

INTERVIEW WITH MR. HENRYK BARANOWSKI, THE CEO OF PGE POLSKA GRUPA ENERGETYCZNA S.A.



An exceptional year is over. A year of intensive investment work, work on district heating strategy and, most importantly, a year overshadowed by the impressive acquisition of EDF's Polish assets. In light of such important changes for PGE, could you briefly summarise the key challenges that the Group had to face?

This really was a special year, particularly a year of hard work on the acquisition of EDF's assets in Poland. This is a very important development not just for our company – this is a unique gateway to a stable and lasting development of district heating in Poland. The security of district heating supplies in our climate zone is no less important than the security of electricity supplies. Today we have the advantage of being the leader in both of these segments. This is also a huge challenge because the transaction itself has a considerable social dimension. We want Polish families not to run out of heating at home. In this context, the quality of the air that we breathe every day is also of importance to us. We want to tackle the problem of small-scale emissions in cities, where residents are increasingly suffering from smog. Our strategy for the district heating segment and the expanding anti-smog offering are well aligned with these efforts.

Since we are talking about environmental challenges – how does PGE see its involvement in environmental matters?

We are aware of our impact on the surroundings. This is why PGE is acting to reduce and compensate for our impact on the natural environment in a very concrete way. A significant part of our investments involves modernisations of existing generation units. This is intended to decrease the environmental footprint but also to raise efficiency and increase installed capacities. All of this so that our units can meet strict emission standards.

What are the effects of these activities?

Thanks to environmental investments at PGE's plants over the past two decades we have reduced sulphur emissions by 93%, nitrogen emissions by 59% and particulate matter emissions by 99%. I want our great efforts in this area to be noticed – not just from a cost perspective but also our socially responsible approach to doing business. The conditions in which we operate, our climate zone and the resources we can use, should also be taken into account. Our investments in Opole and Turów feature the best available technologies equipped with best-in-class systems for reducing harmful emissions into the atmosphere. At the same time, the new units at these plants will emit 25% less CO₂ than the existing ones. This shows our responsibility and our involvement in environmental issues.

What are the objectives for PGE and for the Polish power system?

In announcing PGE Group's Strategy in 2016 and the District Heating Strategy in 2017, we have made specific commitments. Responding to the challenges of today's energy industry, growing client expectations and an increasingly restrictive climate policy, we have taken the path of energy and thermal security both at the national level and at the local level in cities. We are a financially strong company that is implementing essential investments. Our involvement in modernisation of the Polish energy industry is a sign of our care for the quality of air and our responsible approach to using the natural resources available in our country. With the acquisition of EDF's assets in Poland, we are thus deliberately pursuing expansion and thanks to this we will be able to substantially increase revenue from the regulated activity segment.

So, can we say that development in the regulated district heating segment is the main challenge for the coming years?

Our Business Strategy mandates constant analysis of our surroundings in search for growth opportunities. We are getting close to 2020, which is when our current Strategy ends. Analysis shows that from the available strategic options a low-emission scenario is the most likely. The changing surroundings, both regulatory and technological, justify implementation of an approx. 1 000 MW offshore wind farm project about half way through the next decade. In the context of low-emission technologies, a gas-based generation capacity project at Dolna Odra power plant should also be mentioned. Preliminary results of a feasibility study are optimistic enough for us to consider a project with double the capacity we had initially planned, which would mean the construction of two new 500 MW gas-fired units. We should have detailed results of the feasibility study by mid-2018. Moreover, we are analysing the construction of another 500 MW gas-fired unit at one of our existing locations.

And how would you summarise the company's social mission?

In the fight for clean air, we are in constant contact with local communities. As the largest energy group in Poland, we want to be a good neighbour and we want to support local authorities in reaching objectives that they cannot achieve on their own. By supporting economic growth in regions, through taxes paid locally but also by supporting local initiatives and getting involved in specific business projects, we want to make a positive contribution to improving the competitiveness of economy and raising the level of social wellbeing. PGE is one of the largest employers in the country. We currently employ nearly 42 thousand people. This is a very big enterprise. But at the same time one that is undertaking a number of initiatives targeting dynamic growth, especially in the area of new technologies and innovations.

How would you sum up efforts in the area of strategic analysis and PGE's social mission?

We are working on solidifying PGE's positive image. A company that is aware of the on-going changes and the challenges ahead. We want to be a company that is modern, innovative and highly responsive to changes in our surroundings, while respecting the natural environment. Our activities in the coming years will be directed at this. We want to shape a responsible energy industry of tomorrow in our country.