (55.9 TWh); ENEA follows with 12.9% (20.2 TWh), Orlen (including Energa) with 9.5% (14.9 TWh), and Tauron with 6.4% (10 TWh). The remaining 31.9% share (49.9 TWh) is attributable to many independent and smaller participants, reflecting the growing diversification of the generation segment driven primarily by the expansion of renewable energy producers. Notable independent producers include PAK (1.5%), Veolia (1.1%) and Polenergia S.A., which is the largest privately controlled integrated energy group in Poland, with a 0.9% share.

Liquidity in the wholesale market is driven by the short position of most market participants; PGE is the principal exception as a net-long generator. This structural feature shapes trading dynamics on the Polish wholesale market and is relevant to the investment case for new generation assets.

Supply (Retail)

The retail supply segment is likewise dominated by the four state-controlled groups, which together account for approximately 77% of total retail electricity sales. PGE Obrót holds the leading retail position with a 32% market share (47.3 TWh); smaller shares are held by Tauron Sprzedaż (an 18% share and 26.71 TWh), ENEA (17% and 24.8 TWh) and Energa Obrót (11% and 16.7 TWh). The remaining 23% is served by independent foreign and local suppliers such as E.On, Axpo, Fortum, Veolia and Polenergia.

1.3 Foreign Investment Review Process

Poland provides an open investment climate with no statutory caps on foreign ownership in the electricity sector (except for power transmission, which is restricted to a single, state-owned company). Nonetheless, as energy is classified as a strategic sector, two review mechanisms apply to certain transactions.

The Act on the Control of Certain Investments of 24 July 2015 ("Strategic Investments Act") requires governmental consent for the acquisition of significant shareholdings in entities designated under secondary legislation as "protected entities" (mainly operators of the energy infrastructure critical to national security). Transactions that are not subject to review under the Strategic Investments Act may nonetheless require the prior approval of the President of the Office of Competition and Consumer Protection (UOKiK) under the applicable merger control regime.

Regarding the substantive protection of foreign investors, the applicable framework varies depending on the investor's origin. As part of the European Union, Poland respects the freedoms established under EU treaties and protects EU-based investors. In addition, Poland maintains several bilateral investment treaties (BITs) with non-EU states, which provide substantive protections including against expropriation, unfair and inequitable treatment, and restrictions on the free transfer of capital.

Poland operates under the rule of law and upholds the principle of equal treatment of domestic and foreign investors before its courts. Foreign investors have access to Polish courts on the same basis as domestic investors. Where applicable treaty frameworks so provide, disputes may also be referred to international arbitration, and awards rendered in such proceedings are capable of recognition and enforcement in Poland in accordance with the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, to which Poland is a party.

1.4 Sale of Power Industry Assets

The sale of power industry assets in Poland is subject to general corporate law (the Commercial Companies Code and the Civil Code), competition law and sector-specific regulation. Transactions involving electricity generation, storage, transmission or distribution assets may trigger regulatory notification and approval requirements under several regulations.

Merger Control

Concentrations of undertakings meeting the relevant turnover thresholds require prior approval from the President of UOKiK, or from the European Commission where the EU Merger Regulation applies. Polish thresholds are met where the combined worldwide turnover of the parties exceeds EUR1 billion, or the combined turnover in Poland of the undertakings participating in the concentration exceeds EUR50 million. The President of UOKiK examines whether the proposed concentration would significantly impede effective competition, particularly by creating or strengthening a dominant position, and may clear transactions unconditionally, impose remedies, or prohibit the transaction.

Strategic Investment Screening

As described in **1.3 Foreign Investment Review Process**, transactions involving entities designated as protected under the Strategic Investments Act (including major electricity producers and distributors) require the prior consent of the competent minister. The review considers the potential impact of the transaction on national security and the continuity of critical energy infrastructure.

1.5 Central Planning Authorities

Central planning and regulatory functions in the Polish electricity sector are distributed between three principal bodies:

- the Minister of Energy and the Minister of Climate and Environment;
- the Plenipotentiary for Strategic Energy Infrastructure; and
- the Presidents of ERO and the TSO.

The Minister of Energy and the Minister of Climate and Environment are the principal governmental bodies responsible for energy policy, including formulating and updating Poland's long-term energy strategy (currently, the Energy Policy of Poland until 2040, and the National Energy and Climate Plan). They also draft and consult the power market-related regulations submitted to the Parliament for adoption.

The President of ERO is the independent regulator for the energy sector. The President's remit includes:

- issuing, amending and revoking licences for power generation, transmission, distribution and trading;
- approving tariffs for transmission and distribution;
- monitoring markets;
- allocating the CfD-based incentive schemes; and
- enforcing compliance with the Energy Law and directly applicable EU electricity regulations, including Regulation (EU) 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT).

The President of ERO co-operates with the Agency for the Co-operation of Energy Regulators (ACER) in matters relating to cross-border regulation and wholesale market monitoring.

PSE S.A., acting in its capacity as TSO, performs the core system planning and operational functions, including:

- ensuring short- and long-term system adequacy;
- developing the national ten-year network development plan;
- allocating cross-border capacities;
- operating the balancing market and markets for ancillary services; and
- administering the capacity market.

PSE S.A. is also required to prepare annual reports on the security of electricity supply.

1.6 Recent Changes in Law or Regulation

One of the most significant recent regulatory developments concerns the reform of the grid connection process. Legislative amendments to the Energy Law have introduced measures aimed at enhancing grid flexibility, optimising the utilisation of existing network infrastructure, and tackling the queue for grid connection. In particular, the concept of flexible and config-

urable connection agreements has been introduced, enabling generators and storage operators to connect to the grid on terms that better reflect actual network capacity and allow for the more efficient allocation of available connection headroom. These changes apply across both the transmission system operated by PSE S.A. and the distribution networks operated by the licensed DSOs.

In parallel, the amended framework has introduced a range of measures designed to improve the transparency and accessibility of the grid connection process. These include:

- additional obligations to disclose information on available connection capacity in relevant grid nodes;
- standardised grid connection timelines; and
- requirements for system users to timely achieve permitting milestones, to secure the allocated grid connection rights and clearer criteria to assess connection applications.

The current regulatory framework imposes restrictive minimum distance requirements between wind turbines and residential buildings (the so-called "10H rule", requiring a setback distance equal to ten times the total height of the turbine), which has effectively precluded the development of new onshore wind capacity in many areas of Poland. Legislative proposals to relax these requirements – potentially reducing the minimum distance to 500 metres subject to local spatial planning conditions – are under active consideration and, if adopted, are expected to unlock substantial additional onshore wind development potential.

