NOTE

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NEW INDUSTRIAL POLICIES: LESSONS FOR THE EU AND THE CLEAN INDUSTRIAL DEAL

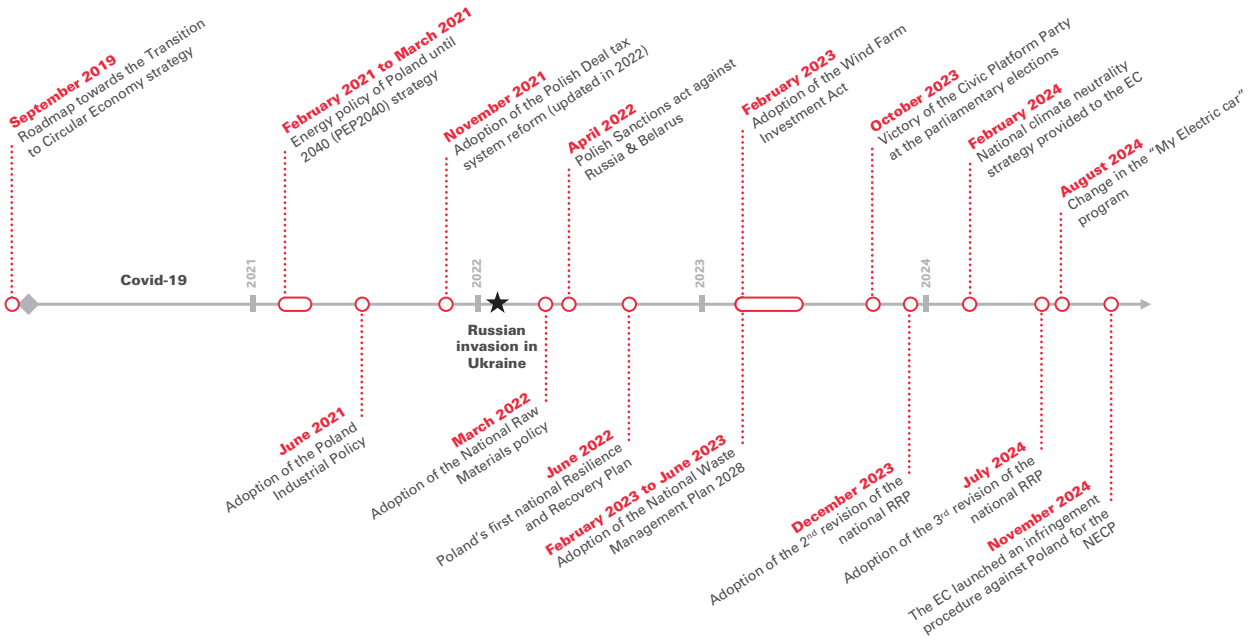
Case study: New industrial policy in Poland

Paolo Monteiro de Macedo (Independent Expert), Nicolas Berghmans, Céline Kauffmann, Philippine Lévy (IDDRI)

Poland is characterized by a very strong industrial base but limited political guidance. According to World Bank national accounts data, the industry sector including construction represented slightly almost 30% of national GDP in Poland in 2023. As such, there is no *de facto* overarching defined industrial strategy and the governance of industry relevant policies is spread across multiple ministries. Nonetheless, the main priority for Poland's policies in industrial sectors, clearly highlighted in the Recovery and Resilience Plan, seems to be the decarbonization of power generation and the improvement of energy efficiency. Poland remains very attractive for foreign investors, with more than 25% of the GDP resulting from industrial production. Poland has also experienced a significant development in certain clean industries such as battery manufacturing linked to recent investments of one industrial actor, making it the second world manufacturer today. Polish industry must face new challenges as its historical strength, namely cheaper and skilled labor force, abundant coal for energy supply, may not persist with the green transition and the necessity to decarbonize the energy mix while labor costs are on the rise. To face these challenges, Poland may have an interest in defining precisely an industrial strategy in order to be able to compete with rising emerging industrial centers in Europe (Iberic Peninsula, Scandinavia).

