

# Poland faces ambitious EU target to cut greenhouse gas emissions by 90% by 2040

The European Commission has proposed an official EU-wide target to reduce greenhouse gas emissions by 90% by 2040 relative to 1990 emission levels. The reaction from Poland's Ministry of Climate and Environment on raising the emission reduction levels was cautious. The country faces huge challenges already to meet its existing commitments



Poland – with its still coal-dominated power system - is the hardest hit in the CEE region by the high cost of European Union Allowances (EUAs)

## EC proposes aggressive greenhouse gas target

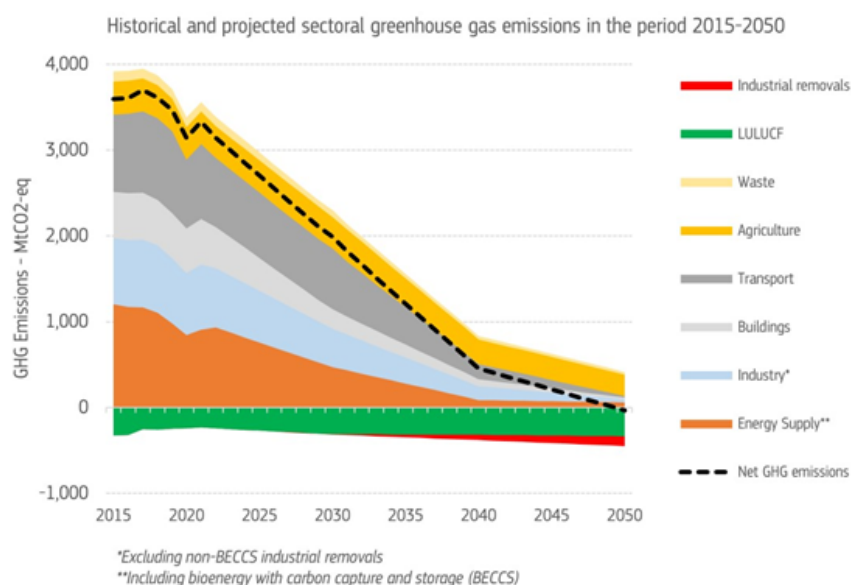
In line with expectations, the European Commission (EC) yesterday formally proposed a 90% emissions reduction target by 2040 relative to 1990 levels. The proposed target is in line with the already legally binding target of a 55% reduction by 2030 (and the comprehensive Fit-for-55 regulatory package) and the long-term goal of climate neutrality by 2050 (zero net emissions, i.e. gross emissions minus removals).

According to the EC's impact assessment (this is a fascinating over 600-page read), EU policies that have already been adopted for 2030 mean significant reductions in emissions from the energy and transport sectors (including raising the ambition level in the EU ETS and bringing transport and

buildings under the new ETS from 2026). Additional effort is needed, however, in reducing process emissions in industry and implementing carbon capture and storage / utilisation technologies (CCS/CCU).

## Historical and projected greenhouse gas emissions in the EU by sector

In million tons of CO<sub>2</sub> equivalent



European Commission

According to the EC, the proposed measures will have a fairly neutral effect on the EU economy as a whole. These are the results from three powerful general equilibrium models. Roughly speaking, the economic adjustment costs are to be compensated for with gains from lower bills on imported fossil fuels. Nevertheless, the expected changes in output or employment by sector, or distributional effects on households, could be significant and will require public intervention to ensure a just transition. The EC has not yet provided an assessment of the impact of the proposed target on individual EU economies. Poland will request that.

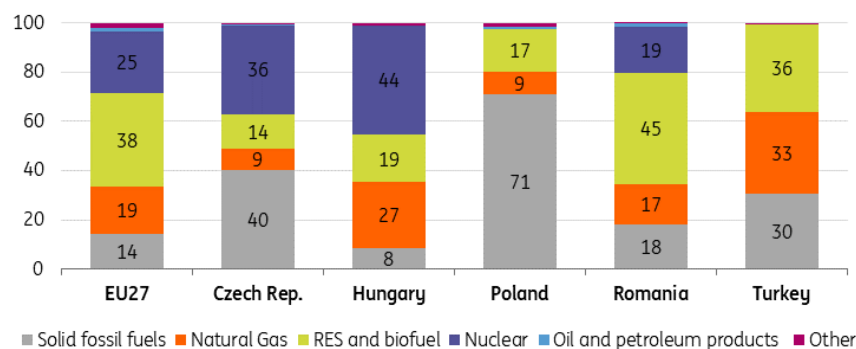
The new proposed 90% emissions reduction target confirms the EC's determination to combat climate change. This approach is also likely to be maintained by the new commission, after the June elections to the European Parliament. Once adopted, emissions reductions in the 2030s are likely to proceed at a faster pace than the projected reduction path for the current decade. The target will require approval by member states and the European Parliament, probably sometime in 2025.

## Cautious comments from the Polish Ministry of Climate and Environment

Poland will request the EC for an assessment of the impact assessment of the proposed targets and policies on individual member states. This was mentioned yesterday by Urszula Zielinska,

Deputy Minister of Climate and Environment. Zielinska said Poland sees little room for further climate commitments. The government is expected to work out an official position on the proposed EU-wide target within the next few weeks. By mid-year, it is expected to submit to Brussels an update to the National Energy and Climate Plan, which is an important element of the EU-wide energy and climate governance process. Zielinska assured the EC that Poland intends to meet its current reduction commitments until 2030 and its 2050 climate neutrality goal.

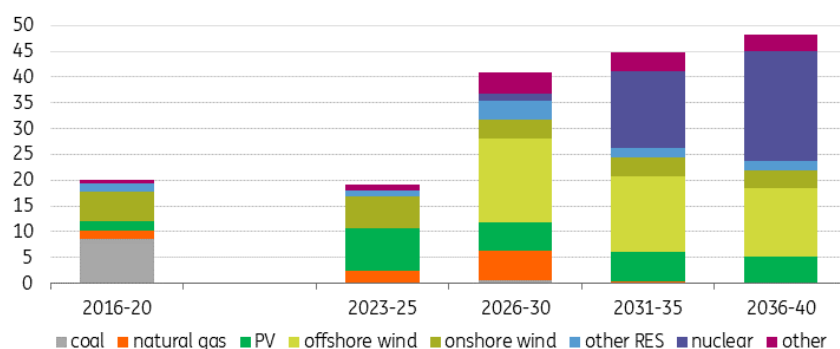
## Electricity generation mix in EU27 and CEE countries, as of 2021 (%)



Source: Eurostat

In our view, Poland's priority is to radically accelerate investment in zero energy capacity (RES and nuclear), electricity grids, and energy efficiency (in buildings, industry, and other sectors) over the next 10 years. As we pointed out in our recent [report](#), Poland – with its still coal-dominated power system – is the hardest hit in the CEE region by the high cost of European Union Allowances (EUAs).

## Poland's projected annual power investments (in constant 2020 PLN billion)



Source: ING estimates based on Ministry of Climate (June 2023) and Energy Policy 2040 (February 2021).

At the same time, the country can use significant EU financing by 2030 (from the National Recovery and Resilience Plan and cohesion policy funds) and access to private financing, including from banks, to double its power investments in the current decade.

## Author

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).