1.7 Announcements Regarding New Policies

Poland's most significant announced policy development is the construction of its first nuclear power plant. The government has selected a site at Choczewo in the Pomerania region, and signed an intergovernmental agreement with the United States in November 2023 for the construction of two or three AP1000 reactor units by Westinghouse. The first unit is targeted for commissioning around 2036. Legislation governing nuclear investment is being developed under the auspices of the Atomic Energy Law, and a dedicated special purpose investment act is anticipated. In December 2025, the European Commission approved the State aid package dedicated to the first Polish nuclear power plant.

Poland has also announced accelerated targets for offshore wind development in the Baltic Sea, with approximately 5.9 GW of offshore wind capacity targeted to be operational by 2030 under Phase I of the Offshore Wind Act support system, rising to as much as nearly 18 GW by 2040. The government has also announced its intention to close the remaining coal and lignite-fired power plants progressively, with the current indicative phase-out timeline for hard coal generation extending to 2049, though EU decarbonisation pressure may accelerate this timeline. Furthermore, the government has indicated its intention to seek an extension of the capacity market mechanism beyond 2030, to continue providing investment signals and ensuring generation adequacy during the ongoing energy transition.

1.8 Unique Aspects of the Power Industry

The Polish power industry is undergoing deep technological transformation. For decades, coal and lignite provided most of the gross electricity generation, making Poland the EU's largest coal-dependent economy. This stemmed from the availability of domestic coal resources as well as political and social considerations related to the mining industry. It also triggered many discussions on the pace of decarbonisation and the coal phase-out.

The current transformation is of exceptional depth. Solar PV capacity grew from near-zero in 2016 to over 23 GW of installed capacity by late 2025, making Poland one of the fastest-growing solar markets in Europe. Onshore wind capacity stands at approximately 11 GW, and the potential liberalisation of the planning framework is expected to drive further significant additions. The simultaneous development of the first offshore wind projects, a nuclear energy programme, a substantial battery storage pipeline and a declining coal fleet creates a uniquely complex regulatory and investment environment.

As the share of intermittent renewable energy sources in the generation mix continues to increase, battery

energy storage systems (BESS) are gaining considerable importance as a means of ensuring grid stability, managing supply-demand imbalances, and providing ancillary services to the transmission system operator.

2. Market Structure, Supply and Pricing

2.1 The Wholesale Electricity Market

Market Structure and Trading Venues

The Polish wholesale electricity market is a competitive market with a single bidding zone covering the entire country. Pricing is zonal rather than nodal; congestion within the Polish grid is managed by the TSO, whilst cross-border congestion is addressed through price-coupling mechanisms embedded in the pan-European day-ahead and intraday coupling arrangements.

Wholesale trading is conducted primarily on the Polish Power Exchange (*Towarowa Giełda Energii*, or TGE), alongside trading platforms operated by other nominated electricity market operators (NEMO), including EPEX Spot and Nord Pool. TGE accounts for the substantial majority of exchange-traded volume. The over-the-counter (OTC) market operates in parallel, comprising bilateral contracts negotiated directly between market participants; in 2024, OTC volumes (excluding intra-group transactions) amounted to approximately 19.9 TWh.

Market Segments

The wholesale market operates across four principal market segments.

- The forward market: the TGE lists standardised physically settled forward products with settlement horizons of up to four years ahead (y+4), enabling participants to hedge price exposure over longer time horizons. OTC forward contracts are concluded bilaterally and allow for more flexibility in terms of volumes, pricing and tenors.
- The day-ahead market (DAM) encompasses two auctions and continuous trading with the availability of both hourly and quarterly (15-minute) products. DAM is integrated with the pan-European SDAC mechanism, which means that the clearing price in Poland is determined based on offers matched cross-border up to the available implicit cross-border capacity allocation.
- The intraday market (IDM) encompasses three auctions and continuous trading, enabling participants to adjust positions after the DAM gate closure. The IDM is integrated with the pan-European SIDC mechanism.
- The balancing market is operated by the TSO to resolve real-time supply-demand imbalances and to procure ancillary and reserve services. The balancing market includes settlements for imbalances as well as the procurement of balancing energy and balancing capacity from generators, storage asset operators and demand-side response providers. The balancing market represents a relatively limited share of the total traded volumes, and operates under regulatory mechanisms intended to incentivise balancing through commercial market transactions rather than reliance on balancing actions by the TSO.

2.2 Electricity Imports and Exports

Imports and exports of electricity are permitted and form an integral part of the Polish electricity system's operation. Poland is interconnected with Germany, the Czech Republic, Slovakia, Sweden (via the SwePol HVDC interconnector), Lithuania (through the LitPol Link interconnector) and Ukraine.

Short-term cross-border trading is integrated through the SDAC and SIDC mechanisms, under which available interconnection capacity is allocated through implicit market coupling. Long-term cross-border transmission rights are allocated through explicit auctions conducted via the Joint Allocation Office. PSE S.A. participates in the co-ordinated allocation of cross-border transmission capacity in accordance with applicable EU network codes and market coupling arrangements.

Market participants engaging in cross-border electricity trading must satisfy applicable licensing, balancing and market access requirements. However, no separate governmental approval is generally required for individual import or export transactions.

Cross-border electricity flows are triggered by the price spreads and algorithms applied within the SDAC and SIDC shared books; this means that the electricity is typically exported from the country (bidding zone) with lower prices to the country (bidding zone) with higher prices – up to the available transmission capacity. This model is designed to maximise economic efficiency and promote price convergence between markets.

2.3 Supply Mix of Electricity

Poland's electricity generation mix in 2025 remained heavily dominated by fossil fuels, though the share of renewables has grown substantially in recent years. Hard coal and lignite together accounted for approximately 52% of gross generation, operated primarily by the state-controlled utilities PGE, Enea and Tauron. PGE's Bełchatów lignite complex (the largest single-site CO_2 emitter in Europe) and the Turów plant account for the majority of lignite-fired output. Natural gas plays an increasing role as a transitional and balancing fuel, contributing approximately 13% of generation.

Renewable energy sources together accounted for approximately 32% of the mix, with onshore wind share at 14.2%, the solar PV share at 12.1%, the biomass share at 4.5%, and the hydropower share at 1.5%. The rapid expansion of solar PV – from near-zero in 2015 to over 23 GW of installed capacity by late 2025 – has been the single most significant structural change in the generation mix in recent years, resulting also in significant volatility of prices and non-market redispatching affecting solar generation volumes. Onshore wind capacity stands at approximately 11 GW and is expected to grow further as the liberalised planning framework takes effect.

Poland remains one of the more carbon-intensive power systems in the EU, though the trend is clearly downward as ageing coal capacity retires and variable renewable generation expands. The country is broadly self-sufficient in electricity on an annual basis; however, the growing share of weather-dependent generation and the planned retirement of coal units will progressively increase the importance of interconnectors, demand-side flexibility and energy storage in maintaining system balance.

