

"Investment Poland": a substantial new programme for investment in energy and infrastructure in Poland

In his recent policy statement delivered to the Polish parliament on 12th October 2012, the Polish PM Donald Tusk, outlined the main focus of the Polish Government's economic policy for the next few years.

The Polish PM said: "The priority is to maintain economic growth; to maintain Poland's development rate which fills the rest of the world with awe. The Polish Government is determined to find opportunities for financing development and growth in 2013. Therefore, it has prepared several tools and decisions which should ensure safety for Poles and – at the same time – create interesting business opportunities for foreign companies, mainly from the energy and infrastructure sector, intending to invest in Poland".

Key issues

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- Energy
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The "Investment Poland" programme

Firstly, the Government intends to implement the "Investment Poland" programme through a special purpose vehicle which will be run by Bank Gospodarstwa Krajowego (BGK). BGK is Poland's only bank which is still wholly owned by the state. The primary business objective of BGK is to provide banking services for the public finance sector, in particular through the support of the Government's economic programmes, as well as local government and regional development programmes implemented with the use of public funds, including those of the European Union. By 2015 BGK will be provided with PLN¹ 40 billion of capital to enable it to make investments of the same amount. According to the Polish PM, this can be achieved without compromising Poland's financial security, i.e. without increasing the public deficit by this amount. This will be possible by making active use of capital that is currently frozen, i.e. shares owned by the State in partially privatised companies. The Government would like these assets, which are currently passive, to work for the benefit of investments in which capital from the private sector will also participate. According to the calculations presented by the Polish Minister of Finance and the Polish Minister of the State Treasury, in this way the Government will be able to create leverage for investments in the Polish economy. As already mentioned, the investments will absorb up to PLN 40 billion by 2015 and approximately PLN 90 billion over six years. The investments cannot be treated as a form of state aid. Thus, the Government needs to precisely delimit the areas where the money will be spent.

Energy

Companies in which the State Treasury is a shareholder and the Government will make joint decisions on large scale investments in the energy sector. This has two implications. Firstly, the Government will continue its programme for energy security and Poland's energy

independence which it started five years ago. Secondly, in this way it will invest not only funds from the budget, but also funds that belong to companies in which it has a shareholding. Large energy projects will involve the work of many companies and tens of thousands of people.

The Government is talking of around PLN 60 billion until 2020 to finance the construction of new power units in **Turów, Opole, Puławy, Blachownia, Stalowa Wola, Jaworzno, Koziernice**, and **Włocławek**, as well as the construction of a **gas terminal, thousands of kilometres of gas pipelines**, and **gas storage facilities** whose capacity is going to be increased from slightly over 1.5 billion cubic meters to almost 3 billion cubic meters during the next two years. The Government also plans to finish **the energy link between Poland and Lithuania** (built with the use of European funds), in 2020 and **the Gdańsk oil terminal**.

Shale gas

The Polish Government has concluded its work on new shale gas legislation which is extremely important for Poland. A number of state-owned companies, such as PGNiG, Orlen, Lotos and KGHM are planning investments in this sector which are projected to reach PLN 5 billion.

Road infrastructure

The Government will also carry on with its motorway and national highway construction programme. It is looking for ways to mobilise financial resources for this purpose, as well as implementing faster public procurement and project implementation procedures, so that the money can be put to work immediately.

¹ According to the National Bank of Poland foreign exchange rate as at 23 October 2012, EUR 1 = 4,1266 PLN, GBP 1 = 5,0714 PLN, USD 1 = 3,1662 PLN.

The planned investment in this programme is PLN 43 billion. In 2012 the Government will announce tenders for completion of the missing part of **the Poznań ring road**, and in 2013 – for **another section of the A1 motorway between Tuszyn and Pyrzowice**. In 2013, tenders will also be announced for **the Marki ring road** (on the outskirts of Warsaw), as well as for the completion of **the S7 highway between Gdańsk and Warsaw** and for **the S19 road between Rzeszów and Lublin**. In 2014–2015, tenders will be announced for **the S5 highway between Poznań and Wrocław**, and **the S7 between Warsaw and Krakow**.

Rail infrastructure

The Government is also going to invest in the modernisation of railways, and will look at the possibility of EU financing for this. Modernisation of railways has been one of the most disappointing projects in recent years. This is because the lengthy time scale for implementing rail projects has resulted in extended travel times and disruption to timetables. The Government expects that modernisation will finally produce some positive results: it intends to announce tenders for the purchase of new rolling stock for the Polish National Railway company which are scheduled for 2013. Overall, the Government is allocating PLN 30 billion for the modernisation of railways in the period between 2013 and 2015.

Research infrastructure

The investment programme, also includes continued investment in research infrastructure. It is already working on contracts in this area with a value of up to PLN 10 billion. These investments will be used for completing and building new laboratories, funding research, providing equipment for research centres and building faster IT networks.

National Security

In addition to the projects and initiatives mentioned above, the Government is also looking for other funds that could be invested in development, and which will also translate into new jobs, in fields which so far have not always served the Polish labour market well. This is why it has decided to consolidate expenditure for Polish military security so that as much equipment as possible is manufactured in Poland. The Polish authorities will be focusing on manufacturing helicopters, ships and armoured vehicles and on building a Polish air and anti-aircraft defence system, also with the involvement of Polish industry. The sum involved PLN 10 billion between 2013 and 2014, but the planned strategic investments are going to amount to a total of almost PLN 100 billion by 2022. The PM strongly emphasised that the Government and the President see eye to eye on this approach to strengthening Polish national security. In close cooperation with NATO and the United States Poland intends to establish an air defence system, including an anti-missile shield. This is to be accompanied by the implementation of the NATO Smart Defence concept, which the Polish Government is going to develop together with Poland's neighbours in Europe and which should also bring about multi-billion Euro investments in the Polish defence industry and related research centres. This might also include investments by foreign companies.

When talking about security in the context of growth and jobs, the Government also includes investments in the police service. This is because the Government wants the funds allocated to the police to also serve its pro-growth concept and, at the same time improve the effectiveness of police operations. The total sum in question is PLN 1 billion, which has already been earmarked in next year's budget for a programme of construction and modernisation of police headquarters nationwide during 2013-2015.

Public finance perspective

If all the funds mentioned in the Polish PM's address are added up, the total sum amounts to PLN 700-800 billion. A large part of these funds is going to be invested in the crucial period of 2013-2014. The Polish PM emphasised that all these projects have to comply with budgetary limits on deficits and public finance ceilings.

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