



# 2020: What next?

Poland, Europe and the World  
in the last months of the year

## Dear Readers,

“The one thing we can say with great certainty is that the ever-present uncertainty is constant, and will accompany us in the coming decade”. These are the words with which I opened the Risk and Trends 2020 conference on January 31. This was right on target, although it is not a remarkable feat to find the future to be unpredictable. In January, I spoke about a decade of instability, about an acceleration of events, and about attention spans that have been reduced to a bare minimum. I also spoke of the best way to deal with this new reality. And these words also seem to be relevant today.

If 2020 is a storm and Poland is a boat battered by incoming waves, we at Polityka Insight would like to be the crow’s nest. We don’t count the waves, we won’t predict when the sun will come out, we don’t have a map that will lead to safe, dry land. Our ambition is to stand out above the chaos, see just a bit more, and deliver to you, as soon as possible, the knowledge of coming events, dangers and glimpses of hope.

This is the reason we have prepared this publication which tries to anticipate the final months of this crazy year. Many of the things we wrote will come true, some will not. In the meantime, unexpected swans will flow in, whose existence we didn’t even imagine.

I invite you to read our analyses and treat this publication as a tool that will help come to terms with reality and adjust your actions and plans accordingly. I believe that together we will get through these tempestuous times, seeing and understanding what is most important.

See you on the road towards better times.



A handwritten signature in black ink that reads "Andrzej Bobiński".

**Andrzej Bobiński**

Managing Director  
Polityka Insight

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## &gt;&gt; Government

# The government is waiting for the agreement in the coalition

PiS plans to deal with issues such as the media and courts. In order to implement these ambitious plans, it needs to reach a deal with its coalition partners and carry out the cabinet reshuffle in an efficient manner.



**Wojciech Szacki**  
*Head of Political Desk*

## The coalition faces program-related decisions.

After getting re-elected in 2019, PiS did not reveal its plans for rebuilding the state so as not to alienate its voters before the presidential election. In a way, this autumn will be the beginning of the parliamentary term. PiS has announced a program offensive, but there is a dispute on the right about what course the coalition should take. The hawks – represented by Zbigniew Ziobro – are in favour of heating up the ideological dispute with the left (fighting against „LGBT ideology,” far-left politics, etc.), emphasising Poland’s distinctiveness in the EU and promoting bills in the most radical form possible. This direction does not appeal to the proponents of a softer course, including Mateusz Morawiecki, Piotr Gliński and Porozumienie (Agreement) head Jarosław Gowin. PiS, Solidarna Polska (Solidarity Poland) and Porozumienie have had preliminary discussions about the program for the autumn – each party presented a list of projects it is interested in. The coalition negotiations in September will determine what will be implemented in the autumn and what shape it will take.

## Key issue – cabinet reshuffle.

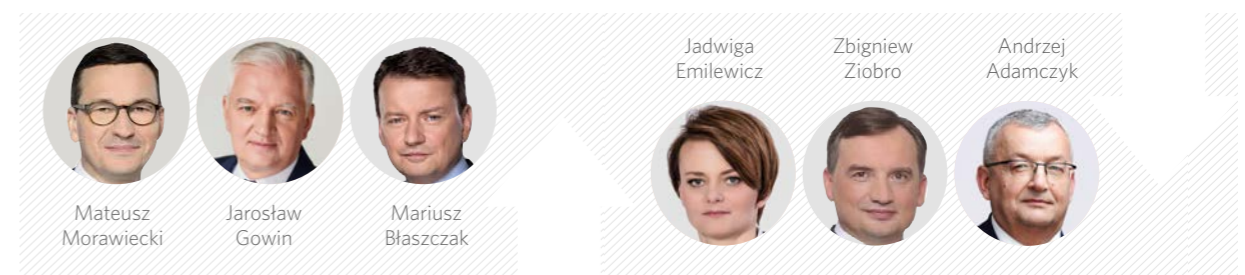
In an interview for the Polish Press Agency, Kaczyński said the cabinet would slim down to about 12 ministries, which would improve the government’s operations. In political terms, this would

strengthen the Prime Minister and weaken Ziobro and Gowin, whose parties would lose one ministry each. MinSci, MinEdu and MinSpor (absorbed by Piotr Gliniski’s MinCult), MinInfra (taken over by MinStat), MinEnv (set to merge with MinClim, which would be renamed MinClimEner), MinMar and MinFund would disappear as separate entities. The tasks of MinDig would be taken over by PMChan. However, these plans have encountered resistance from both of PiS’s coalition members (Gowin and Ziobro have formed a tactical alliance on this issue) and some of PiS politicians who do not like the idea of strengthening Gliński. The greater the friction within the coalition in connection with the reshuffle, the harder it will be to develop and carry out a program offensive.

## Some politicians will gain clout, others will weaken.

Morawiecki will probably be among this autumn’s „winners,” especially if, as unofficial announcements would have it, he becomes PiS deputy leader after the party conference. The same is true of MinDef Mariusz Błaszczak, who is also expected to become Deputy Prime Minister. Gowin will return to the government as Deputy PM (and probably MinDev), which will mean a demotion of current deputy PM and MinDev Jadwiga Emilewicz. An important role will be played by the head of the newly-formed MinEnerClim (the current

## WHO WILL GAIN POWER, WHO WILL LOSE IT



MinClim Michał Kurtyka will probably leave the cabinet). However, the key to the coalition's future will be PiS's relations with Ziobro: they are currently at their worst since the United Right was founded. According to our interviewees, if Ziobro does not cutback his media expansion and backstage attacks on the PM and PiS, an open war might erupt on the right.

**Deconcentration of media ownership.**

A bill on this matter is being drafted in MinCult (the person in charge is Deputy Minister Paweł Lewandowski) and assumes using the French model as a basis. Politically, this would be beneficial because it would weaken the largest private media corporations, which tend to be anti-government and are often owned by foreign shareholders (TVN, website Onet, tabloid Fakt). The draft has not been made public yet, while its shape will depend on both Kaczyński's political will and how effective the embassies of the countries concerned are in exerting pressure. On August 28, US ambassador Georgette Mosbacher spoke out against the deconcentration of media (the Americans own TVN and US investors have a stake in Ringier Axel Springer, which publishes Fakt, Newsweek and Onet). If PiS gives in to the US pressure, the law will only have a limited scope (for example, it may not affect the current state of the media market, but will only concern its future).

**Ziobro supporters want to complete changes in the judiciary.**

The MinJus's projects concerning changes to the justice system are waiting for the green light from Kaczyński. The plans involve flattening the struc-

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*The Ministry of Justice's projects concerning changes to the justice system are waiting for the green light from Kaczyński. The plans involve flattening the structure of the justice system.*

ture of the justice system (two of the three levels remain, making it possible to move some judges into retirement) and standardising the position of a judge. MinJus also wants to introduce the institution of magistrates to settle minor civil and criminal cases. All these changes would be made under the banner of fighting the „special caste” and will surely result in protests by the opposition and judges.

**The issue of dividing Mazowsze will resurface.**

MinInt is finishing work on a bill on the administrative division of Mazowieckie; two regions would be cut out of the present voivodeship: Warsaw (capital plus neighbouring districts) and Mazowieckie (with cities such as Radom, Płock and Siedlce). The creation of the new provinces would necessitate holding local elections for two regional assemblies, enabling PiS to gain power in the Mazowiecki Voivodeship (PO would probably win in Warsaw). The local elections would also be the first test of the popularity of Szymon Hołownia's movement. ●

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>> Parties

# There will be changes in party leadership

In the coming autumn PiS will make changes in its statute. KO, in turn, will choose a new caucus head, while SLD and Wiosna are expected to merge into a single party.



**Wojciech Szacki**  
*Head of Political Desk*



**Joanna Sawicka**  
*Senior Analyst for Political Affairs*



**Ryszard Łuczyn**  
*Political Affairs Analyst*

## PiS will change its statute and hold internal elections.

The key autumn event for PiS will be the conference at which the changes to the statute will be adopted and Jarosław Kaczyński will be elected party chair for another term. A smaller body – the Political Council – will approve Kaczyński's nominations for new PiS deputy chairs (one of them will be Mateusz Morawiecki) and members of the Political Committee. The changes to the statute are intended to help rebuild the party with the intent of rejuvenating it and preparing it for the next term. Kaczyński is considering the introduction of a new type of leadership amongst the constituencies – the heads would be employees of the PiS headquarters on Nowogrodzka Street who are not MPs. These plans could be jeopardised by the epidemic; if the situation deteriorates significantly in the autumn, the conference may be moved to the spring of 2021.

## KO will change caucus head, Trzaskowski will launch his movement.

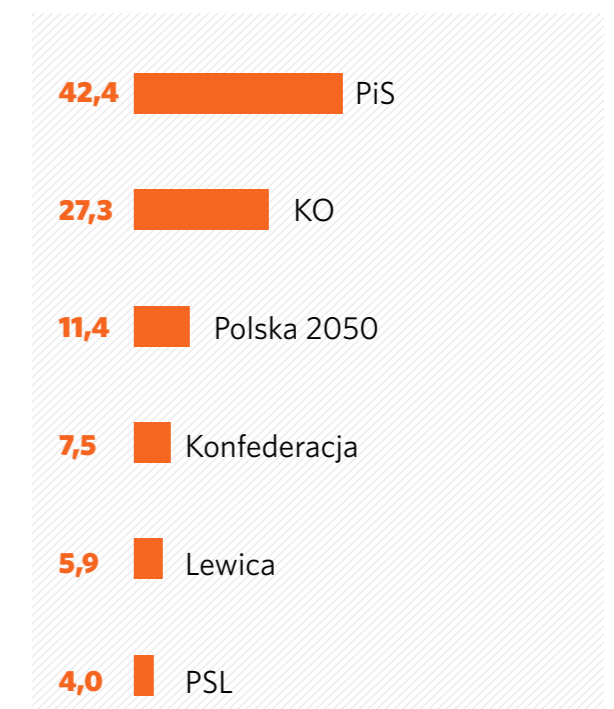
Following the summer vacation, Borys Budka will resign as head of the KO parliamentary caucus; MPs and senators will choose his replacement. It is uncertain when exactly this will happen – the party leadership would like to hold the elections with all MPs present in one room (this would be over 170 people), which will be possible only when the threat of the epidemic is reduced. PO also wants to introduce statutory changes in autumn, which will help the party open up to new social groups (changes in the statute are introduced by a national convention of several hundred members). At the end of September and the beginning of October, the party will present an idea for reconstruction and a new

head of the Civic Institute think tank, which has been inactive for several years. In the Autumn, Rafał Trzaskowski will inaugurate a grassroots movement, which will likely be called Nowa Solidarność (New Solidarity). In the weeks to come, an expert institution will also be launched as a part of Trzaskowski's movement.

## Hołownia can present his parliamentary team.

On September 3, Szymon Hołownia is supposed to present a law on politicians' salaries and party subsidies, followed by public consultations of the project. Also in September, the Internet radio of the Poland 2050 movement will be launched. In the Autumn,

## POLITICAL PARTIES' AVERAGE SUPPORT (per cent, July-August)



Source: IBRIS, United Surveys, July and August 2020.