The government's updated National Energy and Climate Plan sets a target of 32.1% for the share of renewables in gross final energy consumption by 2030, as Poland's contribution to the EU-wide 2030 renewable energy target. This target encompasses renewable energy consumption across the electricity, heating and cooling, and transport sectors. According to current projections, the share of renewables in gross final energy consumption may reach approximately 61.7% by 2040. In the electricity sector specifically, Poland is projected to achieve approximately 65% of renewables in final electricity consumption by 2040.

2.4 Market Concentration Limits

There are no statutory caps on the percentage of generation capacity or supply volume that a single entity may hold in Poland. Market concentration is instead governed by the general competition law framework established under the Act on Competition and Consumer Protection ("UOKiK Act"), under which a market share exceeding 40% gives rise to a rebuttable presumption of a dominant position. The holding or acquisition of a dominant position is not prohibited as such, but the abuse of a dominant position is prohibited. Market concentration is assessed on a case-by-case basis rather than by reference to fixed sector-specific thresholds, and the relevant geographic market may extend beyond Poland, given the country's integration into the European Internal Electricity Market.

The principal laws governing market concentration in the electricity sector are:

- the Act on the Protection of Competition and Consumers, which establishes the general competition law framework applicable to mergers, acquisitions, anti-competitive arrangements and abuse of dominance; and
- the Energy Law, under which the President of ERO monitors the functioning of the electricity market and the level of competition within the sector.

The President of UOKiK is the principal authority responsible for enforcing competition law rules relating to market concentration and abuse of dominance, and has the power to:

- review mergers and acquisitions meeting statutory turnover thresholds;
- prohibit concentrations that would significantly impede competition; and
- investigate abuses of dominant position.

Infringements may result in fines of up to 10% of the undertaking's annual turnover. The President of ERO exercises sector-specific regulatory oversight and co-operates with UOKiK in matters concerning competition in the electricity market.

The Polish electricity market remains relatively concentrated. The principal state-controlled energy groups (PGE, Tauron, Enea and Orlen, including Energa) collectively account for a substantial share of generation capacity and retail supply. Nevertheless, the coal phase-out and the continued growth of independent renewable energy producers and electricity traders is gradually increasing market diversification.

2.5 Surveillance to Detect Anti-Competitive Behaviour

Anti-competitive behaviour in the Polish electricity market is subject to oversight at multiple levels:

- by UOKiK under the general competition law framework described in **2.4 Market Concentration Limits**;
- by the President of ERO under the Energy Law; and
- in respect of wholesale market conduct, under REMIT.

The President of ERO is appointed under Polish law to monitor and enforce most of the REMIT obligations, except for market manipulation and insider trading, which are qualified in Poland as criminal offences and prosecuted under the criminal law by the competent prosecutors.

Enforcement by the President of ERO

The President of ERO has powers to monitor the electricity market, oversee compliance with the Energy Law and licence conditions, and impose administrative financial penalties. The President of ERO is responsible for monitoring wholesale energy markets for compliance with the prohibitions on market manipulation and insider trading. Market participants are required to register in the CEREMP system and report the trades on wholesale energy products to the ARIS system through Registered Reporting Mechanisms. The President of ERO may require the production of documents and information, and may co-operate with ACER and the national regulatory authorities of other EU member states in cross-border investigations. Breaches of REMIT and the Energy Law may result in significant administrative financial penalties.

Enforcement by the President of UOKiK

As noted in **2.4 Market Concentration Limits**, the President of UOKiK enforces the prohibitions on anti-competitive agreements and abuse of dominant position applicable to the electricity sector. In addition to imposing fines of up to 10% of an undertaking's annual turnover, the President of UOKiK may conduct investigations, carry out unannounced inspections, request access to documents and data, and impose interim measures. A settlement procedure and leniency programme are available for undertakings co-operating with the investigation. The European Commission retains parallel jurisdiction in respect of conduct affecting trade between EU member states.

Co-Ordination

The President of ERO and the President of UOKiK co-operate in matters concerning competition and market integrity within the electricity sector, and may refer matters between themselves where conduct raises issues under both the Energy Law and the general competition law framework.

3. Generation Facilities

3.1 Constructing and Operating Generation Facilities

The construction and operation of electricity generation facilities in Poland is governed by a number of sectoral and cross-cutting statutes. The principal instruments are:

- the 1997 Energy Law (licensing and network regulation);
- the 2015 Renewable Energy Sources Act (support schemes and regulation of renewable installations);

- the 2001 Environmental Protection Act and the 2008 Act on Environmental Impact Assessment (jointly, "EIA legislation");
- the Construction Law of 1994; and
- the Act on Spatial Planning and Land Development.

Electricity generation activities generally require complex environmental, zoning and construction permitting, as well as an operation licence.

For offshore wind installations, the 2020 Offshore Wind Energy Act establishes a dedicated regulatory and permitting regime, governing location decisions under the maritime spatial plan, grid connection conditions, co-ordination among regulatory authorities, and the support mechanism available to qualifying projects.

For onshore wind turbines, the 2016 Act on Investments in Wind Farms establishes the applicable siting framework, including statutory distance requirements applicable to residential development.

Hydropower projects must additionally comply with the Water Law, and require water management decisions from the competent water authorities.

For nuclear power plants, the Atomic Law and its associated regulations establish a comprehensive licensing and safety regime, which is administered by the President of the National Atomic Energy Agency.

3.2 Obtaining Approvals to Construct and Operate Generation Facilities

The development and operation of electricity generation facilities in Poland involves obtaining a sequence of regulatory approvals across four principal stages.

Environmental Permitting

Projects likely to have a significant environmental impact are subject to a mandatory environmental impact assessment procedure under EIA legislation. The competent authority is typically the Regional Directorate for Environmental Protection, or the General Directorate for Environmental Protection for projects of strategic or national significance. Smaller projects are assessed within the procedures led by heads of local communes.

Public participation is a statutory requirement: draft EIA documentation is made available to the public, and a statutory public consultation period of at least 21 days applies. Public hearings may also be held, particularly in complex or environmentally sensitive cases. The outcome of the procedure is an environmental decision setting out the conditions under which the project may be implemented.

Spatial Planning and Construction Permitting

The project must comply with the applicable local spatial development plan. Where no such plan exists, a location decision must be obtained from the competent planning authority. For onshore wind farms, additional siting requirements apply under the Act on Investments in Wind Farms, including statutory distance-based constraints within the applicable planning framework.

Once environmental and spatial requirements are satisfied, a construction permit is issued by the competent building authority – the relevant *starosta* or *voivode*, depending on the scale and classification of the project. For large or strategically significant projects, specific statutory regimes may apply, consolidating multiple decisions and streamlining the permitting procedure.

Generation Licensing

Electricity generation generally requires a licence issued as an administrative decision by the President of ERO, subject to statutory exemptions for certain smaller or specifically regulated installations (including most prosumer and selected renewable installations). The President of ERO assesses the applicant's technical, financial and organisational capacity, and may impose licence conditions governing the scope of the activity.