This case study is related to the *Study* New industrial policies: Lessons for the EU and the Clean industrial Deal

Figure A.1 Poland timeline



1. INDUSTRIAL STRATEGY – DIRECTION, PLANNING & GOVERNANCE

1.1. Political directionality of the national industrial strategy

Poland is characterized by a limited political involvement in its industrial policy, despite a very strong industrial basis. In June 2021, the government has released the Poland's industrial policy (*Polityka Przemyslow Polski* – PPP)[1] focused on industry with 5 axes of development in the post-COVID world: digitization and industry 4.0, the greening of industry, securing supply of key raw materials, shortening and reshoring of supply chains and the knowledge and skills challenge. This strategy was mostly operated within the Polish Deal, a package of fiscal reform incentivizing investment in R&D and robotization. It was also preceded by the Energy Policy of Poland until 2040 (PEP2040) strategy adopted in February 2021, setting the long-term energy planning strategy including the objective of commissioning the first nuclear power plant by 2033. There is uncertainty on how much the new government led by the Civic Platform, elected in October 2023, will follow previous orientations developed under the PiS government.

The Polish Recovery and Resilience Plan (*Krajowy Plan Odbudowy* – KPO)[2] granted €59.8 billion to Poland with a clear orientation towards the deployment of green energy infrastructure and decarbonized mobility (within its REPowerEU chapter, 46.6% of the available funds are allocated to measures that support climate objectives). Most of these funds are directed towards the development of infrastructure or equipment, without a specific policy supporting industrial development or decarbonization. The KPO also provides funds for the development of the demand towards green products, such as decarbonized collected heating or electric vehicles.

1.2. Technological and environmental objectives of industrial policy

The national energy and climate plan submitted by the European Commission in February 2024[3] sets the objective of 35% reduction in GHG emissions in 2030 compared to 1990 with a reduction of 38% for sectors covered by the EU ETS and 17.7% for the non-ETS sectors and 14.1% for the sectors covered by the Effort Sharing Regulation (all 3 figures compared to 2005 levels), while the share of RES should be 29.8% in gross final energy consumption by 2030.

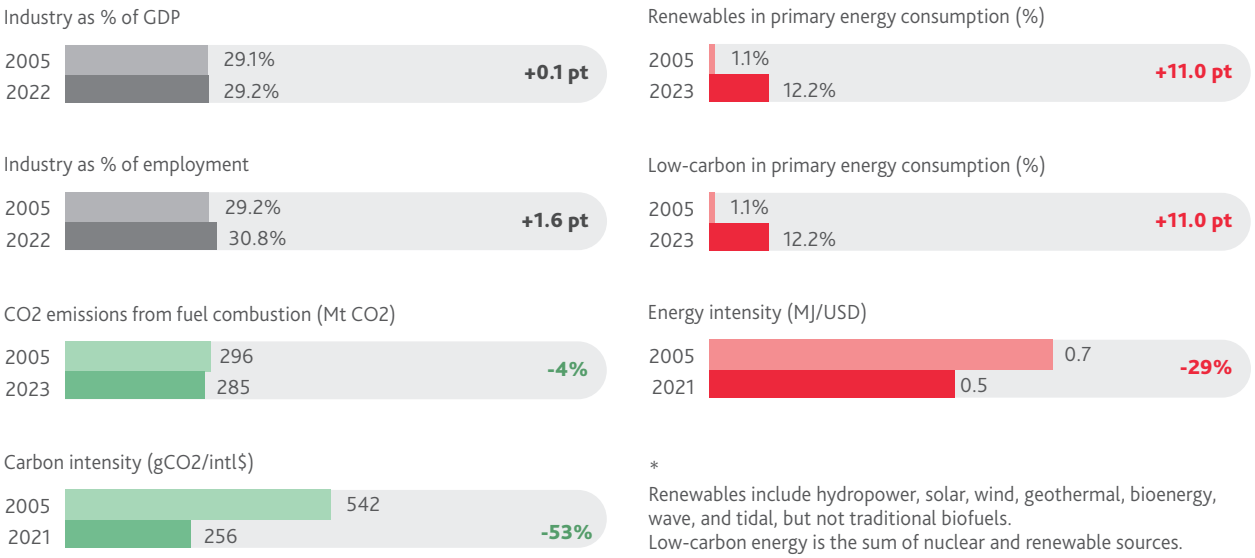
The European Commission has challenged these targets, considering they fail to achieve Poland's National Contribution to the

[1] See the communication of the Ministry of Development and Technology (09/06/2021).