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Hołownia will probably present the MPs who will represent him in the Sejm. According to our information, former Chief of Staff Jacek Cichocki and the election plenipotentiary Michał Kobosko were responsible for negotiations with parliamentarians. However, the former presidential candidates' collaborators deny information about attracting new MP's.

### **Two conferences on the Left will be held.**

A conference will take place on December 12, at which point a formal merger of the SLD and Wiosna will be announced; this will lead to the creation of the New Left. The change of SLD's statute – which will serve as the „foundation” of the new party – has yet to be approved by the court. The Left Coalition's politicians hope that this will happen shortly after the summer vacation. Prior to this, a program congress of the Left Coalition – as an ideological formation rather than a party – will take place. According to Krzysztof Gawkowski, the head of the SLD, Wiosna and Razem Caucus, politicians such as Bernie Sanders, the would-be Democratic candidate for the US presidential election and Spain's Prime Minister Pedro Sanchez, have been invited to the congress. At the beginning of September, Razem will form its new management board. Amongst the five people chosen for the position, only one is an MP - Paulina Matysiak. Politicians such as Adrian Zandberg or Marcelina Zawisza could not stand for reelection due to the term limit.

### **PSL will elect local leadership.**

Władysław Kosiniak-Kamysz's term as PSL leader expires in November. According to the statute, in order to elect his successor (or re-elect him), the PSL congress will have to be held in the autumn. However, the election of the local leadership that appoints delegates to the congress was delayed as a result of the pandemic. They will be held in the autumn, while the party's new leadership will not be elected until the following spring. The new political season will also see a revival of questions about the cohesion of the Polish Coalition. Kukiz'15 politicians in the PSL-KP caucus are ruling out individual transfers to the United Right, but do not completely reject the possibility of a rapprochement with PiS if their leader decides to pursue such a policy. Paweł Kukiz himself plans to tour the country in the autumn; he intends to talk to voters in county towns about changing the electoral system to a mixed one and organising national referenda. ●

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## &gt;&gt; Legislative process

# The legislative offensive will begin in the autumn

The government will show changes in Polish tax structure. MPs will additionally work on the new electronic communications law and the support for offshore wind-turbines.



**Wojciech Pawłuszko**  
Senior Analyst for Legal Affairs

## Holding law and new powers for supervisory boards.

In the autumn, the parliament will discuss amendments to the Commercial Companies Code prepared by the MinStat Committee to Reform Corporate Governance. They will introduce a new definition of the „commercial group.” It consists of a parent company and companies it controls, which – in accordance with the provisions of their statutes or contracts – will base their operation on a common economic strategy (the so-called interest of a commercial group). The parent company will issue binding instructions to the subsidiary; it will also be able to request information about its activities at any time. At the same time, supervisory boards will be able to commission third party advisers to conduct research on the company’s assets or a specific area of its activity.

## Changes in CIT and VAT.

MinDev from the MinFin wants to present CIT tax relief for companies implementing new technologies (e.g. robots, 3D printers). Companies will be able to apply for co-financing of training for employees who operate automated production lines. In doing so, the government wants to promote production automation. The Ministry

of Finance will also introduce improvements for companies as part of changes to the VAT Act (otherwise known as the so-called SLIM VAT). The package will involve the reduction of the tax base as a result of a discount obtained, even before a corrected invoice has been obtained. It will also include details of the binding information on the current rate and introduce e-circulation of Tax Free documents. MinFin is also working on the introduction of the so-called Estonian CIT.

## New instruments for financial institutions.

Following the summer vacation, the parliament will deal with the amendment to the act on bonds prepared by the Ministry of Finance. It introduced the so-called Contingent Convertibles (CoCo) into the Polish legal system. In the event of problems with the institutions that issued them, such securities may be converted into their shares. Bonds with a nominal value of at least EUR 100,000 will not have a maturity date. Their issuers will periodically pay interest which, within several years, should cover the nominal value of the bonds. The new type of securities will be issued by banks, brokerage houses, domestic insurance and reinsurance companies. It is intended to help institutions that, as a result of the pandemic, will be affected by a decline in solvency.

## Facilities for investors and those struggling with drought.

MinDev is to reveal the amendment to the Act on Special Economic Zones (the so-called strategic investor’s passport) introducing facilitations for investors who want to operate in the Polish Investment Zone. Companies might receive preferential treatment when, for example, they hire foreign employees. At the same time, MinMar is

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*The Ministry of Finance will introduce the SLIM VAT, and it will be working on the introduction of the so-called Estonian CIT.*

to present a bill on investments that counteract the effects of droughts. In order to shorten the development of such projects, voivodes will issue permits to implement investments in this area. MinMar is also planning changes to the Water Law to promote natural retention and simplify the procedures for building water facilities in forests. A special act is also supposed to allow the legalisation of existing water consumption facilities.

More support for RES.

The parliament will deal with the so-called Special Offshore Act prepared by the MinClim. It is intended to help energy companies develop offshore wind energy. The government will provide subsidies for the production of electricity from offshore farms by covering the difference between the cost of its production and the wholesale price (this is the so-called contract for difference). Support will apply to projects with a total capacity of up to 5.9 GW. Investors will also be able to obtain environmental decision and building permits faster; the act will also introduce a tax on offshore farms. In the autumn, parliament will also deal with the amendment to the RES Act, which extends until June 30, 2045 the ultimate deadline for payment of support for RES under the so-called system of discounts for prosumers, as well as the operation of the feed-in tariff system and energy price subsidies.

New Electronic Communication Law.

On August 28, MinDig’s consultations on a project the implements the European Electronic Communications Code into Polish law concluded, while in September parliament will discuss the draft legislation. The act is set to replace the

Telecommunications Law and broaden the powers of the president of the Office of Electronic Communications (UKE). The regulator will analyse the situation on the country’s electronic communication services market, and then will be able to impose various obligations on individual companies by ordering them, for instance, to make their infrastructure available to other entities. New obligations will also be imposed on telecoms – they will have to, for example, present customers with concise summaries of the terms of the contract they sign for their services. This is meant to increase consumer protection and strengthen their position compared to operators.

Changes in the regulations on waste.

Come autumn, the parliament will also deal with the draft amendment to the act on maintaining cleanliness and order in municipalities developed by MinClim. As part of the reform, the period of permissible waste storage by local governments will be extended from one to three years before such waste is sent to an incineration plant. The annual fees for the use of the environment will be frozen. The method of calculating the level of recycling is to be more favourable for municipalities, which will allow them to avoid high penalties for failing to meet the thresholds for the amount of processed waste. The changes are to lower the costs of the municipal system. As a result, the price of waste collection for the country’s residents will also decrease. ●

LAWS RELATED TO THE ECONOMY THAT WILL BE DEALT WITH BY THE PARLIAMENT IN THE AUTUMN

| Title of legislation   | Who is responsible                               | Legislative stage                    |
|--|--|--------------------------------------|
| 1. Draft Law Amending the Code of Commercial Companies and Certain other laws (UD113)  | Ministry of State Assets                         | public and ministerial consultations |
| 2. Draft Law Amending the Act on Corporate Income Tax (before it is included on the list of the government’s legislative works)          | Ministry of Development and Ministry of Finance  | arrangements within the department   |
| 3. Draft Law Amending the Act on VAT and the Banking Law (UD118)   | Ministry of Finance                              | public and ministerial consultations |
| 4. Draft Law Amending the Act on Special Economic Zones (before it is included on the list of the government’s legislative work)         | Ministry of Development                          | arrangements within the department   |
| 5. Draft Law on Investment Aimed to Counteract the Effects of a Drought (UD101)  | Ministry of Marine Economy and Inland Navigation | arrangements within the department   |
| 6. Draft Law on Promoting Generation of Electricity at Offshore Wind Farms (UD34)  | Ministry of Climate                              | public and ministerial consultations |
| 7. Draft Law on Amending the Act on Renewable Energy Sources and Certain Other ILws (UD107)  | Ministry of Climate                              | public and ministerial consultations |
| 8. Draft Law – the Electronic Communications Law (UC45)  | Ministry of Digitisation                         | public and ministerial consultations |
| 9. Draft law amending the clean and order act in municipalities (before it is included on the list of the government’s legislative work) | Ministry of Climate                              | arrangements within the department   |
| 10. Draft Law Emending the Act on Bonds and Certain Other Laws (UC32)  | Ministry of Finance                              | public and ministerial consultations |

## >> Macroeconomic forecast

# Poland will recover from the recession at the end of the year

Consumption and investments in Poland will be in decline till the end of the year, but the economy will exit recession due to public spending and rebounding exports. Unemployment will increase slightly, while inflation will remain stable.



**Hanna Cichy**  
Business Analyst



**Adam Czerniak**  
Chief Economist,  
Director for Research

### Recession will last two quarters.

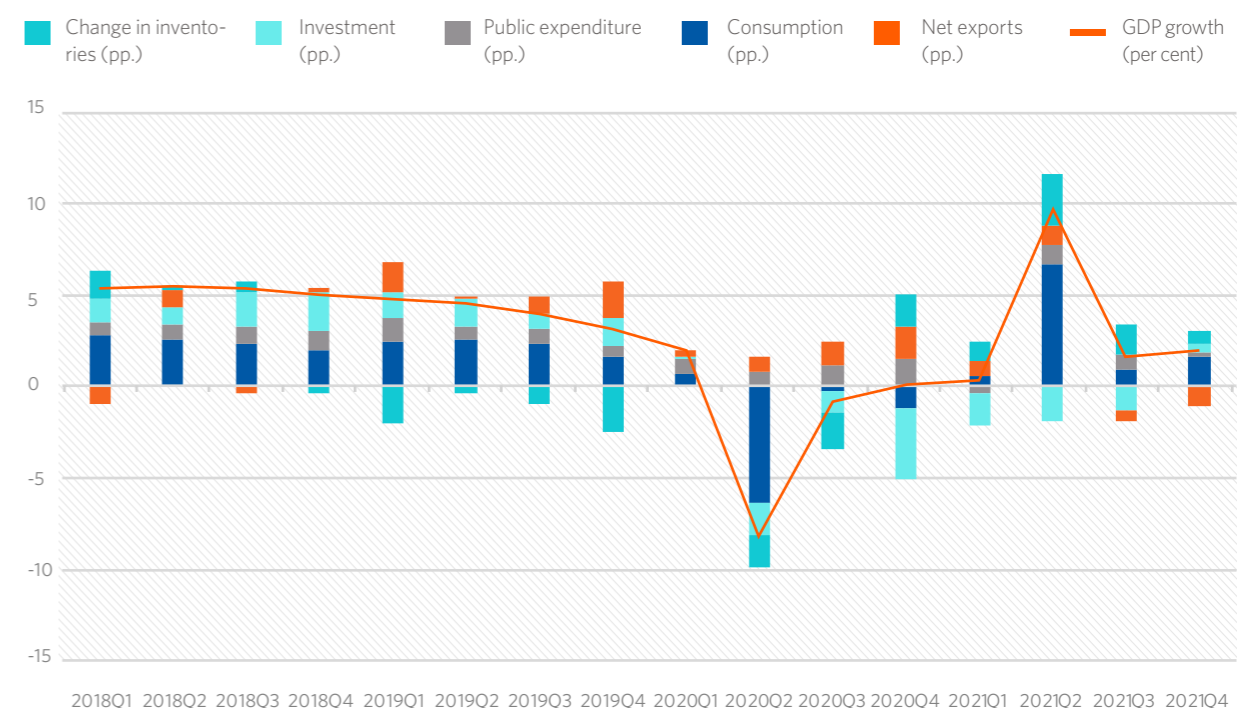
PI supports its earlier forecast of a short recession – in Q3, GDP growth will be negative (-0.8 per cent year-over-year), but we will see slight economic growth (0.1 per cent) again in Q4. Consumption, limited by negative expectations and aversion to buying certain services, will only begin to grow again in 2021. Therefore, the role of the driving force of the economy will be taken over by public spending, supported by the positive impact of foreign trade (higher export growth than import growth). At the end of the year, in turn, the scale of declines in investments will deepen. This is because the effects of the pandemic overlapped with previous trends: completion of infrastructure investments financed from the EU budget perspective for 2014-2020

and smaller investments of businesses due to staff shortages and regulatory changes.