Grid Connection

The developer must obtain connection conditions and enter into a grid connection agreement with the relevant system operator: the TSO for the transmission network, or the relevant DSO for distribution-level connections. The process includes:

- the submission of a connection application;
- the determination of connection condition;
- the conclusion of a connection agreement; and
- the execution of connection works.

In practice, obtaining connection conditions has presented considerable difficulties for renewable energy developers in recent years, primarily as a result of the high volume of connection applications driven by the rapid expansion of solar PV, battery storage and data centres. Recent amendments to the Energy Law are expected to introduce improvements to the connection process, and may alleviate some of these difficulties in due course.

3.3 Approvals to Construct and Operate Generation Facilities

Conditions Attached to Permits and Licences

Each of the principal approvals required for a generation facility carries its own set of binding conditions.

Construction permits typically impose conditions relating to:

- compliance with the approved building design;
- construction supervision requirements;
- obligations to notify the competent authority at key stages of the construction process; and
- the requirement to pass a final technical inspection prior to commissioning.

They also include requirements relating to structural safety, fire protection and compliance with applicable technical standards.

Environmental decisions impose conditions relating to the mitigation of environmental impacts arising from the construction and operation of the facility. These typically include:

- limits on noise emissions;
- the protection of habitats and biodiversity;
- construction methodology requirements;
- monitoring and reporting obligations; and
- waste management conditions.

Generation licences issued by the President of ERO include conditions specifying:

- the scope of the licensed activity and identification of the generating assets covered;
- the minimum technical, financial and organisational standards that the licensee must maintain throughout the licence period;
- reporting obligations to the President of ERO; and
- requirements to comply with applicable technical standards and grid codes.

For installations participating in support schemes, additional conditions may apply, reflecting the relevant support mechanism, such as auction-based support under the RES framework or the CfD mechanism under the Offshore Wind Energy Act.

Amendments

Modifications to a generation facility that affect the substance of an existing permit or licence must be cleared with the relevant authority. Material changes to a project's environmental conditions (eg, changes to turbine height, installed capacity or facility layout) typically require an amendment to the environmental decision, and may trigger a requirement for a new or updated environmental impact assessment procedure, including public participation.

Changes to the scope of generation activities or licensed capacity require a formal amendment to the generation licence issued by the President of ERO. These amendments are made by way of an administrative decision issued by the competent authority. These changes may also require corresponding adjustments to the grid connection arrangements with the relevant system operator – the TSO or the applicable DSO, as the case may be.

Minor or non-material modifications that do not affect the substance of existing approvals may be processed under simplified administrative procedures with shorter timelines.

3.4 Eminent Domain, Condemnation and Expropriation Rights to Construct and Operate Generation Facilities

Polish law does not grant electricity generation developers a general right of expropriation or compulsory acquisition over private land. As a general rule, land rights must be secured on a voluntary basis, typically

through purchase, long-term lease arrangements, or the establishment of easements over real property. For most generation projects, including renewable energy developments, land access is therefore structured through negotiated private law arrangements rather than statutory expropriation mechanisms. Registration of easements in the land and mortgage register is a standard legal tool to secure long-term site access and infrastructure rights.

Expropriation is permissible only in limited cases where the investment qualifies as a "public purpose" under the Act on Real Estate Management. In such cases, compulsory acquisition may be carried out only where it is necessary to achieve the public purpose, and after unsuccessful attempts to acquire the property on voluntary terms. In practice, this mechanism is more commonly used for transmission infrastructure and other public infrastructure projects; it is not typically used for generation facilities themselves.

Compensation is determined based on the market value of the expropriated property, assessed by a licensed property valuer in accordance with statutory valuation principles. Compensation is typically set in an administrative decision and takes comparable market transactions into account. The affected landowner is entitled to challenge both the expropriation decision and the amount of compensation through administrative appeal procedures and judicial review before administrative courts.

In addition, certain strategic infrastructure regimes (including the special investment regime for nuclear power projects) provide for streamlined permitting procedures, including special location decisions, but do not generally introduce a broad or automatic right of expropriation for generation developers.

3.5 Decommissioning a Generation Facility

Legal Framework

The decommissioning of electricity generation facilities in Poland is governed by a combination of sector-specific and general environmental legislation, primarily the Energy Law, EIA legislation and the Waste Act.

Conventional Generation

Operators of conventional generation facilities are required to notify the President of ERO of the intended permanent cessation of electricity generation, and to comply with applicable regulatory and licensing obligations. There is no general statutory requirement to establish a dedicated decommissioning fund, nor to pre-finance decommissioning costs over the operational life of conventional generation assets.

Decommissioning obligations arise primarily under EIA and waste legislation, and typically include site remediation, the safe dismantling of installations, and the management of industrial and hazardous waste. In certain cases, financial security requirements may be imposed on a case-by-case basis under environmental permits (including integrated permits or environmental decisions), particularly where significant environmental risks are identified.

Mining-Related Facilities

For lignite mining and associated infrastructure, decommissioning obligations also arise under the Geological and Mining Law and include land restoration, the rehabilitation of mining areas, and the remediation of environmental impacts. This would also include the establishment of a decommissioning fund.

Nuclear Facilities

The Atomic Law establishes a mandatory decommissioning funding mechanism for nuclear facilities. The operator is required to contribute to a dedicated Nuclear Decommissioning Fund throughout the operational life of the facility. The fund is intended to ensure that sufficient resources are available for safe decommissioning and long-term radioactive waste management. The decommissioning programme is subject to approval and ongoing supervision by the President of the National Atomic Energy Agency.

4. Transmission Lines and Associated Facilities

4.1 Constructing and Operating Transmission Lines and Associated Facilities

The ownership, construction and operation of electricity transmission infrastructure in Poland are governed

primarily by the Energy Law, the Construction Law, the Environmental Protection Law and EIA legislation, as well as the Transmission Network Investment Act.

The transmission system is operated by PSE S.A., which is designated as the sole TSO responsible for the operation of the national high-voltage grid.

Strategic transmission projects benefit from a streamlined permitting regime under the Transmission Network Investment Act, which co-ordinates selected administrative approvals within a simplified procedure and may allow preparatory works before all final permits are obtained. General construction, planning and environmental legislation continues to apply. An environmental impact assessment is required for transmission projects that are classified as being likely to have a significant environmental impact under EIA legislation.

Energy storage facilities are governed by the Energy Law and, where co-located with renewable installations, the Renewable Energy Sources Act. The framework for standalone storage continues to evolve, and is subject to standard permitting and grid connection requirements, depending on a project's design.

4.2 Obtaining Approvals to Construct and Operate Transmission Lines and Associated Facilities

Transmission projects are subject to a multi-stage permitting process involving environmental, planning, construction and land acquisition approvals.

