

Statement of the Foundation "Development YES – Open-Pit Mines NO" on the subject of new opencast lignite mines in Greater Poland (Wielkopolska)



New opencast mines of ZE PAK Company make no sense

In March 2016 the Polish Minister of Agriculture Krzysztof Jurgiel refused to change the status of 215 hectares of farming land in order for it to be suitable for industrial and construction purposes and thus practically blocked the construction of open-pit mine Ościsłowo - a key project in present plans of ZE PAK lignite mining company.

ZE PAK together with the Mayors of local Municipalities Ślesin and Skulsk appealed the decision, pleading the Minister to change his mind until May. In official statements ZE PAK claims that Ościsłowo is a key project, which together with the mine Tomisławice is supposed to provide lignite for Pątnów power station in the next decade. It is worth noting that the situation of Tomisławice mine is not so certain. There is a valid NSA (the highest administrative court in Poland) sentence, which forces the local authorities to cancel previously issued permission on which the mine is based. Also the European Parliament is investigating the case of Tomisławice mine infringement of Natura 2000 legislation since 2008 and is expected to issue a final report resolving the matter early summer this year.

Nobody even mentions anymore another mine that used to be planned by ZE PAK: Dęby Szlacheckie - although the company still tries to get all the necessary paperwork for its creation (against the opposing local communities), to ensure an emergency option in case of failure of Ościsłowo mine.

But probably nobody, not even the CEO and owners of ZE PAK, believe that plans to start any new opencast lignite mine are realistic, nor are they economically sane.

Financial problems of ZE PAK keep mounting. The company's loss in 2015 reached PLN 1,8 billion (over EUR 400 million). The board of ZE PAK cuts all costs - capital expenses are being limited, the planned reconstruction of old coal units in Pątnów power plant has been suspended, planned-to-be gas powered unit is at risk.

Cuts go further, to the employees. In 2014 the company announced the scheduled layoffs of around 900 people until the end of 2015. The plan has not been executed so far due to protests of labor unions, but there is no agreement between them and ZE PAK, while the

company has reserved the money for lay-off pays in the 2016 budget. It seems that mass dismissals are only matter of time.

In the same period (2014-2016) there have been quite a few changes of the board of ZE PAK and of its mining subsidiary KWB Konin, most probably due to difficulties each board had coping with the company's problems. Since 11 February 2016 the position of CEO in ZE PAK is taken by the ex-Minister of Treasury, Aleksander Grad. In September 2015 he had been fired from the board of Tauron S.A. - another big Polish energy company. The majority stakeholder of ZE PAK - Zygmunt Solorz-Żak admitted in an interview that he counts on broad political contacts and business experience of the new CEO. In March 2016 Aleksander Grad asked the Polish government for assistance, stating it is not possible to save the company without systemic changes which would pull lignite out of the slump.

At the same time carefully planned steps to change the energy generation mix in ZE PAK have been taken. Since 2014 the 50MWe biomass-powered unit is active, and there's a plan to build a new gas-fired unit in Konin power plant, which would provide the lacking peak electricity and also would become the main heat source for the city of Konin. In case of implementation of the capacity market in Poland, there's also a plan to build a new gas-powered unit in Adamów power station. The old coal-fired unit has been scheduled for shut down in 2017, so a gas unit would be an interesting option for the employees of Adamów TPP. Moreover ZE PAK plans expanding to the northern part of Poland, where for years power production has been insufficient due to never-ending planning and delaying of atomic and coal-based power plants. The new gas-powered units built by ZE PAK could provide lacking energy for that region. All these plans seem quite promising: they prove that it is possible to make ZE PAK less dependent on lignite and still save it.

Despite all this, ZE PAK still bets on the decaying lignite industry. It's hard to understand such a strategy, especially that the board of ZE PAK declares that any investments in lignite have been stopped and their resumption depends on the situation on the energy market, which is not at all favorable for lignite. Soon ZE PAK will have to come to terms with the harsh reality that the phase out of its lignite based business branch done sooner rather than later is the only viable option if the company is seriously thinking of survival. For this ZE PAK would need to redirect all the resources - both financial and human - to less polluting generation mix with a substantial share of renewables, or file for bankruptcy. Tertium non datur.