[2] https://www.kpo.gov.pl/

[3] Poland's draft updated NECP 2021-2030 transmitted to the European Commission (05/03/2024).

Figure A.2 Poland indicators



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Renewables include hydropower, solar, wind, geothermal, bioenergy, wave, and tidal, but not traditional biofuels.
Low-carbon energy is the sum of nuclear and renewable sources.

EU's renewable energy target. Many energy experts consider that relaxing the regulation on wind turbines construction could significantly increase the green energy potential of the country. The Commission in its recommendation on Polish NECP considers that more energy efficiency measures are also required. Poland has yet to provide the final updated NECP. The latest project still to be approved is considering more ambitious scenarios for the climate target (-40.6 to -46.8% for GHG emissions in 2030) and the share of renewable in gross final consumption (30 to 32.1%).

1.3. Institutional setup supporting the implementation of the industrial policy

One of the challenges for the Polish industrial policy that was reported during our interviews is that its governance is split across multiple ministries, led by different parties. As an example, in the debate over hydrogen policy, different ministries are responsible for different types of hydrogen: while the ministry of energy (mostly focused on mining, coal, copper and heavy industry), oversee the provision of "grey" hydrogen for the industry, the ministry of Environment will be the one responsible for the development of "green" hydrogen. The current institutional set up, with a President from an opposing party and a large coalition with 7 different parties involved, makes the creation of a large ministry for the economy and the industry unlikely and the ministry of energy recently absorbed the ministry of industry after a ministerial reshuffle taking place in July 2025.

2. DEVELOPMENT OF A CARBON PRICING MECHANISM

Poland is part of the EU ETS which average allowance price in 2024 was about 65 €/tCO_2. Due to the high-carbon intensity, Poland is the second largest recipient of revenues from ETS auctions after Germany (about 16% of total Member States revenues), revenues that reached €5.4 billion collected in 2023 due to the increasing price of emissions allowances.[4]

3. SUPPLY-SIDE SUPPORT TO INDUSTRIES

3.1. Support mechanisms for R&D&I focused on new green technologies

Poland has policies aiming to support R&D activities which are not specific to green technologies. The main instrument is a 200% tax relief for R&D qualified costs. Additionally, the National Centre for Research and Development offers some support programs in the field of new energy technologies. The last tender (at the end of 2024) was worth PLN400 million supporting RES, smart grid and the decarbonization of the energy sector for innovative R&D projects (including feasibility

[4] European Environment Agency (19/12/2024). Use of auctioning revenues generated under the EU Emissions Trading System.

studies).[5] However, the latest European Commission country report for Poland (Annex 11)[6] notes that Poland has a particularly low and decreasing level of funding in green innovation. In 2015, 14.4% of total Polish patents were environment-related in 2015 against 7.8% in 2020 while R&D expenditures concerning green domains fell from 10.3% to 7.8% from 2020 to 2021 below the EU average of 14.7%.