Projects likely to have a significant environmental impact are subject to a mandatory environmental impact assessment under EIA legislation. The procedure includes the assessment of alternative routing options and mandatory public participation; public hearings may be held in complex or socially sensitive cases. The outcome is an environmental decision setting out the conditions under which the project may be implemented.

Under the Transmission Network Investment Act, PSE S.A. may apply for a special complex investment decision that consolidates multiple planning, expropriation and construction approvals into a single set of proceedings. It determines the route of the line and governs the conditions of use of the affected land. Land rights are typically secured through negotiated easements, although expropriation may be carried out under separate statutory procedures where voluntary acquisition is not possible.

For offshore and marine-based infrastructure, the Marine Areas Act also applies, and requires permits from the relevant maritime authorities, together with environmental and inter-agency consultations.

The permitting process is conducted by administrative authorities, including environmental, planning and maritime bodies. The President of ERO does not grant construction or environmental authorisations; its role is limited to regulatory oversight of operations within the power market.

4.3 Terms and Conditions Imposed on Approvals to Construct and Operate a Transmission Line and Associated Facilities

Environmental decisions typically impose conditions relating to:

- construction timing, including seasonal restrictions for environmental protection purposes;
- the adoption of mitigation measures such as bird diverters;
- restrictions on vegetation clearance in sensitive habitats; and
- ecological and ornithological monitoring obligations.

Noise limits may also be imposed where the proposed works are likely to affect nearby receptors.

Location and construction decisions specify:

- design and routing parameters;
- conditions relating to the protection of archaeological and natural heritage sites;
- construction timelines;
- land use constraints;
- obligations concerning the restoration of land after the completion of works; and
- requirements relating to electromagnetic field exposure limits.

The transmission licence issued by the President of ERO requires:

- compliance with applicable grid codes and technical standards;
- the maintenance of system reliability obligations;
- compliance with interconnection requirements; and
- regular reporting to the President of ERO.

Amendments to approvals are granted by way of an administrative decision issued by the competent authority upon application by the project developer. Modifications to environmental decisions are possible where the proposed change does not constitute a material alteration requiring a new environmental impact assessment; otherwise, a new or amended EIA procedure with public participation is required. Amendments to the transmission licence similarly require a formal application to and an administrative decision by the President of ERO.

4.4 Eminent Domain, Condemnation and Expropriation Rights to Construct and Operate Transmission Lines and Associated Facilities

Land rights for the construction and operation of transmission infrastructure are primarily acquired through negotiated arrangements.

The principal mechanism is the voluntary establishment of a transmission easement under the Civil Code, granting the TSO the right to install, operate and maintain transmission infrastructure on private land in exchange for agreed compensation paid to the landowner.

Where voluntary agreement cannot be reached, the TSO may seek the establishment of a transmission easement by way of court order under the Civil Code, or may pursue compulsory acquisition through statutory procedures under the Transmission Network Investment Act. In the latter case, the competent *voivode* may establish a compulsory transmission easement or, where strictly necessary for the implementation of the project, authorise expropriation of the required property rights in accordance with applicable public purpose requirements.

Compensation is determined based on market value assessed by a licensed property valuer in accordance with statutory valuation principles. It is awarded by administrative decision and paid in accordance with applicable statutory rules. Landowners are entitled to challenge both the establishment of the easement or expropriation decision and the level of compensation before the administrative courts, without prejudice to construction works proceeding under the applicable legal framework.

4.5 Monopoly Rights to Provide Transmission Services

The Energy Law provides that there can be only one TSO in Poland, and that this TSO must be a state-owned company. In practice, the TSO function is held by PSE S.A. under the relevant transmission licence and the decision on the appointment of the TSO (both decisions issued by the President of ERO).

The transmission monopoly is subject to regulatory oversight by the President of ERO and must be exercised in compliance with the principles of third-party access and non-discrimination. Transmission services are rendered based on the tariff approved by the President of ERO under a revenue cap regulatory mechanism, ensuring that the economic benefits of the monopoly position are controlled in the interest of network users.

4.6 Transmission Charges and Terms of Service

Transmission tariffs in Poland are regulated by the President of ERO based on the model that allows for the recovery of the justified costs of regulated activity together with the justified return on capital invested (revenue cap regulatory framework). In practice, the TSO develops a draft tariff and submits this tariff to the President of ERO for review. The approved tariff is published and applied on an annual basis.

The terms and conditions for the provision of transmission services are governed by the Grid Code, which is prepared by the TSO and approved by the President of ERO. The Grid Code is binding on all entities connected to or using the transmission network, and sets out the technical, operational and access requirements applicable to system users. Access to

transmission services is provided on a non-discriminatory basis in accordance with the Energy Law and applicable EU network codes.

4.7 Open-Access and Non-Discriminatory Transmission

Transmission services in Poland are provided on a non-discriminatory, open access basis under the Energy Law and applicable EU electricity market legislation, including Regulation (EU) 2019/943 and relevant EU network codes. The third-party access principle requires the TSO to provide access to the transmission network to eligible users, subject to system security and technical and capacity constraints. Access is provided based on the regulated tariff approved by the President of ERO.

Access rights are typically acquired through the conclusion of a grid connection agreement and a transmission services agreement, which set out connection conditions, allocated capacity, technical parameters and financial terms for use of the network.

Access may only be refused on objective technical grounds, such as insufficient available capacity or system security considerations, and any refusal must be duly justified in writing. Users may challenge refusals to the President of ERO, who is empowered to decide on the conclusion of the grid connection agreement.

5. Distribution

5.1 Constructing and Operating Electricity Distribution Facilities

The construction and operation of the electricity distribution infrastructure in Poland is governed primarily by:

- the Energy Law;
- the Construction Law;
- the Act on Spatial Planning and Land Development;
- the Environmental Protection Law; and
- EIA legislation.

Unlike the transmission system, which is operated by a single national TSO, distribution networks are operated by multiple DSOs, with five major licensed DSOs each being responsible for a defined geographic area specified in a distribution licence issued by the President of ERO.

Energy storage facilities connected to distribution networks are regulated under the Energy Law. Their legal treatment depends on their technical configuration and whether they are operated as standalone assets or integrated with generation facilities. Furthermore, they are subject to applicable licensing, registration and grid connection requirements, as determined by ERO and the relevant DSO.

Recent amendments to the RES Act also provide for collective self-consumption schemes and energy communities, enabling the co-ordinated use of electricity within defined local frameworks connected to the distribution network.

5.2 Regulatory Process for Obtaining Approvals to Construct and Operate Electricity Distribution Facilities

The permitting process for electricity distribution infrastructure is generally less complex than for transmission projects, reflecting the lower voltage level and scale of individual assets.

Projects meeting statutory thresholds are subject to an environmental impact assessment under EIA legislation. The procedure includes mandatory public participation, allowing stakeholders to submit comments; public hearings may be held in complex or environmentally sensitive cases. The outcome is an environmental decision setting binding conditions for project implementation.