### Good economic situation will not return to trade.

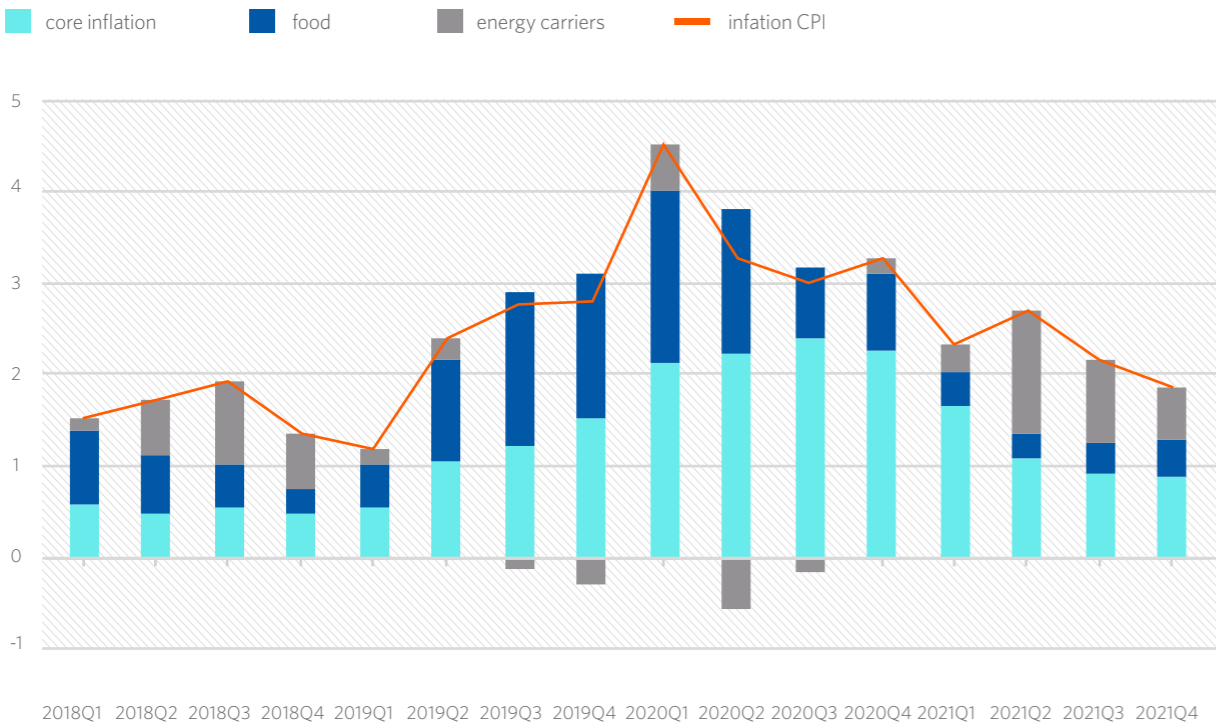
Until the end of the year, sales growth will remain negative, but decreases will be much milder than during the pandemic. Concerns about future income will prevent consumers from large spending (such as buying a car), and limited social activity and fewer visits to shops will reduce the number of small, spontaneous purchases. The best results will be recorded in the sale of furniture, sporting equipment, electronics and household appliances because people, who spend more time at home, will still want to improve their level of comfort. Sales increases can also be

### GDP GROWTH STRUCTURE IN POLAND



Source: GUS, PI.

INFLATION FORECAST



Source: GUS, PI.

expected at the end of the year; consumers can stockpile in anticipation of price increases next year as a result of the introduction of the trade tax and sugary drinks tax. Demand will continue to be low in consumer services, especially in catering, tourism, culture and entertainment. Business services will be in a better shape, although problems may be experienced by the transport, marketing, and consulting industries and, together with a decrease in investment, also by architectural industry.

Industry will stagnate, construction will be in recession.

In the second half of the year, the industrial sector will return to positive but low dynamics (an average of 0.5 per cent on an annual basis). The

scale of industrial production will be hampered by the increased employee absenteeism (quarantine, sick leave, child care in case of returning to remote education), as well as concerns about reduced demand, especially in the area of investment goods and vehicles. Import-intensive and export-oriented industries will also be sensitive to the epidemic situation in the countries of trading partners – temporary closure of factories and difficulties in international transport will run the risk of forced downtime in Poland. The crisis in construction will deepen due to falling demand for flats and office space. The industry will not feel the impact of the planned increase in public investments in road and rail infrastructure until next year.

In Q3, GDP growth will be negative, but we will see slight economic growth again in Q4; inflation will remain around 3 per cent.



Number of unemployed will not fall below one million.

The return of most children to kindergartens and schools will free parents up to work; so far, they have been benefitting from care allowances. As a result, employment in Q4 will be slightly higher than in Q3 and lower by about 0.3 per cent compared to a year ago. Come autumn, registered unemployment will amount to 6.2 per cent at the end of the year, compared to 6 per cent in August (following a temporary drop in September). In addition to people who have completed their seasonal activities in agriculture and construction, labour offices will receive beneficiaries of the expiring solidarity allowance, as well as some economically inactive people, encouraged by a higher allowance and improving economic situation, or freed from caring responsibilities by the opening of educational institutions. Employment reductions in gastronomy, tourism and recreational services are also possible. Similar to the previous year, in anticipation of an increase in the minimum wage in 2021, employers will freeze increases at the end of the year, limiting the dynamics of average wages.

Services will still be expensive.

By the end of the year, inflation will remain around 3 per cent. The record high, 4 per cent core inflation will remain the main component of price growth. It will decline slightly only at the end of the year due to statistical effects (an increase in core inflation at the end of 2019). The rate of consumer services price growth will remain high due to high operating costs, especially labour costs, and the supply constraints related to the pandemic. Fuel prices will rise steadily, although they will remain below last year's level. Food prices will be relatively stable; a good harvest will translate to a slower growth in the prices of vegetables, fruit and bread. The seasonal development of the ASF epidemic, in turn, will result in an increase in pork prices. ●

## &gt;&gt; Economy

# The government will use investments to strengthen the economy

Projects postponed due to the pandemic will accelerate. This will include mergers, the construction of a food holding and preparations for the 5G auctions. The problems of small banks will intensify.



**Hanna Cichy**  
Business Analyst



**Leszek Baj**  
Head of Business Desk

One of the projects of the Solidarity Transport Hub (CPK)



## Government will want to accelerate public investments.

The idea is to strengthen the message that the ruling party is doing everything to help the Polish economy to recover from the crisis. After the government increased its spending limit under the National Roads Construction Programme in June from PLN 142.2 billion to nearly PLN 164 billion, GDDKiA said that it would announce additional tenders for the construction of 222 km of roads by the end of the year. In the following months, tenders will cover 342 km of roads (in total, 575 km in 2020). The government will also soon decide on the financing of preparations for the construction of the Central Communication Port (CPK) by 2023, which will open the way to the purchase of land for the airport and new railroads. The preliminary draft resolution of the CouMin provided for about PLN 12 billion for this purpose.

*In the autumn, there might be two big company debuts on the main floor of the GPW: Canal+ and Allegro, which would change the unfavourable trend.*

## Large stock market debuts are also expected.

From the beginning of the year to the end of July, only two companies made their debuts on the main floor of the WSE, while 14 entities withdrew from it. However, the unfavourable trend can reverse. In mid-July, Canal+ Polska announced that it had already submitted its prospectus to the Polish Financial Supervision Authority (KNF), although the final decision on the debut has yet to be made. It will depend on market conditions. Unofficially, it is said that a package of Allegro shares, the largest e-commerce platform in Poland, could also be listed on the stock exchange. The company's shares could be worth as much as PLN 8.5-11 billion. This would be the biggest debut since PZU in 2010.

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*By the end of the year, Orlen is planning to apply to the European Commission for permission to take over PGNiG.*

### Parliament will work on two budgets.

The Sejm is already amending the budget for 2020, while the Social Dialogue Council is consulting the draft budget for 2021. The deficit is expected to reach PLN 109.3 billion this year and up to PLN 82.3 billion next year. Next year's budget revenues, in turn, are expected to reach PLN 403.7 billion, only PLN 5 billion more than in the current year. The so-called Estonian Corporate Tax (CIT) and other reliefs will bring about a decrease in corporate tax revenues, while the budget is to be supplied with PLN 1.5 billion from trade tax. The expenditure will be PLN 22 billion lower than in 2020 and will amount to PLN 486 billion. The savings will include a wage freeze and reduction of employment in the public sector, as well as keeping the indexation of pensions at a minimum level. In turn, broadly understood public investments in infrastructure, science and defence are to increase.

### The shape of frequency auction (3.4-3.8 GHz) for the 5G network will be decided.

After MinDig changed the regulations and the auction was cancelled by the president of the Office of Electronic Communications (UKE), the proceedings have to start again. UKE can change some of



the requirements, with the most likely increase in investment requirements for new transmitters providing 5G coverage. The requirements related to cybersecurity of the telecommunications network will also be tightened. Possible changes may also include allocating a larger part of the band to auction and lifting the bidding limit of one frequency block by one operator. The decision in this matter will be made by the new UKE president, who will probably be Jacek Oko.

### Fuel and power mergers will begin.

In the autumn, Orlen is expected to start implementing the conditions for its merger with Lotos, which will be set by EurCom. Both companies must significantly reduce their shares in domestic production and sales of fuels in wholesale and retail. By the end of the year, Orlen is also planning to apply to the EurCom for permission to take over PGNiG. The government may also start the process of transferring coal-fired power plants from state-controlled energy groups to the new National Energy Security Agency (NABE) and consolidating the latter. The scenario currently being considered by the government assumes first a Tauron-Enea merger, then their absorption by PGE. Establishing a Polish Food Holding based on the Polish Sugar Company by the end of the year has also been planned.

