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ENERGY POLAND

# Poland's business response to the energy shock

Following the Russian invasion of Ukraine in 2022, European and Polish economies are now experiencing a huge energy shock due to record-high prices. This may not be the only challenge on the horizon, as the rising risk of natural gas and coal shortages looms for both households and companies over the coming winter



## Executive summary

Due to the dependence on energy from Russia and the structure of energy balances, the energy shock is mainly a gas problem for the EU and a coal problem for Poland.

Higher energy prices on wholesale markets have contributed to a significant increase in producer and consumer prices, but this is not an automatic pass-through. It is stretched over time. Producer prices depend on previous contracts, competitive conditions and the substitutability of energy carriers. The pass-through of higher costs to the end user depends on both demand and fiscal policy. Energy prices for households are largely influenced by the decisions of the government (e.g., the anti-inflation shield) and the regulator (Energy Regulatory Office tariffs).

On average, consumer electricity prices increased by about 5% in 2022, following increases of 12% in 2020 and 10% in 2021.

Our survey of 300 small and medium-sized companies shows that:

- 70% of companies are concerned about access to energy in the upcoming heating season.
- Companies have generally only partially passed on higher energy costs to buyers and are actively reducing other expenses.
- High energy prices are increasing SMEs' interest in investing in energy efficiency and renewable energy sources (RES), especially in industrial companies.
- The anti-inflation shield alone is not enough support but should be maintained at least until the end of 2023.
- Companies are rather sceptical about the effectiveness of EU policy support.

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