Planning and construction approvals are required under the Construction Law and spatial planning legislation. Depending on the scope of works, this may involve a full building permit or a simplified notification procedure for minor works such as cable installation within existing rights of way.

The competent administrative authorities (in particular, environmental authorities and local building authorities) issue the relevant approvals. The President of ERO does not grant construction permits but regu-

lates licensing and the market operation of distribution system operators.

Typical timelines vary significantly depending on project complexity: smaller distribution assets may be approved within several months, while projects requiring full permitting may take 12–24 months or longer, particularly where public objections or land acquisition issues arise.

5.3 Terms and Conditions Imposed in Approvals to Construct and Operate Electric Distribution Facilities

Distribution licences issued by the President of ERO specify:

- the geographic scope of the licensed distribution area;
- minimum technical, financial and organisational standards;
- quality-of-service obligations (including continuity of supply);
- network development obligations;
- reporting requirements; and
- the obligation to ensure non-discriminatory access to distribution services.

Distribution system operators are required to operate in accordance with the Distribution Grid Code ("IRiESD"), which sets out the technical, operational and connection conditions for use of the distribution network. The IRiESD is prepared by each DSO and approved by the President of ERO following consultation with stakeholders, and is binding on all system users.

Where required, environmental decisions impose conditions relating to nature protection and monitoring, while construction permits specify compliance with applicable technical construction standards.

Amendments to distribution licences and to the IRiESD require approval by the President of ERO through formal administrative procedures. Amendments to environmental or construction decisions must be obtained from the competent administrative authorities and, where the proposed change is material, may require renewed procedural steps, including public participation.

5.4 Eminent Domain, Condemnation or Expropriation Rights to Construct and Operate Electricity Distribution Facilities

Land rights for the construction and operation of electricity distribution infrastructure are acquired primarily through negotiated arrangements – most commonly the establishment of a transmission easement under the Civil Code in exchange for agreed compensation paid to the landowner.

Where voluntary agreement cannot be reached, the easement may be established by a court judgment upon an application by the relevant DSO. For certain designated investments at 110 kV level, DSOs may also benefit from the streamlined administrative procedures available under the Transmission Network Investment Act, including the possibility of the compulsory acquisition of land rights by the competent *voivode*. This framework does not extend to medium- and low-voltage infrastructure, for which DSOs must rely on general expropriation procedures under the Act on Real Estate Management.

Compensation is determined in accordance with the same principles as those which apply to transmission infrastructure, as described in **4.4 Eminent Domain, Condemnation and Expropriation Rights to Construct and Operate Transmission Lines and Associated Facilities**.

5.5 Monopoly Rights for Electricity Distribution Entities

Polish law does not provide for monopolies to provide distribution services within certain geographical territories. This means that distribution grids may potentially be developed and operated within the same region by multiple entities. However, distribution services may be rendered exclusively by licensed DSOs; this means that each grid owner is obliged to ensure that a licensed DSO is appointed with respect to the distribution grid, and distribution services cannot be rendered by any entity other than that appointed DSO.

Distribution licences are granted for a fixed term of between ten and 50 years, unless the applicant

requests a shorter period, and are renewable. The President of ERO supervises compliance with licence conditions and applicable regulatory obligations, including functional unbundling requirements – particularly management independence and non-disclosure of commercially sensitive information to affiliated supply entities, quality-of-service standards and reporting obligations.

The exclusivity is balanced by statutory obligations to provide non-discriminatory third-party access to the network on regulated tariff terms, in accordance with the Energy Law and applicable EU electricity market legislation.

5.6 Electricity Distribution System Charges and Terms of Service

Tariff Setting

Distribution charges are regulated tariffs approved by the President of ERO and are not subject to individual negotiation. Each DSO submits a tariff proposal to the President of ERO, setting out its distribution network operating costs, capital expenditure programme, and proposed return on the regulatory asset base. Approved tariffs are published and take effect for a defined regulatory period, typically one year, although multi-year regulatory periods are under development in line with EU regulatory best practice. Tariffs are structured by a customer group (voltage level, contracted capacity) and comprise a fixed capacity component and a variable energy throughput component.

Principles Applied

The President of ERO applies the principles of cost-reflectiveness, non-discrimination and transparency in setting distribution tariffs. Tariffs are required to be just and reasonable, and must reflect the justified costs of operating and developing the distribution network. They apply equally to all users connected to the relevant distribution network under comparable terms and conditions. The regulatory methodology is designed to incentivise DSOs to improve operational efficiency and service quality, including through quality incentive mechanisms linked to continuity-of-supply indices (SAIDI/SAIFI).

Appeals and Complaints

Tariff decisions of the President of ERO are subject to appeal to the District Court in Warsaw, which conducts a substantive review of the legality and merits of the regulatory decision. Users may also file complaints with ERO against DSOs for non-compliance with licence conditions, discriminatory treatment, or breach of the approved tariff. ERO may impose administrative financial penalties on DSOs for such violations.

Trends and Developments

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Sołtysiński Kawecki & Szlęzak (SK&S) is a leading independent Polish law firm, advising domestic and international clients on complex regulatory, transactional and contentious matters. Established in 1991, the firm has a team of about 200 lawyers, and provides comprehensive advice across the full life cycle of energy projects and operations. It supports clients investing in energy infrastructure, including generation assets, networks, storage and DSR resources, assisting with permitting, real estate rights, financing, offtake agreements, public support schemes and construction contracts. The team advises on transactions, including identifying targets, conducting due diligence and negotiating agreements. The practice covers regulatory compliance in energy, fuels and emissions markets, including licensing, reporting and REMIT/MAR frameworks. It represents clients in regulatory disputes and advises on energy procurement optimisation, including contract negotiations, tender, and DSR programmes, as well as on project finance for sponsors and lenders.

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Introduction

Poland holds a distinctive position in the European energy landscape. For decades, coal underpinned virtually every aspect of the country's electricity system and accounted for more than 80% of domestic generation. This deep structural dependence on fossil fuels made Poland one of the most carbon-intensive economies in the European Union, and exposed Poland to risks arising from decarbonisation policies.

That picture is changing fundamentally. Rising carbon costs under the EU Emissions Trading System (a mechanism that puts a price on carbon dioxide emissions) and binding renewable energy targets under the Fit for 55 package (the EU's plan to cut greenhouse gas emissions by more than half by 2030) have made coal increasingly uneconomical, and clean energy investments more attractive. Russia's full-scale invasion of Ukraine in 2022 acted as a further catalyst: Poland banned Russian coal imports ahead of the EU-wide embargo, completed the Baltic Pipe gas interconnector allowing for gas imports from Norway, expanded LNG import capacity, and announced plans to deploy floating storage regasification units (FSRUs) – together, this positions Poland as a natural gas hub for Central and Eastern Europe, and reinforces the region's independence from Russian energy supplies.