### Banks will struggle with a drop in profitability.

With the end of credit holidays (suspension of instalment payments usually for three months), banks will learn the real scale of their customers' financial problems. Already in Q2, some of them noticed worse repayment of cash loans for individual customers and loans for smaller companies. This will translate into an increase in the number of loan restructurings and increased spending on soft debt collection. Banks will also struggle with the commitment of further provisions for litigation with frank loan holders, a decrease in interest income (the effect of interest rate cuts) and low demand from companies. Idea Bank and Getin Noble may be in a particularly difficult situation, but so too are Alior Bank (in Q2, it had the highest loss in history) and cooperative banks.

### Small and mid-sized employers will introduce PPKs.

The deadline for choosing a financial institution and signing an agreement on managing employee capital plans (PPK) is October 27. By November 10, they have to sign contracts for the management of PPKs on behalf of employees. Financial institutions will have to serve about 80,000 entities at the same time. Training in PPKs for numerous companies scattered across the country will be done mostly remotely through webinars, videos and brochures. Reaching some of the employees in this way may be difficult, but participation in the PPK will be encouraged by the stock market rebound and low interest rates, which reduce the attractiveness of traditional forms of saving. In turn, the implementation of PPKs in micro-companies and the public sector will begin at the beginning of 2021 ●



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*The implementation of PPKs in small and medium companies will begin in the autumn, in micro-companies it will begin at the beginning of 2021.*

## &gt;&gt; Energy and Climate

# The reconstruction of the energy sector will start in the autumn

The Polish government plans to rebuild the energy sector and new company strategies will emerge. The situation in Silesia may also reach a turning point.



**Robert Tomaszewski**  
Senior Energy Analyst

## The EU will want to accelerate transition.

In September, the EurCom will present scenarios for adopting more ambitious goals of reducing CO<sub>2</sub> emissions from 40 to 50-55 per cent by 2030. Such measures are necessary for the EU to achieve climate neutrality by 2050. If Brussels recommends moving the target above 50 per cent, CO<sub>2</sub> prices will register a sharp increase, which will negatively affect the coal-based energy sector. By the end of the year, Brussels also wants to revise EU directives on renewable energy sources and energy efficiency. The review of both acts will probably end with setting new ambitious targets, which will accelerate the transition of the sector.

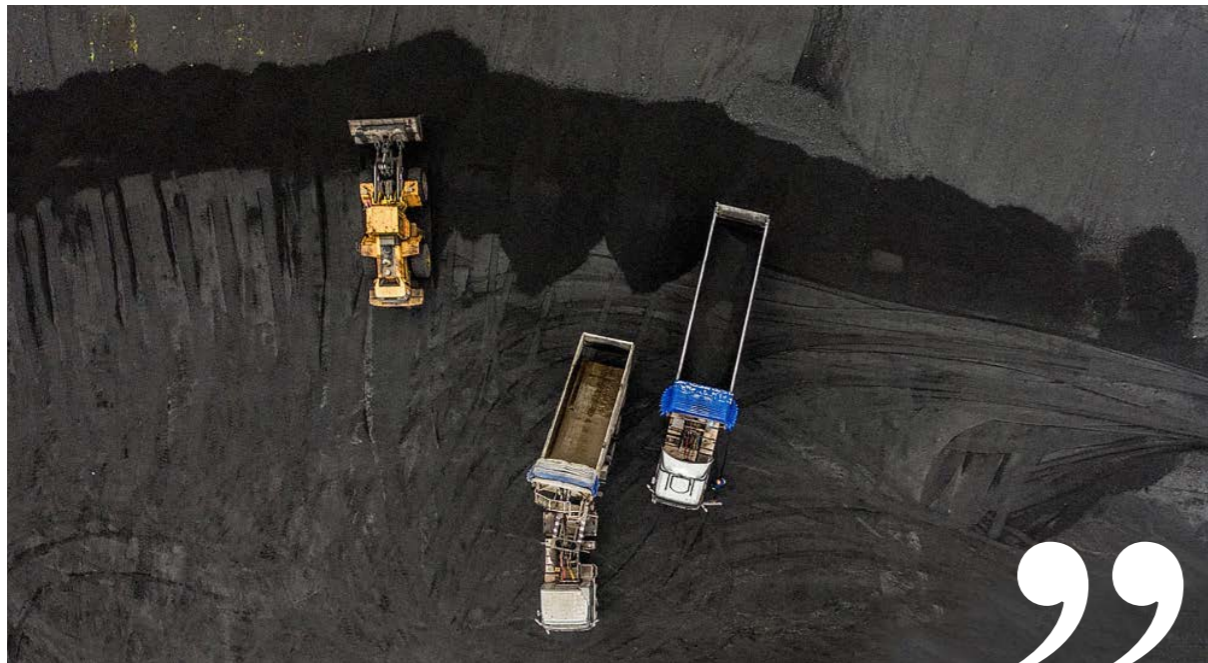
## Coal mining sector could reach a turning point.

A plan to rescue Polska Grupa Górnicza (PGG) and the entire mining sector is expected to be ready by the end of September. Mines are plunging into crisis as demand for coal has dramatically declined due to the EU's climate policy and the coronavirus pandemic. To rebuild the sector, coal production has to be adjusted to demand, which means closing the least profitable mines. The MinStat presented such a plan in July, but coal miners rejected it and threatened to go on a strike. It is not known yet what the government's new proposals will include. The promise of high

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*The European Commission will want to adopt more ambitious goals of reducing CO<sub>2</sub> emissions from 40 to 50-55 per cent by 2030.*

- **September 3**  
Enea will present the results for the 1H
- **September 15**  
PGE will present the results for the 1H
- **September**  
EurCom will present scenarios of increasing the target of reducing CO<sub>2</sub> emissions from 40 to 50-55 percent by 2030
- **By the end of September**  
A plan to save Polish Mining Group is to be ready
- **October 22**  
Orlen will show the results for the 3Q
- **October 29**  
Lotos will publish its results for the 3Q
- **November 5**  
Energa will publish its results for the 3Q
- **November 9**  
PGE will publish its results for the 3Q
- **November 18**  
Tauron will show the results for the 3Q
- **November 19**  
PGNiG and JSW will present their results for the 3Q
- **November 26**  
Enea will show the results for the 3Q
- **By the end of the year**  
Orlen is to present a new strategy that will take into account the company's achievement of climate neutrality



*The autumn will be the time of the escalation of tensions in Silesia, in September, the plan to rescue the entire mining sector.*

severance pay for coal miners leaving their jobs may not be enough to stop the escalation of tensions in Silesia.

### **The Ministry of Assets will show plans to reform the energy sector.**

Changes to the coal mining industry will be linked to the reconstruction of the energy sector, the assumptions of which are still being developed by the MinStat. No publication date of the document has been revealed, but it is clear that the ministry intends to separate old coal-fired power plants from old structures. They will be gradually transferred to a new entity: the National Energy Security Agency. Additionally, a timeline for their shutdown will be adopted. Later, the consolidation of the three energy groups will be carried out by PGE. The coal-free and integrated energy sector is supposed to have better access to funding.

### **PGE, Orlen and PGNiG to update their strategies.**

The energy consolidation plan will be crucial for the changes included in the strategies of treasury companies. In the autumn, PGE is to present a new strategy for the next decade; the document will take into account the path of moving away from coal and focusing on the group's core activity (generation of electricity). Orlen will also release a new strategy by the end of the year – it is to take into account the company's goal of achieving climate neutrality by 2050. Its priority actions include the development of hydrogen, electrification of transport and opening of the Baltic Sea to offshore wind farms. The updated strategy was also to be presented by PGNiG, but the announcement that Orlen would absorb the natural gas monopolist may undermine this plan.

### **Climate Ministry to refine the energy policy and hydrogen strategy.**

By the end of the year, Michał Kurtyka's ministry should complete an update of Poland's Energy Policy Until 2050 (its time horizon has been extended by 10 years), as well as the Hydrogen Strategy, which is supposed to help decarbonise the Polish economy. The ministry is also working on a national transition plan, which is expected to serve as a road map for local governments developing Territorial Just Transition Plans (TPSTs). The preparation of the latter will be crucial when obtaining money from the Just Transition Fund – Poland is to receive EUR 3 billion between 2021 and 2027.

### **Government to unlock the development of offshore and onshore windmills.**

According to MinClim's statements, a draft law on offshore wind farms should be sent to the Sejm in October. The new law creates a support system for such farms, allowing their construction to commence. However, businesses are concerned that the planned energy consolidation and the uncertain future of the coal mining industry may force the government to put its adoption on the back burner. Changes are also set to occur in the so-called Distance Act, which determines where onshore wind farms can be built. Currently, the regulations allow wind turbines to be placed at a distance of ten times of its overall height from residential buildings, which in practice amounts to 1.5-2 km. The MinDev wants to shorten this distance to 0.5 km. ●

### **WHEN WILL THE BIGGEST POWER PLANTS BE SHUT DOWN?\***

The country's largest power plant, Bełchatów, will be shut down by 2036.

Most of the units at the Turów power plant will be shut down by 2030, and the last unit (currently under construction) will stay operational until 203

Two modern units commissioned in 2019 at the Opole power plant will be closed in 2037 and 2038.

In 2037, the new coal-fired unit at the Kozienice power plant will be shut down, and the block in Jaworzno, which is currently under construction.

*\* According to the initial plan of the consolidation of the energy sector, which Polityka Insight has gained access to.*

&gt;&gt; Pandemic

# The COVID-19 pandemic will not go away

COVID-19 will overlap with the flu season, which will pose a challenge for the healthcare system. The government will try to avoid full lockdown.



