

INTERVIEW WITH THE CEO OF PGE POLSKA GRUPA ENERGETYCZNA S.A.



Year 2018 abounded in interesting and important events for the energy industry. Which of them were of the most significance to PGE Group ?

The past year was characterised by transformation. Poland's energy industry began changing, and nothing will stop this evolution. We, energy community of PGE Group, have been seeing the need for wise changes in the energy industry for some time. As the leader in electricity and heat production in Poland, we feel obligated to initiate these changes and stimulate changes in the entire sector. We want to be the leader of Poland's energy transformation.

PGE Group's flagship investments in Opole and Turów are of key importance to us. The construction of these modern and efficient generating units came close to the finish line in 2018. We are also implementing other projects, which are less spectacular but equally important. These include numerous modernisation works that improve production efficiency and reduce the environmental footprint.

Last year was also a time of decisions concerning the entire industry. The capacity market counts among the most significant ones, creating an opportunity for a sustainable transformation of the sector, while retaining energy security. The rising volatility of our surroundings requires flexibility from us, which is why we have made the decision to build two gas units at the Dolna Odra plant, with a capacity of 700 MW each.

What else has PGE done towards transformation?

PGE has begun changing, and we have strong arguments for it. Thanks to an RES auction that we won, we began implementing a nearly 100 MW onshore wind farm complex. We are also launching an ambitious offshore programme in the Baltic Sea. Halfway through the next decade, we want to have built the first 1 000 MW, and increase this to 2 500 MW by 2030. This is a gigantic undertaking, which is why we are also looking for partners who will support us in implementing our offshore plan. At the same time, we are waiting for specifics regarding Poland's future energy policy to 2040, the final shape of which will let us decide which of the Group's development paths to take after 2020.

What is PGE Group doing with regard to the challenges of climate policy, emission reductions and concern for air quality?

Implementing the investments we have already planned will contribute to avoiding 60 million tonnes of CO₂ emissions in years 2016-2026. These plans are not just about modern conventional energy in Opole and Turów or the already mentioned onshore and offshore wind projects. These are also investments in efficient and low-emission production of heat in cogeneration – in line with the District Heating Strategy, we are planning to increase the share of low-emission fuels in the energy mix of PGE Energia Ciepła, our company responsible for district heating, to 50% by 2030.

The battle for clean air is a very up-to-date and important topic, but its success depends on actions on many fronts. First of all, we are reducing emissions at our industrial power and combined heat-and-power plants through investments and modernisations that bring us closer to more eco-friendly energy operations. In fact, we are already seeing success in this area. Over the past three decades, PGE's power plants reduced the emissions of sulphur by 93%, nitrogen by 61% and particulate by 99%. Given the climate changes taking place and CO₂ emissions, diversification of generation sources towards zero- and low-emission ones and thus also reducing exposure to increases in the prices of emission allowances is a natural challenge. This is a factor that influences our investment decisions. We are actively fighting low emission, what is a strong incentive for development of modern co-generation based district heating. Many of our branches recorded the highest ever numbers of connections and customers in the city district heating network in 2018. The rising demand for district heating is motivating us for further investments. Building a new CHP, Czechnica, in the town of Siechnice is one of the key projects.

The Group's largest investments are nearly finished. How are these capital-intensive projects affecting the Group's financial situation?

As our flagship projects move towards the end of the investment cycle, this will translate into lower investment expenditures for PGE Group. On the other hand, new capacities are providing us with larger revenue from the sale of electricity from highly-efficient sources. I consider the Group's results for 2018 as good in the current market context. I am looking into the future with optimism and I am confident of the positive results of the activities undertaken by the entire Group.