The result is a country undergoing one of the most significant energy transformations in Europe, affecting everything from how electricity is generated to how it is transported, stored and sold.

Power Generation: A Changing Mix

Offshore wind

Offshore wind is at the heart of Poland's clean energy plans. In 2020, Poland passed a dedicated law to support the development of wind farms in the Baltic Sea. The law introduced a contract for difference (CfD) mechanism – a type of long-term financial support under which the government stabilises revenues for electricity produced. When the spot market price falls below that guaranteed level, the state pays the difference. When the market price is higher, the operator returns the difference. This arrangement gives developers the revenue certainty to secure financing for large and expensive projects.

The first phase of the programme in the early 2020s allocated support for up to 5.9 GW of offshore wind capacity through individual administrative decisions. Several major projects secured support under this phase, developed by Polish energy companies – including Orlen, PGE and Polenergia – alongside international partners such as Ørsted, Northland Power and Equinor. The most advanced of these, Baltic Power (developed by Orlen and Northland Power), began construction in 2024 and is expected to start generating electricity in 2026, making it Poland's first operational offshore wind farm.

The second phase works differently. Developers compete in auctions instead of applying for individual decisions. The first auction took place in 2025, and attracted significant market interest because offshore wind had been struggling in other parts of Europe, with projects being cancelled and growth forecasts cut. More auctions are planned in the coming years,

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and the second phase is designed to deliver up to 12 GW of offshore wind in total.

Onshore wind

For several years, building new onshore wind farms in Poland has been effectively impossible. A law introduced in 2016, known as the "10H rule", requires wind turbines to be placed at a distance of at least ten times the turbine's height from the nearest home or environmentally protected area. In practice, this blocks the development of onshore wind projects across most of the country.

In 2023, Poland amended this rule slightly. The 10H requirement remains the default legal standard, but a local authority may now set a shorter distance through its local spatial development plan, provided it is not less than 700 metres. Therefore, it is now up to individual municipalities whether they update local plans to facilitate onshore wind investments.

So far, progress has been slow. Many municipalities have yet to adopt local plans that would allow shorter distances, and political discussions on any further amendments remain ongoing. Any change would need to balance energy policy objectives with the concerns of local communities. At the same time, EU law now requires member states to designate specific acceleration zones where renewable energy projects benefit from significantly faster permitting procedures. Poland is in the process of transposing these requirements into national legislation, which could create additional pressure to revisit the 10H rule.

Solar power

The rise of solar power in Poland has been remarkable. In 2018, installed solar capacity was negligible. By 2025, it exceeded 20 GW, making Poland one of the largest solar markets in the EU. Growth has been driven by government auction support as well as the net-metering and net-billing incentive schemes.

This rapid growth has revealed weaknesses in the grid connection process. Developers trying to connect large solar farms have faced long queues, with applications sometimes taking years to process. In response, Poland has introduced significant legislative changes to tackle the hurdles in accessing the grid. One key reform is the introduction of flexible and configurable connection agreements, which allow generators and storage operators to connect on terms that better reflect actual network capacity, making more efficient use of available connection headroom. The changes apply across both the transmission and distribution networks. In parallel, the amended framework requires network operators to disclose more information about available connection capacity, follow standardised procedural timelines and the permitting milestone deadlines, and apply clearer criteria when assessing connection applications. These reforms are designed to reduce the backlog and make the process more transparent, although their practical impact will take time to assess.

A growing concern is curtailment without compensation. At times of high solar output, grid operators have had to instruct solar farms to reduce their generation to keep the system stable. The right to financial compensation for non-market redispatching in Poland is limited due to widespread grid connection agreements that do not provide for a guarantee of firm offtake.

Nuclear power

Poland has decided to build its first nuclear power station. The project involves the construction of three reactors, each with a capacity of 1,250 MW, giving a total generation capacity of up to 3,750 MW. The plant will be built on the Baltic coast by a consortium of US companies (Westinghouse and Bechtel), and will be owned and operated by a fully state-owned company. Total capital expenditure is estimated at around EUR42 billion. In December 2025, the European Commission approved a state aid package for the project consisting of three elements:

- an equity injection covering approximately 30% of the project costs;
- state guarantees covering 100% of the debt financing; and
- a two-way CfD providing stable revenues for a period of 40 years.

The first reactor is expected to be operational in the second half of the 2030s.

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Poland is also exploring the possibility of building a second nuclear plant, potentially using a different reactor technology. At the same time, small modular reactors are emerging as an important new direction for Poland's nuclear programme. The most advanced project is being developed by a joint venture between Orlen and Synthos Green Energy, and calls for the use of the BWRX-300 reactor designed by GE Hitachi (a small boiling water reactor with a capacity of around 300 MW per unit).

Energy storage

Battery storage is attracting strong interest in Poland as more variable renewable energy – wind and solar – enters the system and price volatility increases. Large-scale battery installations can store electricity when there is a surplus and release it when it is needed. They play a particularly important role in maintaining the stability of the power system, providing balancing services and responding quickly to sudden changes in grid frequency.

Standalone battery storage projects are beginning to emerge as a distinct category of energy investment in Poland. Revenue can come from several sources, including payments under the capacity market, price arbitrage at the spot market (including shifting PV generation towards the evening peak), and revenues derived from ancillary services. The regulatory framework for storage is still being developed, and clearer rules on licensing and market participation are among the most important items on the regulatory agenda.

The move away from coal

Phasing out coal is the most difficult challenge in Poland's energy transition. Plans to end coal extraction for energy purposes present a particular challenge in regions where the mining industry has historically constituted a significant element of the local economic structure, supporting tens of thousands of jobs directly and sustaining a wide range of ancillary economic activity.

The financial pressure on coal is also mounting. The EU's carbon pricing mechanism has pushed up the cost of emitting carbon dioxide, making coal-fired generation increasingly expensive to operate compared to gas or renewables. At the same time, most of Poland's coal-fired units are technologically obsolete, having been built decades ago and requiring ever greater maintenance expenditure to remain operational.

In the short and medium term, modern gas-fired power plants will play an important bridging role, providing reliable electricity supply while coal is phased out and before large-scale nuclear and storage capacity comes online.

Regulatory Trends and Key Developments

Auctions for renewable energy and the capacity market

The main tool the Polish government uses to support new renewable energy projects is a competitive auction system. Developers bid for long-term contracts that guarantee them a fixed price for their electricity over 15 years. The government sets a maximum price for each technology category before the auction. Developers who bid below that ceiling and win the auction receive a CfD – the same type of financial support mechanism described in the context of offshore wind above.