**Piotr Żakowiecki**  
Senior Healthcare Analyst

## Schools likely to become new hotspots.

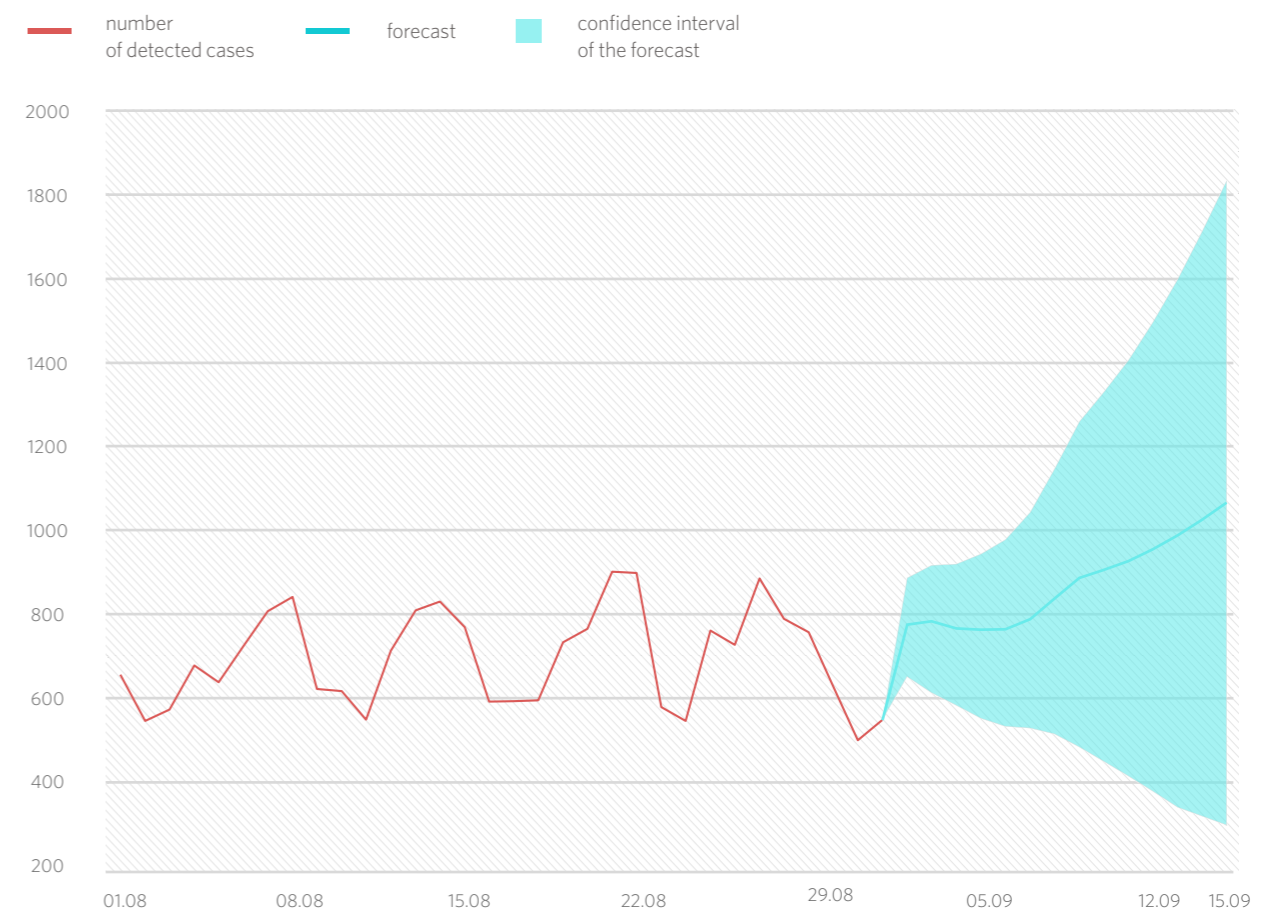
It is difficult to predict how the COVID-19 pandemic will develop, but this coming autumn is likely to see a further increase in the number of infections. The first contributing factor will be the reopening of schools. Long-term models predict that the number of cases can increase by a factor of ten if the transmission between students is at least half as high as among adults. The end of the summer season will also bring new outbreaks at workplaces, but there will be fewer weddings,

which will cut off some sources of the disease's spread. Infections outside large hotspots will probably become more frequent (the so-called horizontal transmission). The number of districts with a stricter sanitary regime will also increase.

## Healthcare system will be under pressure.

The number of actual and suspected cases of the flu (and flu-like illnesses) during the flu season of recent years (last and first quarter of the year) was about 3-4 million. This autumn, some

## PROJECTED NUMBER OF CASES IN POLAND



Source: PI forecast.

flu patients will be suspected of being infected with SARS-CoV-2. This will increase the burden on facilities, including hospital admissions rooms. Another potential problem will be the possible spread of coronavirus among hospitals and nursing homes and the so-called corona domino effect associated with it. The inefficiency of the state sanitary inspection service – mostly resulting from incomplete digitalisation and staffing shortages – remains an unresolved problem and will translate to the limited effectiveness of epidemiological investigations and outbreak containment.

### MinHea will implement its strategy.

First of all, MinHea wants to double the daily number of tests performed from about 30,000 to 60,000 and make it possible for GPs to prescribe them. The number of hospitals dedicated solely to COVID-19 patients will also decrease in the autumn, while COVID-19 isolation rooms will appear in all other hospitals. The enforcement of restrictions at the district level will continue and the services will be more rigorous in enforcing existing restrictions and apply more severe financial penalties. The effectiveness of the restrictions and rules will largely depend on the public communications of MinHea and other government officials – the tone of their statements and the consistency of their actions will determine whether Poles will accept restrictions and abide by the rules.

### Vaccines against SARS-CoV-2 will become available.

It is expected that the vaccines developed by Western manufacturers – AstraZeneca and Johnson & Johnson in particular – will be approved for use by regulators in Q4. If their effectiveness

and safety is confirmed, several hundred million doses will be made available to EU countries based on agreements negotiated by EurCom. Vaccines produced by China and Russia will also appear on the market; they are already being ordered by the governments of developing countries. The results of additional studies on coronavirus will also be published in the autumn. Scientists still do not know for certain how the virus spreads, how immunity is acquired and what risk factors are involved for different populations (including children, the elderly and workers that are exposed to the disease).

### Government will want to avoid an economic lockdown.

Come autumn, the authorities will continue to weigh the health and economic risks, trying to postpone the decision to introduce far-reaching restrictions for as long as possible. The record-breaking budget deficit planned for this year (over PLN 109.3 billion) suggests that the government is reckoning with the fact that it will have to provide further support to the economy, but probably on a smaller scale than during the first lockdown. The government will introduce a new anti-crisis shield for the tourism industry and cultural institutions but this assistance may not be enough to protect companies from bankruptcy. It is possible that additional support for the economy will come from previously unused PFR (Polish Development Fund) resources (PLN 15-20 billion), as well as from the EU SURE mechanism (EUR 11 billion). ●



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>> Defence

# The US will increase its military presence in Poland

A Polish general may soon be selected for the highest military post in NATO. Defence Ministry spending will increase after the budget amendment.



**Marek Świerczyński**  
Head of Security  
and International Affairs Desk

August 4, 2020. Ceremony of confirmation of the agreement on enhanced defence cooperation between PL and the US.



## Ministry of Defence will spend more on equipment.

On August 20th – in the amendment to the 2020 budget – MinFin announced an increase in defense spending by 3 billion zł. The decision comes as a surprise – as most forecasts predicted that defense spending, which constitutes 2.1 percent of GDP, would fall due to the recession caused by the COVID-19 pandemic. The MinFin points out that the additional funds will be allocated to

the purchase of military equipment and will be used by the end of 2021. The MinDef has not yet presented what it will exactly spend the funds on. Certain possible options include the outstanding payments for earlier orders from the U.S (Patriots, HIMARS, F-35's), the purchase of another HIMARS squadron, launching new domestic industry projects (such as the modernization of the BWP-1), or buying additional domestic weaponry, which would also be an anti-crisis measure, by supporting the Polish industry.

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*The proposed command post of the US Army Corps is to operate in Europe from October 2020.*

## Delays in armaments are the main topics of discussion.

MinDef will be under pressure to explain the delays in upgrading Leopard tanks to the 2PL standard and modifying the T-72 tanks. Additionally, the planned modification of the 230 T-72 may fail to reach completion. The Ministry should also complete its analysis of the Narew short-range air defence system in the autumn. The decision is urged by the British partner (MB-

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*The Ministry of Defence will be under pressure to explain the delays in upgrading Leopard tanks to the 2PL standard.*



DA-UK) and the government in London, which will act as the leading country at the September defence fair (MSPO) and send a ministerial delegation. Raytheon, on the other hand, is expected to make an agreement with Polska Grupa Zbrojeniowa (PGZ) over a two-year delay in implementing the offset agreement. In August, MinDef Mariusz Błaszczak discussed used submarines with the Swedish Defence Minister, so the agreement will be one of the issues discussed this autumn.

**The Chief of General Staff may be promoted in NATO.**

Gen. Rajmund Andrzejczak was nominated by Poland as a candidate for the successor to Stuart Peach (Great Britain) as the head of the NATO Military Committee, the highest military body of the Alliance. Andrzejczak competes with Dutch General Roben Bauer. Earlier the Canadian Jonathan Vance withdrew. This is Poland's second approach to taking over the most important military function in NATO; the Smolensk catastrophe interrupted General Franciszek Gągor's efforts back in 2010. If Andrzejczak is accepted as committee head in September, he will leave the position in the General Staff. His most probable successor will be General Commander of the armed forces Gen. Jarosław Mika,

although territorial defence forces commander Gen. Wiesław Kukuła also boasts a strong position.

**PGZ may be hurt by its results and the reconstruction of the government.**

President Andrzej Kęsibók admitted in a press interview that the group registered a loss of over 1 billion zł in 2019 (detailed PGZ financial statements are awaiting publication by the National Court Register). He explained that the loss resulted from the inclusion in this year's balance sheet of the reduced valuation of the shipbuilding assets of the MARS fund, omitted by the previous management board in the 2018 results. This, alongside with the planned reconstruction of the government, may lead to another change in the management of PGZ during the autumn, especially if the changes in government include the head of the Ministry of State Assets Jacek Sasin and deputy minister Maciej Małecki - who is responsible for the armaments industry. If Andrzej Kęsibók - who was appointed in March - departs PGZ in the autumn, he will become the shortest-serving president in the history of the group.

**The president will want changes to security management.**

The act on national security management, which President Andrzej Duda announced as part of the work on the new National Security Strategy (SBN), is in the process of being agreed upon with PM Chan. It will likely be submitted to the Sejm in September or October, but likely after the government reshuffle. The law provides for setting up a government permanent security committee, sorting out the hierarchy of strategic documents and increasing the powers of the National Security Office. After the election victory and the signing of an agreement with the Americans, Duda increased his influence in the government camp, but the final shape of the law depends on the balance of power in PiS. The government's response is also awaited by the postulate in the SBN to increase defence spending to 2.5 per cent of GDP from 2024.

**The command post of the 5th US Army Corps will come to Poland.**

Neither the exact date, nor the location is known yet, but according to the provisions of American laws, the proposed command post of the US Army Corps is to operate in Europe from October 2020. After the decision of the Pentagon in May 2020, it is known that this staff will be directed to Poland and that there will be about 200 officers in it. At the same time, it will be the first stage of the implementation of the Polish-US agreement on enhanced defence cooperation, which was signed on August 15. If necessary, the command post can be expanded to a full corps staff with a three-star general at the head. The US Army Corps is capable of commanding autonomous operations with 20,000 troops. ●

**PLANNED DEFENCE EXPENDITURES**

no less than:  
**2.1%**

in 2020

**2.2%**

in the years  
2021-2023

**2.3%**

in the years  
2026-2029

**2.5%**

in 2030  
and next years

## &gt;&gt; European Union

# The EU will return to the discussion on its future

Economic recovery after the pandemic will remain a major challenge for the EU. This will affect the existing items on the EU agenda: the budget, climate and digital policy.



dr Agnieszka Smoleńska  
Senior European Affairs Analyst

## The last battle for the new budget.

Following an agreement at the level of EU leaders on the general principles and the pool of new EU funds for 2021-2027, as well as on the Reconstruction Fund, European capitals are still facing difficult negotiations with EurParl on almost 40 regulations that will determine how the EU budget will be spent. MEPs will demand more influence on how the money is spent, more clarity on how the new EU debt will be financed and more money for education, housing and health. Although ultimately MEPs will not block the budget, the European Council will have to make some concessions in order to conclude the negotiations as soon as possible.