3.2. Support mechanisms for the development of new green technologies production units

In 2022, a new tax relief was implemented for robotization, as part of the "Polish Deal", a law allowing large tax reductions passed in January 2022, which reduces tax base by 50% of costs incurred for robotization in a given fiscal year. The main contribution of the European Recovery and Resilience Plan (KPO) were major investments in infrastructures: €16 bn for supporting the energy grid, €9 bn to invest in the green transformation of cities, €5 bn for the construction of offshore wind farms, €3 bn for energy efficiency and new heat sources for residential buildings and €2.4 bn for railways lines. These investments often stimulated local industries for the production of these infrastructures. In the case of the development of offshore wind farms, although the technologies are not directly owned by Polish companies (mostly Scandinavian companies), Polish industries have a substantial share in the value chain of building and maintaining those wind farms.[7]The second important development was the use of Special Economic Zones to attract foreign investments. Poland is currently the second world manufacturer of batteries[8] due to a very significant investment of LG energy Solution for building a giga-factory. The Polish government has provided multiple grants and subsidies to LG Energy Solution for the implantation and development of the plant.[9] Moreover, although there is a growing involvement of Polish management in this manufacture and significant local benefit, it was highlighted that this investment was primarily a Korean company investment, for which decision-making remains in the hands of LG headquarters located in South Korea.

3.3. Support mechanisms for the decarbonization of existing industrial production units

The Modernization Fund, part of the wider National Fund for Environmental Protection and Water Management, supports investments by companies in RES, energy efficiency, storage and the modernization of energy networks. It is funded from revenues of carbon allowances under the EU ETS. Smaller financial support mechanism also exists such as the PFR Green Hub,[10] a project of the Polish Development Fund which proposes a range of solutions–capital, legal solution and network of institutions–for supporting the development of renewable energy projects. The KUKE green guarantee helps companies finance investment projects for climate neutrality by providing a guarantee for banks' lending.

A November 2024 report by Forum Energii[11] stressed the "industrial elephant in the energy room": most Polish policies are stressing the importance of decarbonizing power production, even though the industrial sector consumed 18% more energy than the energy sector. The report stresses the existence of "low hanging fruits" for decarbonizing Polish industry that could be deployed rapidly (with mature technologies, potentially cost-competitive), but that are missing the necessary regulatory frameworks and political impulse to be implemented.

4. DEMAND-SIDE SUPPORT TO INDUSTRIES

4.1. Support mechanisms incentivizing private demand in green markets

With the support of the Recovery and Resilience Fund, Poland has developed multiple support mechanisms for individuals:

- **My Electricity program**: funding from the National Fund for Environmental Protection and Water Management, launched in 2019, which is a non-refundable subsidy covering up to 50% of eligible investment costs in PV, heat pump, heat storage and battery-energy storage systems.
- **"Clean Air" Priority program**: a subsidy scheme supporting the renovations and heat source replacements in single family houses (such as replacement of old heat sources powered by solid fuel with heat pumps) with grants up to PLN150,000. This can be complemented by the municipal "stop smog" program for co-financing.
- **My Electric car (NaszEauto)**: a subsidy scheme for purchasing new battery electric vehicles, light electric vans, as well as buses for public transportation, ranging from PLN18,750 to PLN70,000 (€4,200-€15,700). In August 2024 this scheme was reformed by excluding businesses, which may

[5] See the communication on the 3rd competition under the Strategic Programme for Research and Development Works "New Technologies in Energy Field" – NTE.

[6] European Commission (19/06/2024). Recommendation for a Council Recommendation on the economic, social, employment, structural and budgetary policies of Poland SWD(2024) 621 final.

[7] According to this article by Wind Europe, Polish companies and contractors will account for approximately 20% of total investment of the "Baltic Power" offshore wind project.

[8] Notes from Poland, (2023), Poland overtakes US to have world's second largest lithium-ion battery production capacity, April 6th, 2023

[9] The European Commission approved a first €36 million Polish investment aid to LG Chems electric vehicle batteries plant in January 2019. The European Commission agreed in 2022 to a Polish state aid of €95 million supporting a €1 billion investment by LG Energy Solution Wrocław for the expansion of the plant. This project was also backed by a €480 million loan provided by the EIB.

[10] https://pfrventures.pl/en/program-dla-vc/green-hub-summary

[11] Marcin Dusiło (Sep. 2024). Industrial decarbonization: where to begin for Poland? Forum Energii Analysis.

have significantly negatively impacted the uptake of BEVs in 2024 in Poland. The scheme was then continued in 2025, under similar conditions and extended during Fall 2025 to small electric trucks and beneficiaries: several public service entities, individual companies and non-governmental organizations (NGOs).