Alongside the renewable energy auction system, Poland operates a capacity market. This is a separate mechanism designed to ensure capacity adequacy (meeting peak demand) and incentivise investments in dispatchable sources. Generators and storage operators are paid to guarantee that they will have a certain amount of capacity available when the system needs it. This is particularly important for dispatchable technologies (eg, gas-fired plants and battery storage) that can be switched on quickly when renewable output is low. Contracts awarded in the main capacity auctions for new installations were multi-year in nature. In its current form, the capacity market has now reached its end (the last auction securing long-term contracts for 2030 onwards took place in 2025). Work is underway on a continuation of the mechanism, which requires approval from the European Commission.

Long-term energy contracts between producers and businesses

A growing number of companies in Poland enter into long-term contracts to secure purchases of renewable electricity from producers. These arrangements, wide-

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ly known as corporate power purchase agreements, allow a business to secure a fixed or predictable price for electricity over many years. For the renewable energy producer, a contract provides a stable revenue stream, leveraging external financing for projects; for the buyer, it protects against rising electricity prices and helps to meet sustainability commitments.

Poland is one of the most active markets for these contracts in Central and Eastern Europe. The key commercial issues to resolve in any such agreement include:

- structure (financially or physically settled, direct or sleeved delivery);
- determination of volume and imbalance risk allocation (pay-as-produced or pay-as-nominated models);
- allocation of the non-market redispatching risk; and
- addressing the risks of negative spot market prices, as well as changes in the regulatory environment.

As more deals are done, market practice is developing and documentation is becoming more standardised.

Battery storage: services, stability and arbitrage

Battery storage projects are designed not only to shift generation output from hours with peak generation (low price) to hours with scarce generation (peak prices) but also to provide ancillary services, including frequency and voltage control, inertia and availability for black start. Ancillary services may play an important role within the storage project's revenue stack, alongside arbitrage and capacity market revenues.

Since power trading (and hence also arbitrage pursued with the battery storage) requires a power trading licence under Polish law, battery storage operators are typically not directly involved in power trading. On the contrary, the commercialisation of battery storage projects is effected through so-called storage services (optimisation) agreements, under which the battery storage operator renders storage services to the power trader in exchange for the following payments:

- fixed amounts adjusted according to the availability and degradation of the storage project, among other factors;
- floating fees based on the merchant profit share model; or
- a mix of the above, combining the profit share model with minimum (floor) payments conditional on availability and degradation.

New rules for grid connection

Behind the headline topics of wind, solar and nuclear, a series of practical regulatory changes are reshaping how energy projects get built and connected in Poland. These changes have a direct impact on developers and investors.

For on-grid connections, the rules have tightened in several ways:

- developers must now pay higher upfront deposits when applying for a grid connection, making it more expensive to reserve capacity without genuine development plans;
- projects must meet specific permitting milestones – eg, obtain planning permission within set timeframes or lose their connection entitlement; and
- in areas where the grid is already congested, developers can connect on a flexible basis, accepting that their output may be reduced at times rather than waiting for a firm connection guarantee.

Poland's regulatory framework also allows for the increased use of so-called "deep connection charges". When connection of a new project depends on a grid upgrade and the operator is authorised to refuse the connection right, the developer may decide to contribute to the grid upgrade costs and, in this way, obtain the grid connection right at a higher cost. This is a significant shift as the previous approach was based on the assumption that the costs of grid upgrade are recovered from tariffs payable by end customers, while the generation side pays only for the establishment of the connection itself. The new approach puts more of the cost on the projects that trigger the need for grid investments. This changes the economics for developers but also allows for grid upgrades where such upgrades are triggered by new

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generation investments within areas with limited power demand.

Apart from the above, Poland is at the edge of full implementation of a central system for the acquisition and management of power metering data. This is a critical piece of infrastructure that will enable smarter management of the grid, accelerating procedures for a switch of supplier and allowing new types of energy service to develop.

Transmission and Distribution

Poland's electricity network consists of two layers:

- the extra-high voltage transmission system; and
- the distribution networks encompassing high, medium and low voltage grids.

Both operate under separate regulatory regimes and face significant pressure to modernise as the generation mix shifts towards renewable and low-carbon sources.

The transmission system

The national transmission grid is owned and operated by PSE S.A., a state-owned company that holds the exclusive licence to operate the transmission system. PSE is responsible for maintaining the security and reliability of the high voltage network, managing cross-border interconnections, and balancing supply and demand in real time. As the sole transmission system operator, PSE also co-ordinates the connection of new generation capacity to the national grid.

The transmission network was originally designed around large coal-fired power stations in the south of Poland. The shift towards offshore wind on the Baltic coast, dispersed solar installations and a planned nuclear plant on the northern seaboard requires fundamental grid reconfiguration. Cross-border interconnections are also gaining importance: Poland is connected to Germany, the Czech Republic, Slovakia, Lithuania, Sweden and Ukraine, and several projects to increase interconnection capacity are underway, supported in part by EU funding. All investments in the transmission grid are carried out based on the ten-year network development plans developed by the TSO and agreed with the regulator.

The distribution networks

Electricity is delivered to end users through distribution networks operated by a number of distribution system operators (DSOs), with five major DSOs being responsible for the development and operation of grids within specific geographical territories. The largest DSOs are subsidiaries of state-controlled energy groups but are required by law to operate independently from the generation and supply arms of their parent companies.

The rapid growth of distributed generation has placed distribution networks under considerable strain. Power now frequently flows in both directions as small-scale generators feed surplus electricity back into the local grid, creating voltage fluctuations and congestions. In response, DSOs are investing in network reinforcement, digitalisation and smart grid technologies.

Network access and tariff regulation remain central issues for market participants. Connection charges, network usage fees and cost allocation, as well as grid development, are all determined within a regulated framework overseen by an energy regulator. Recent legislative changes, including the introduction of deep connection charges and flexible connection agreements, apply across both the transmission and distribution levels, and are intended to ensure that network development costs are shared more equitably.

Taken together, the transmission and distribution networks represent one of the largest areas of required capital expenditure in Poland's energy transition. Without timely investment in grid infrastructure, the country's targets for renewable energy deployment, nuclear construction and coal phase-out risk being delayed. For developers, investors and service providers, the modernisation of Poland's electricity networks presents both a challenge and a significant commercial opportunity.

Conclusion

Poland's energy sector is undergoing a massive transformation, as a system that was long dominated by coal is giving way to a diversified generation mix built around offshore wind, nuclear power, solar energy, battery storage and modern gas-fired capacity. The

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pace and ambition of this shift place Poland among the most dynamic energy markets in Europe.

The scale of the transition translates directly into investment opportunity. Capital is required at every stage of the value chain: from the development and financing of generation assets, through the construction and modernisation of network infrastructure, to the supply of equipment, technology and professional services. As one of the largest electricity markets in Central and Eastern Europe, Poland offers a depth of opportunity that few comparable jurisdictions can match. The structural choices being made now will define the shape of the country's energy system for decades ahead, making this a critical moment for those seeking to enter or expand their presence in the market.

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