## Another clash between Warsaw and Brussels on rule of law.

EU rules in this respect will be part of the negotiations on the new EU budget. European Commissioner for Justice Didier Rayners assured that EurCom would seek to resume talks between the European Council and the Parliament on a regulation introducing a mechanism for suspending funds for rule of law violations. He also announced that EurCom is preparing alternatives to this solution, which will better protect EU funds from misspending. Poland will not be able to block these regulations as decisions are taken by a qualified majority. In the autumn, Warsaw will be weakened by a report assessing the state of

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*In the autumn, there will be hearings in the Court of Justice of the EU with regard to the independence of the Polish judiciary.*

### 7-11 September 2020

EU-UK Negotiations  
(Round 8)

### 24-25 September 2020

European Council

### 28 September - 2 October 2020

EU-UK Negotiations  
(Round 9)

### October 2020

EU-Africa Summit

### 8-9 October 2020

Justice and Home Affairs  
Council (migration)

### 23 October 2020

Environment Council  
(EU Climate Law)

### 23-26 November 2020

EurParl plenary session

### 10-11 December 2020

European Council

### 14-17 December 2020

EurParl plenary session

### 31 December 2020

End of post-Brexit  
transition period

President of the European Commission Ursula von der Leyen and President of the European Council Charles Michel,



rule of law in EU member states, which is scheduled to be presented in September, as well as by the continued presence of the issue in the CJEU. Two hearings will be held on September 22 with regard to the independence of the Polish judiciary. On October 15, the Advocate General of the CJEU will give his opinion on the question of the Supreme Administrative Court's preliminary ruling on Supreme Court judges.

### Decisions on new London-Brussels relations.

The transitional period stipulated in the agreement on the United Kingdom's withdrawal from the EU ends on December 31. Negotiations on the agreement – which will determine the shape of future trade relations, regulatory cooperation and the movement of persons between the two entities – will enter a crucial phase at the turn of September and October. It is unlikely to be comprehensive and allow for a similar economic exchange between the EU and the UK as before,

as there will not even be time for the necessary ratifications. As a result, even the negotiation of a limited free trade agreement by October will be an achievement. This means that cooperation and relations between EU operators and the UK will be difficult starting January 2021.

### A new level of EU climate ambition.

By the end of the year, work should be completed on the so-called climate law, which incorporates into the European legal order the goal of

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*The transitional period stipulated in the agreement on the United Kingdom's withdrawal from the EU ends on December 31.*

achieving neutrality by 2050. EurParl wants to use the ongoing negotiations to put pressure on capitals and further increase the EU's emission reduction commitments by 2030. In September, EurCom is expected to present scenarios on how this target could be increased to 55 per cent (currently 40 per cent), in line with the commitments of the Paris agreement. Finding a consensus on this issue, which traditionally creates divisions between capitals, is one of the priorities of the German presidency.

### Debate on the future of Europe resumes.

The pandemic has put work on the project of the biennial Conference on the Future of Europe, which was supposed to start in May 2020, on the back burner. A forum composed of representatives of the institutions, states and society will discuss the necessary treaty changes and institutional reforms of the European Union. The epidemiological situation not only made it difficult to organise the conference, but also increased its stakes in view of the unprecedented decisions taken to finance the EU's economic recovery with debt. The issue is particularly important for EurParl.

### EU will fight for a place on the geopolitical map.

A number of meetings will be held in the autumn to formulate the EU's strategy against existing threats (such as Turkey's provocations in the Eastern Mediterranean) and new challenges (including Africa). EU policy on the ongoing protests in Belarus will also remain high on the agenda. If the situation in this country does not change radically, the EU is unlikely to turn to more powerful instruments than individual sanctions and finan-

cial assistance to civil society. The conflict over the EU's asylum policy will escalate again in the autumn: EurCom is expected to present a package of new regulations, the publication of which has been postponed due to budget negotiations.

### Digital regulations will return to the agenda.

By the end of the year, EurCom will present an amendment to the regulation on Internet services. The issue is highly controversial, as the planned changes could lead to a radical revision of the rules that have been in force for 20 years, especially in relation to the liability of Internet platforms towards consumers. The Executive Vice President of the European Commission for A Europe Fit for the Digital Age and the Commissioner for Competition will present proposals for improving the ability of the EU's competition policy to deal with unfair competition. ●

&gt;&gt; International affairs

# The world will look at the US and Belarus

The presidential election will dominate politics in the US this coming autumn. Its outcome will also affect armed conflicts and crises around the world.



**dr Piotr Łukasiewicz**  
*Analyst for Security  
and International Affairs*

August 17-20, 2020. The Democratic Party Convention.



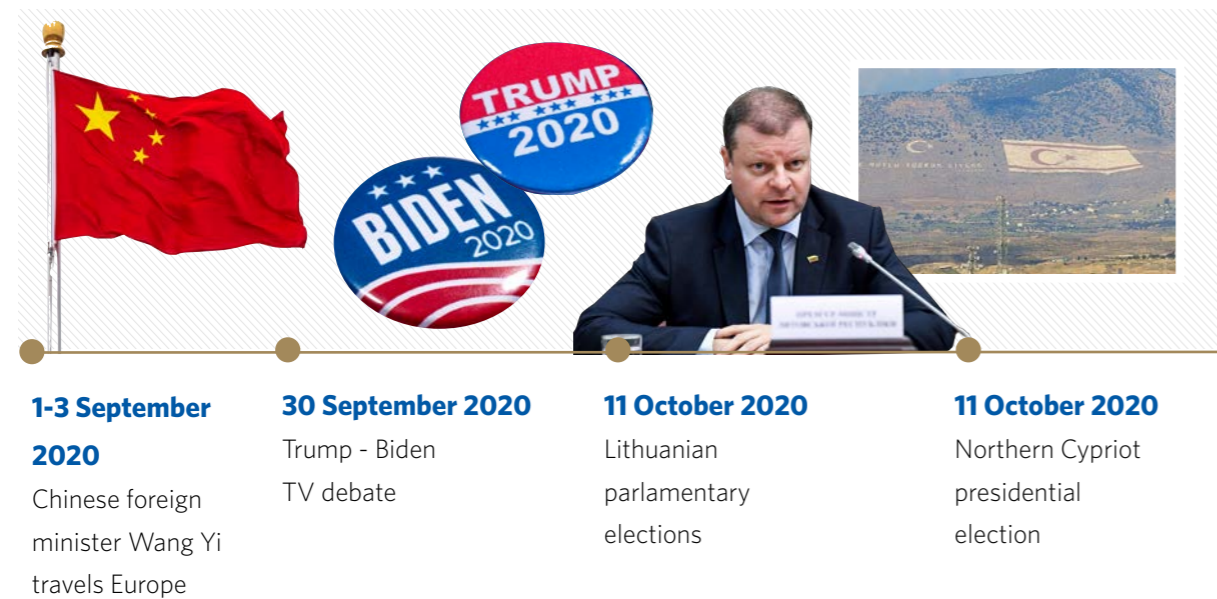
## Election will dominate US politics.

On November 3, US voters will evaluate Donald Trump's four-year presidency, especially the most recent part defined by the COVID-19 pandemic. Since receiving his nomination, the incumbent president's rival has enjoyed a steady lead of nearly 7-9 per cent in polls, including those states where Trump won in 2016. However, the president could still make up for the losses thanks to good debate performance and a softening of rhetoric. He already says that he has a remedy for the economic crisis, promising a vaccine in the autumn. The election in the US is important not only for the Americans but also for the whole world, given that the US is one of the most important international players. If the difference in votes between the candidates is small, one can expect attempts by the candidates to undermine the result and a tedious procedure to determine the outcome.

*On November 3, US voters will evaluate Donald Trump's four-year presidency – currently Joe Biden has a better chance in the election.*

## Europe, Asia and South America will also vote.

In Burma, the parliamentary elections on November 8 will determine the fate of the party led by Aung San Suu Kyi, the former icon of democracy who is now accused of inspiring the purges of Rohingya tribes. The result of the presidential election in Northern Cyprus (November 11) may determine future Turkey-Greece relations. In Venezuela, which is facing a humanitarian and economic crisis, the parties of Juan Guaido, whom Poland recognised as the country's interim president, and Nicolas Maduro – whom Russia considers to be the president – will face off on December 6. The outcome of the elections may determine whether Venezuela will continue to plunge into chaos. On October 11, parliamentary elections will



be held in Lithuania; the parties currently forming a coalition (the Farmers and Greens Union and the Homeland Union) have a good chance of winning, especially since the government is being strengthened by its successful efforts in connection with the situation in Belarus.

### Belarus will remain the focus of attention.

The scale of protests against Belarus's incumbent president is unprecedented. Their strength does not seem likely to diminish in the near future, especially since people who were usually neither politically, nor socially active took to the streets.

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*The autumn will be intense in Belarus - the risk of armed conflict still exists, but so too does the chance for peaceful regime change.*

The European Union considered the presidential election to be rigged, so President Alyaksandr Lukashenka can now only count on help from Russia. The risk of armed conflict still exists, but so too does the chance for peaceful regime change. The EU may publish a list of people sanctioned for the violent suppression of demonstrations after the informal meeting of the Foreign Affairs Council on August 27-28, which could be expanded in the weeks to come. For the time being, Washington's response to the events has been less decisive, especially considering that it tried to establish new relations with Lukashenka this year by exchanging ambassadors.

### Uncertain withdrawal of US troops from Germany.

Donald Trump announced the withdrawal of 6,400 soldiers from Germany and the transfer of another 5,900 to Italy and Belgium. US Secretary of Defense Mark Esper assured that the entire operation could be completed before September 30. These intentions, however, have been criticised by the US Congress, which is going to debate the Pentagon's budget in autumn. A group of



senators from both parties has already introduced an amendment to the law on the use of the armed forces, prohibiting the president from reducing the number of soldiers in Germany. So while Trump is determined to implement the plan to reduce the number of troops in Germany, which he accuses of failing to keep its allied promises, he must convince his own supporters in the party to do so. Biden's victory in the election could radically change these plans.

### China will fight for influence in Europe.

China's MinFor Wang Yi's visit to Europe at the turn of August and September will be his first trip abroad since the outbreak of the pandemic. China decided that medical diplomacy (e.g. handing over medical equipment, doctors' visits) during the pandemic did not bring the desired effect; instead, the image of their country in the EU has deteriorated. Europe is crucial for China due to its worsening relations with the US and the risk that the EU will side with the US (on digital issues, 5G, etc.). Despite earlier announcements, however, there will be no summit of EU leaders with Chi-

nese leader Xi Jinping this autumn. European leaders are also increasingly concerned about human rights violations in Hong Kong and the persecution of the Uighurs on the part of the Chinese.