4.2. Public procurement strategy favoring green products and local content requirements

In 2022, the Ministry of Economic Development and Technology adopted a State Purchasing Policy for 2022-2025 that recommends a target of 30% of all public procurements to include environmental aspects).[12] It was recently announced that an interdepartmental Green Public Procurement team should produce a catalogue of products and services where green criteria is compulsory or recommended.[13]

4.3. Regulation and norms favoring green industries

We did not come across specific national regulations aiming to shape green markets for the development of Polish industries; these were mostly discussed in the context of renewable energy deployment. Regulation has been heavily discussed in Poland in the context of onshore wind turbines development. Indeed, in 2016 the Distance Act introduced the so-called "10H rule" which imposed a minimum distance of 2km between wind turbines from housing residences. This rule excluded *de facto* 99% of Polish territory for installing wind turbines. The Wind Farm Investment Act, adopted in February 2023, allowed municipal council to reduce this distance to 700 m (although the industry was advocating for a 500 m distance, which is standard in Europe).

5. LABOR AND SOCIAL POLICIES FOR A JUST INDUSTRIAL TRANSITION

The just transition policies in Poland are mostly framed around the European Just Transition Fund and not cited as part of the KPO or the 2021 industrial strategy. Poland was a significant beneficiary of the Just Transition Fund with 5 Just Transition Plans adopted in December 2022, worth €3.8 billion, and supporting the just transition in 5 coal regions (Silesia, Małopolska, Wielkopolska, Lower Silesia and Łódzkie). The JTP includes investments in energy infrastructure and in the diversification of economic activity in these regions (the JTF has allocated €520 million for skills development in these 5 regions). However, the Polish government and trade unions did not plan a phase-out from coal mining activities before 2049.

6. TRADE AND INTERNATIONAL POLICIES SUPPORTING INDUSTRIAL POLICIES

6.1. Policies aiming at improving resilience and de-risk global supply chains

Poland's strong focus on de-risking is linked to its former high dependency on Russian commodities. In the context of the Russian invasion against Ukraine, Poland developed a policy of complete decoupling with Russian gas (and energetic supplies). Russian commodities represented almost 90% of Poland's gas and oil imports in 2016. The Polish Sanctions Act adopted in April 2022 freezes financial assets and economic resources of a list of individuals and entities, exclusion from participation in public procurement proceedings and lists foreigners whose stay in the territory is undesirable. It also includes the prohibition of import and transit of coal originating from Russia and Belarus.

6.2. Policies supporting internationalization of national industries

Poland has been one of the main stakeholders in the development of the Baltic Pipe with Norway through Denmark and has also diversified its sources of LNG imports (mostly Qatar & USA). Norway & Denmark play a key role in the development of offshore wind farms while the USA are the main Polish partner for the development of new civil nuclear facilities. Overall, Poland has deepened its partnerships with Western and Northern Europe & with the USA in order to diversify its energy mix.

Regarding critical raw materials, Poland has developed in March 2022 its national Raw Materials Policy. Most of the measures in the raw material strategy relate to the mining exploration and facilitation in Poland with a specific section on circular economy. Three measures relate to international cooperation for securing access to raw materials, mostly through the support of Polish entities involved in prospecting and acquiring strategic and critical raw materials from abroad. So far, partnerships with 11 countries have been signed by Poland.[14]

[12] The 2021 industrial strategy referred to that document and to green public procurement–for reference to a guide to sustainable procurement and highlights the importance of non-price criteria, see page 20 and following.

[13] https://isap.sejm.gov.pl/isap.nsf/download.xsp/WMP20220000125/O/M20220125.pdf and Taiwan External Trade Development Council, (2024), Poland advances green public procurement, August 2nd, 2024

[14] Polish Climate Ministry, (2025), International Cooperation on State Raw Material Policy.

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CONTACT
nicolas.berghmans@iddri.org
philippine.levy@iddri.org

Institut du développement durable
et des relations internationales
41, rue du Four – 75006 Paris – France

WWW.IDDRI.ORG
IDDRI | BLUESKY
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