### Humanitarian crises on a global scale.

The COVID-19 pandemic worsened the situation in countries affected by wars or natural disasters. The UN estimates that in 2020, 34 crisis-stricken countries out of the 63 under consideration will require additional assistance, but the deepening global crisis will block it. In Yemen, where 80 per cent of the population needs help, as many as 200,000 people may die as a result of the pandemic in 2020. The crisis means that in the second half of 2020, Yemen will receive only USD 500 million, though it received USD 1.5 billion in the same period during the previous year. The situation in countries such as Venezuela and Lebanon is also difficult. Afghanistan may also be affected on a smaller scale if after the withdrawal of troops expected in November, the country becomes cut off from assistance tied to the mission of the US and NATO. ●

# Companies to watch



## CD PROJEKT WILL LAUNCH CYBERPUNK 2077

The new game from Poland's biggest studio has been eagerly awaited by gamers all around the world. It was supposed to have been released on April 16, but it was then postponed until September 17 and then November 19. That has not affected the company's share price. Although its revenue is just a fraction of the likes of PKN Orlen or PKO BP, CD Projekt has a much bigger market capitalisation, at around PLN 40 bln. Investors are continuing to buy up the stock because they hope Cyberpunk 2077 will be an even greater global success than its predecessor, The Witcher 3, Wild Hunt. If they are right, CD Projekt's revenue - which in 2019 amounted to PLN 521.3 million - will increase several times.



## ALLEGRO IPO IN WARSAW

According to unofficial reports, Poland's biggest online shopping site could launch its initial offer in October. It could be worth up to PLN 11 bln. The company has not commented on the press reports. Most of the shares will be sold to institutional investors. Since 2017, Allegro has been owned by investment funds Permira, Cinven, and Mid Europa, which bought the company for USD 3.25 bln. The website has more than 18 mln users. Last year, it reported sales of PLN 2.4 bln (+31 percent year-on-year) and a net profit of PLN 399 mln (+73 percent). Around PLN 2.1 bln of its sales come from a commission on online sales.



## TIKTOK'S FATE TO BE DECIDED BY NOVEMBER 12

The online video platform, which has gained massive popularity among young people, has been targeted by US President Donald Trump, who promised to block it from the US market. The reason for this is the fact that it is owned by the Chinese company ByteDance. The US administration fears that the company may be sharing information about its US users with the Chinese authorities (the company denies this) or that it may be spreading Chinese propaganda. Trump first gave ByteDance 45 days to sell its US assets and then extended the deadline to 90 days, which gives the company time until November 12. Microsoft, as well as Oracle, have been mentioned as possible buyers.



## POLISH FOOD HOLDING COMPANY TO BE CREATED

It is to be established by the end of 2020 on the foundation of the National Sugar Company. KPMG is working on the plans and Deputy Minister of Assets Artur Soboń is responsible for the project. In July, he said that 17 state companies that could be a part of the holding company have been selected. They are now undergoing financial audits and assessment of their ability to be a part of the larger group. The company will be involved in the production of sugar, grains, potato starch, and others; it will also own farms and seed companies. The new company will also expand into new markets, such as fruit processing.



## HORUM WILL PRESENT A NEW OFFERING

During the autumn, the Polish fintech will launch a new social platform for micro, small, and mid-sized companies. At first, it will allow them to securely sign contracts using so-called smart contracts. Its customers will be able to take advantage of factoring and legal advice and at the next stage - book-keeping, leasing, debt collection, and loans. Launching the platform before receiving a banking licence (Horum is seeking one in Lithuania) will allow the company to gain customers. A banking licence will allow Horum to offer banking services, such as loans, and it will also let customers sell products and services to each other. Access to the platform will require a subscription.



### NETTO WILL GROW QUICKLY

This will happen if the UOKiK agrees to its purchase of 301 stores from Tesco, which will nearly double the number of its stores (to 687) and will bridge the gap with Lidl (who owns more than 700 locations). The purchase will also add two distribution centres to Netto's existing three. The takeover of the stores from their British owner will also more-than-double the number of its employees from 5,500 to 12,00. The Tesco stores will need to be upgraded for which Netto intends to spend PLN 1 billion in the next 18 months. The CEO of its owner, Salling Group, told Danish media that Netto would open 35-40 new stores annually in the coming years.



### PGZ IN THE RED, MAY LOSE ITS CEO

The company's loss in 2019 exceeded PLN 1 bln, according to Chief Executive Andrzej Kensbok (the annual report is awaiting publication at KRS). This is the company's biggest-ever loss, mainly caused by the shipyard companies owned by the MARSfund, which were not included in the company's consolidated results from May 2019. After the supervision over PGZ was transferred from MinDef to MinAssets, it has reassessed the value of its loss-making shipyards. Kensbok believes that PGZ earned more on the production of weapons, but it is still missing export contracts. As a result, the current management may fall victim to a situation over which it had no control and the government may attempt another reform of the state's defense group.



### ESOLEO TO EXPAND PV MARKET THANKS TO SOLORZ

The sales of the company that installs photovoltaic panels stood at barely PLN 3.8 mln in 2018, while its net profit reached PLN 81,000. However, its future development will be linked to media and telecoms group Cyfrowy Polsat, which bought a majority stake in January 2020. Thanks to the businesses of its controlling owner, Zygmunt Solorz, Eseleo will gain access to new promotional channels, which will have a significant impact on its expansion. The company will also benefit from the growing popularity of RES. According to the Renewable Energy Institute, PV panels generated 924 GWh of electricity in 2019. If the trend from the first half of the year continues, this could more-than-double to 2200 GWh in 2020.



### ORLEN WILL PRESENT ITS NEW STRATEGY

In Q4, the Plock-based company is to present a new development plan for the coming years, which is to include the goal to be climate-neutral by 2050. But the main part of the plans is the creation of a multi-energy company based on the takeover of state-controlled enterprises. So far, Orlen has taken over electric utility Energa and has received a conditional backing for its purchase of Lotos. It is also preparing to buy PGNiG. However, the plans by Daniel Obajtek are meeting resistance from the government's Plenipotentiary for Strategic Energy Infrastructure Piotr Naimski. For now, Orlen CEO has the backing of Jarosław Kaczyński, but the company is facing headwinds in its markets, such as shrinking refining margins, which are weighing on PKN's valuation. If Orlen encounters financial woes, Obajtek's expansion may slow.



### ASTRAZENECA MAY DELIVER A VACCINE FOR CORONAVIRUS

The UK/Swedish company is amongst the most advanced producers in terms of research and supply negotiations with the governments of the USA and EU countries. As early as October, AstraZeneca may be ready to register the vaccine developed at the University of Oxford, provided clinical trials continue as planned and the vaccine proves to be effective and safe. Although the EurCom and US authorities plan to receive vaccines from several western companies, AstraZeneca's vaccine will likely be distributed first. The company may come under pressure to decide where to prioritize the vaccine first, as orders from around the world currently stand at 2 bln doses.

# Who will be in the news



**Gen. Rajmund Andrzejczak**

He is a candidate to head the NATO Military Committee for a three-year term starting in May 2021. The election will be agreed upon by the heads of defense of the Alliance's member states in September. The Pole will be supported by the US and NATO's eastern flank. Western Europe may opt to back a Dutchman (after the Canadian candidate withdrew). A Pole has never held such a senior position in NATO. Andrzejczak has a high opinion amongst the alliance members, and thanks to a mission in Afghanistan, he knows a large number of generals from the US, UK, and Germany. If appointed, he will resign from his position as the Chief of General Staff of the Polish armed forces, which would benefit MinDef Mariusz Błaszczak, who is at odds with Andrzejczak.



**Mariusz Błaszczak**

As part of the planned cabinet reshuffle, the MinDef will probably receive the position of deputy PM. Błaszczak is better at managing the ministry than his predecessor Antoni Macierewicz, and the agreement with the US to increase the presence of American soldiers in Poland can be credited to his account. The title of deputy PM will be a symbolic acknowledgement of this success, but will also sanction Błaszczak's large political ambitions. The cabinet promotion in combination with his high position within the party (Błaszczak is its deputy head) means he will be seen as a potential replacement for Mateusz Morawiecki and possibly even, an heir to Jarosław Kaczyński.



**Tomasz Chróstny**

The head of UOKiK is already taking advantage of the tools to fight payment backlogs. The regulator is conducting proceedings against companies such as Auchan, Eurocash, Makro Cash&Carry, and Intermarche, which despite being required to, have failed to pay their contractors. The total value of their unpaid bills is PLN 88.3 mln, which means they could face financial penalties from the head of UOKiK. In the autumn, Chróstny may also audit the first investments of non-OECD entities, made into the domestic stock exchange or infrastructure companies based on his new powers under the new law on subsidies to interest rates on loans. After the summer, PiS may present draft legislation that would transfer the tasks of the financial ombudsman to the head of UOKiK.



**Swiatłana Cichanouska**

She became the face of the new Belarussian opposition as Alyaksandr Lukashenka's main opponent in this year's presidential election. She launched her presidential campaign after her husband, Siarhei Tsikhanouski, was arrested, preventing him from running for the position. Her campaign events attracted large crowds. The announcement of the official results of the August 9 election, which showed Tsikhanouskaya receiving only 10 percent of the votes, sparked pro-democracy protests by Belarussians. The regime's violent reaction against the protesters forced Tsikhanouskaya to flee to Lithuania, where she established contact with European leaders and institutions.



**Anna Dalkowska**

On August 25, the deputy MinJust took over the supervision over the department of legislation for the court system, which is drafting an amendment to the law on the system of common courts, that would flatten the structure of courts. The proposal being prepared by Dalkowska will again put the judiciary at the centre of the political debate. In her public comments, Dalkowska did not indicate whether the district, regional or appellate courts would disappear. She is also a judge and in June the National Judiciary Council issued a positive opinion on her candidacy to join the Supreme Administrative Court (NSA). After completing the changes to the court system, Dalkowska will likely leave the ministry to become an NSA judge.



**Wojciech Dąbrowski**

The autumn will show whether the ambitious plans of the PGE CEO regarding the separation of coal assets from energy companies will become a reality. Dąbrowski's vision was approved at the political level, but it is not yet clear what it will look like. The MinAssets is still working on the final plan. The most likely scenario is shifting coal-powered plants to a separate state company followed by the consolidation of the energy sector, consisting of the takeover of Enea and Tauron by PGE. If this plan is successful, Dąbrowski will become the second most powerful CEO in state-owned companies after Daniel Obajtek.



**Kamala Harris**

Harris will be at Joe Biden’s side during the battle for the White House in the November presidential election in the US. The 55-year old former California attorney general and current Senator for the same state was chosen as the candidate for vice-president out of 12 people under consideration. She is the first African-American woman who could take the second-highest office in the country. Harris, who has become a sort of symbol of the changes taking place in America, will certainly help Biden with her experience and charisma. Her nomination also gives her a chance to place her own bid in the 2024 presidential election, as Biden, if elected, will probably be a one-term president.



**Maciej Mataczyński**

He is a partner at SMM Legal. His team supported Orlen in getting the EurCom’s conditional approval for its fusion with Lotos, Poland’s largest merger in history. Mataczyński is currently working on the implementation of related measures and transactional documentation for PKN, which will take up the next several months to come. He is also an advisor on the ongoing integration of Orlen and Energa. His law firm will also play a key role in the planned merger of PKN and PGNiG.



**Adam Niedzielski**

The new MinHea will become the face of the fight against COVID-19 in the autumn and winter season. Niedzielski is an economist and former head of the National Health Fund (NFZ, 2019-2020), he is also trusted by Mateusz Morawiecki. He will implement the strategy to make the health care system more effective while also seeking to prevent the economy from coming to a standstill as a result of a lockdown. As an expert in public management, he will also be open to implementing deeper system reforms, such as the further expansion of e-health and the consolidation of hospitals, as long as he is able to manage the crisis during the pandemic.



**Jacek Oko**

After the expected appointment as the head of UKE, Jacek Oko will decide on the format of the selection procedure for 5G frequency bands. He will also be able to decide the fate of the Chinese equipment in the Polish 5G network. As the head of UKE, Oko, in line with the new law on electronic communication, will have additional powers. He will be able to examine alternative variants of the functioning of the market and diagnose, among other things, all significant sources of competitive pressure in the wholesale and retail markets. Due to being picked directly by the prime minister, he will work more closely with the government than his predecessors, which may raise questions about his independence in the future.



**Mark Rutte**

The Dutch PM will play a central role in European politics this autumn, especially in the negotiations on the EU budget for 2021-2027. The leader of the Dutch liberal party VVD, Rutte has been the head of the government since 2010, which makes him one of the longest-serving European leaders. In the negotiations, he is seen as the spokesman for the “stingy” EU countries (Austria, Denmark, Finland, Sweden, and the Netherlands). It is the ability to build a coalition that makes the Netherlands one of the most influential EU states. Rutte will seek to tighten the rules for granting EU funds in order to fend off attacks by Eurosceptic parties, which may win more votes in the parliamentary elections taking place in March.



**Rafał Trzaskowski**

In the wake of the presidential election, he has become the most popular KO politician. This autumn he will remain the main actor amongst the opposition. On September 5, the Warsaw mayor will launch a civic movement, likely to be called New Solidarity, which will seek to tap the political energy of the non-political activists who helped Trzaskowski during his campaign. The creation of an apolitical institution by the deputy head of PO will cause tensions between the movement and the party, which may become an additional burden for the opposition in its rivalry with PiS.

# Autumn conferences

| CONFERENCE NAME             | DATE            | VENUE   |
|-----------------------------|-----------------|---|
| European Economic Congress  | September 2-4   | Katowice, International Congress Centre           |
| Economic Forum 2020         | September 8-10  | Karpacz, Hotel Gołębiewski                        |
| Impact'20 Connected         | September 23-24 | Warsaw, Expo Warsaw                               |
| EFNI 9 and a half           | October 1-2     | Sopot, Hotel Sheraton an/or RadissonBlu           |
| DISE Congress               | October 7-8     | Wrocław, The Bridge Wrocław – MGallery            |
| European Financial Congress | October 12-14   | Sopot, Hotel Sheraton, Hotel Grand, Hotel Haffner |
| 590 Congress                | October 21-23   | Jasionka near Rzeszów, G2 Arenawa                 |
| OEES 2020                   | November 17-18  | Kraków, ICE                                       |

The overview was prepared by Karol Tokarczyk, Digital Economy Analyst.

## EUROPEAN ECONOMIC CONGRESS (EEC)

SEPTEMBER 2-4, KATOWICE

The event organised by the Polish Society for the Support of Entrepreneurship (PTWP) will be held for the 12th time and will open the autumn conference season. It is the first big political-business meeting since the beginning of the coronavirus epidemic in Poland, and therefore, will be closely observed by both participants and competitors. The EKG takes place in a mixed form - both physically and online. The conference organiser Wojciech Kuśpik assures that the safety standards at the venue are higher than those required by regulations and that there are 4-5 square metres per participant. Among the guests of the event are Vice-President of the EurCom Frans Timmermans, President of the Office for Competition and Consumer Protection (UOKiK) Tomasz Chróstny, and Deputy Head of the Ministry of State Assets Janusz Kowalski. The topics that will be discussed by the participants include the economy in recession, the new EU budget, and the digital transformation of the economy.

## ECONOMIC FORUM

SEPTEMBER 8-10, KARPACZ

The event, whose originator and organiser is Zygmunt Berdychowski and the Institute of Eastern Studies, was moved from Krynica-Zdrój to Karpacz, due to the Nowosądecki powiat being included in the so-called Ministry of Health's red list. The organisers chose Karpacz because of its previous cooperation with the Gołębiewski Hotel in hosting other events. The Economic Forum is one of the most important events on the autumn map of conferences. Debates during the event will be held in a traditional form and only some of them will be broadcast over the Internet. The participants of the event will discuss, among other things, how the economy dealt with the coronavirus crisis, the development of the 5G network, foreign expansion of Polish companies, necessary economic reforms, and Poland's economic relations with, for example, EU countries and the US. Among the guests who have already confirmed their presence are MinDev Jadwiga Emilewicz, CEO of PGNiG Jerzy Kwieciński, and CEO of Maspex Krzysztof Pawiński.

## IMPACT'20 CONNECTED EDITION

SEPTEMBER 23-24, WARSAW

The event, organised by the Impact Foundation, will take place in hybrid form, meaning that the speakers and participants of the debates will physically appear at the conference, while the audience will follow the talks via live transmission. Most of the speakers have confirmed their presence at the conference. Amongst them will be Prime Minister Mateusz Morawiecki, Deputy PM Jadwiga Emilewicz, and Head of MinAssets Jacek Sasin. The organisers have planned nine thematic paths: Mobility, Finance and E-commerce, Digital Industry, Energy, Next Health, Green Economy and Planet Tech, Open Science, Applied AI, 5G and Cloud Solutions, Urban Next.

"EFNI 9 AND A HALF"

OCTOBER 1-2, Sopot

The event, organised by the Leviathan Confederation, will host 350 instead of 1000 people due to the coronavirus pandemic. For the same reason, the tenth edition, which should take place this year, has been postponed until 2021. One of the main topics of the conference held in Sopot will be the functioning and reconstruction of the Polish and European economy during and after the crisis. The program also includes, amongst other things, debates on the challenges and opportunities associated with the European Green Deal, support for businesses, and changes in the labour markets. The opening ceremony will be attended by Prof. Magdalena Środa and Edwin Bendyk, President of the Batory Foundation.

DISE CONGRESS

OCTOBER 7-8, Wrocław

The event, organised by the Lower Silesian Institute for Energy Studies Foundation (its vice-president is, among others, former MinTreasury Dawid Jackiewicz) will be held for the sixth time. The main topic of this year's meeting is the European Green Deal, which assumes that the European Union will achieve climate neutrality by 2050. The participants of the meeting will develop models for the transformation of the Polish energy sector, which will simultaneously ensure energy security for the country and competitiveness of the economy. The guests of the event will include MinClim Michał Kurtyka and President of the Energy Regulatory Office (URE) Rafał Gawin.

590 CONGRESS

OCTOBER 21-23, Jasionka near Rzeszów

The conference, organised by the company of the same name is one of the main programmatic forums associated with the ruling camp. In the backstage of the congress, one can meet both ministers and managers of state-owned enterprises. The event will take place in the G2Arena Exhibition Center in Jasionka near Rzeszów. Instead of about 170 events, the organisers have planned about 50 debates, all of which will be broadcast over the internet. Every day the conference will be attended by about 500 people. The organisers confirm the presence of both President Andrzej Duda and Prime Minister Mateusz Morawiecki, who also visited the congress in previous years.

OPEN EYES ECONOMY SUMMIT 2020

NOVEMBER 17-18, Kraków

The event, whose originator is Professor Jerzy Hausner, is organised by the Foundation for the Economy and Public Administration, composed mainly of the graduates and students of the Krakow University of Economics. The debates will be held in a hybrid form (stationary debates and online audience). The organisers are ready to open the ICE Krakow Conference Centre for the participants, but they will ultimately decide this issue when closer to the conference date. The congress consists of four thematic blocks (company-idea, brand-culture, city-idea, and international order), the participants will talk, amongst other things, about the relationship between humans and A.I, the adaptation of cities to climate change, and education.

Abbreviations used  
by Polityka Insight:

**PiS** - Law and Justice,

**PJN** - Poland Comes First,

**PO** - Civic Platform,

**PSL** - Polish People's Party,

**SLD** - Democratic Left Alliance,

**SP** - United Poland,

**CouMin** - Council of Ministers,

**ConTrib** - Constitutional Tribunal,

**MinAgr** - Ministry of Agriculture  
and Rural Development / Minister of  
Agriculture and Rural Development,

**MinClim** - Ministry of Climate /  
Minister of Climate,

**MinCul** - Ministry of Culture and  
National Heritage / Minister of Culture  
and National Heritage,

**MinCult** - Ministry of Culture and  
National Heritage / Minister of Culture  
and National Heritage,

**MinDef** - Ministry of Defence /  
Minister of Defence,

**MinDev** - Ministry of Investments  
and Development / Minister of  
Investments and Development,

**MinDigi** - Ministry of Digitisation /  
Minister of Digitisation,

**MinEdu** - Ministry of National  
Education / Minister of National  
Education,

**MinEner** - Ministry of Energy /  
Minister of Energy,

**MinEnv** - Ministry of Environment /  
Minister of Environment,

**MinEur** - European Affairs Minister,

**MinEco** - Ministry of Economy /  
Minister of Economy,

**MinFam** - Ministry of Family, Labour  
and Social Policy / Minister of Family,  
Labour and Social Policy,

**MinFin** - Ministry of Finance /  
Minister of Finance,

**MinFor** - Ministry of Foreign Affairs /  
Minister of Foreign Affairs,

**MinFun** - Ministry of Development  
Funds and Regional Policy / Minister  
of Development Funds and Regional  
Policy,

**MinHea** - Ministry of Health /  
Minister of Health,

**MinInfra** - Ministry of Infrastructure /  
Minister of Infrastructure,

**MinInt** - Ministry of the Interior and  
Administration / Minister of the  
Interior and Administration,

**MinJus** - Ministry of Justice / Minister  
of Justice,

**MinMar** - Ministry of Maritime  
Economy and Inland Navigation /  
Minister of Maritime Economy and  
Inland Navigation,

**MinSci** - Ministry of Science and  
Higher Education / Minister of Science  
and Higher Education,

**MinSpor** - Ministry of Sport and  
Tourism / Minister of Sport and  
Tourism,

**MinStat** - Ministry of State Assets /  
Minister of State Assets,

**MinTech** - Ministry of  
Entrepreneurship and Technology  
/ Minister of Entrepreneurship and  
Technology,

**MinTrea** - Ministry of State Treasury /  
Minister of State Treasury,

**NSA** - Supreme Administrative Court,

**CJEU** - Court of Justice of the  
European Union,

**ECB** - European Central Bank,

**ECHR** - European Court of Human  
Rights,

**EurCom** - European Commission,

**EurCou** - European Council,

**EurParl** - European Parliament,

**EU Council** - Council of the  
European Union,

**DRF** - Demographic Reserve Fund,

**FED** - Federal Reserve System,

**GPW** - Warsaw Stock Exchange,

**GUS** - Central Statistical Office,

**KNF** - Financial Supervision Authority,

**KRUS** - The Agricultural Social  
Insurance Fund,

**NBP** - National Bank of Poland,

**NFZ** - National Health Fund,

**NSA** - Supreme Administrative Court,

**OFE** - Pension fund,

**PPK** - Employees Capital Plans,

**RPP** - Monetary Policy Council,

**TFI** - Investment Funds Society,

**ZUS** - Social Insurance Institution,



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