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Moscow Sustains Embargo But Relations Warm Up

Rzeczpospolita p. A1, December 8-9, 2007

The half-hour meeting between the Foreign Ministers of Poland and Russia, Radosław Sikorski and Sergey Lavrov, spelled "a new chapter in the relations with Moscow," the former later stated. The warming-up in relations was expected as a week before PM Donald Tusk had already said that Poland would not block Russia's access to the OECD. However, Russia did not lift the embargo on Polish meat exports, which has been in force for two years now. Lavrov limited himself to saying that "everything is going in the right direction." Radosław Sikorski hopes that the issue will be finally solved during the visits of the Polish economy and agricultural ministers to Moscow. While their exact dates are still unknown, the visit of PM Tusk has been scheduled for the first quarter of next year. The two ministers agreed that any difficult issues in the countries' mutual relations would be solved by a special committee.

Cordialities in Berlin

Gazeta Wyborcza p. 1, December 7, 2007

"We are opening a new chapter in Polish-German relations," declared the Foreign Ministers of the two countries, Radosław Sikorski and Frank Walter Steinmeier, during Sikorski's Thursday visit to Berlin. Sikorski came to prepare the ground for PM Donald Tusk's Tuesday visit to Germany. He was confident that the main thing to change in the two countries' relations will be style, and "style changes into substance." Despite these cordialities, problems between Warsaw and Berlin have remained. Regarding the North European Gas Pipeline, Steinmeier came forward with the proposal to modify gas pumps on the Yamal gas pipeline so as to be able to send Poland German gas, should it face a crisis. This, however, did not make Sikorski change his mind about the project. Still, he expressed his readiness to discuss the issue further.

President, PM and Foreign Minister

Gazeta Wyborcza online, December 5, 2007

On 5 December, President Lech Kaczyński held meetings with PM Donald Tusk and Foreign Minister Radosław Sikorski. Following his meeting with Kaczyński, Tusk revealed that it concerned primarily Poland's foreign and defence policy. He also announced that Kaczyński will head the Polish delegation to the

EU summit in Lisbon, which will see the signing of the EU Reform Treaty. The PM went on to say that there is a serious difference of opinions between himself and the president regarding the date of withdrawing Polish troops from Iraq. "While the head of state is sceptical about the idea of ending our involvement in the mission in 2008, my view on the issue has not changed," he declared. Another issue over which the two officials have failed to reach a compromise is the potential establishment of the US anti-missile shield on Polish territory. Tusk believes that Warsaw should adopt a harder stance in negotiations regarding the matter with the White House.

No Surprises at PiS's Congress

Dziennik p. 3, December 10, 2007

Law and Justice's (PiS) party conference on Saturday seemed like a well-directed spectacle, whose grand finale - the vote of confidence in the president of the party, Jarosław Kaczyński - had been planned beforehand. The debate - allegedly boring and inconclusive - was closed to journalists, however, outside the room in which the congress took place there was intensive activity from the supporters of the three rebels (Ludwik Dorn, Kazimierz Ujazdowski and Paweł Zalewski). They gave out a letter addressed to the party delegates, in which they suggested certain changes to the statute. The demands were immediately quashed in Jarosław Kaczyński's speech. Regarding the rebels, Kaczyński said they were damaging the party's image because they spoke of a crisis, thus breaking party loyalty. After the delegates granted Kaczyński a vote of confidence, he revealed he had invited Dorn, Ujazdowski and Zalewski to a meeting.

Conflict in Sejm Over Blida Committee

Gazeta Wyborcza online, December 6, 2007

Left and Democrats (LiD) MP Ryszard Kalisz admitted that he would probably be the chairman of the special committee to explain the circumstances of the death of Democratic Left Alliance (SLD) MP Barbara Blida, who allegedly shot herself while apprehended by Central Anti-Corruption Bureau officers. The proposal to assemble the committee was submitted nine times during the previous government's term of office. "I really hope that we will only have to do it once more," said SLD MP Jerzy Szmajdziński. Law and Justice (PiS) demands that the statement concerning the government's participation in Blida's apprehension be eliminated from the proposal. "Blida was suspected of co-operating with Silesian businessmen in a criminal manner. It is the SLD members who are personally responsible for what happened, as they allowed it," said PiS MP Barbara Kempa.

New Plan for Polish-Lithuanian Power Link

Parkiet p. 11, December 10, 2007

Professor Władysław Mielczarski, appointed by the EC as the coordinator for linking the Polish, Lithuanian and German energy systems, has come out with a new plan for building a power bridge between Poland and Lithuania and overcome the deadlock. Mielczarski's plan was approved by EU Commissioner Andris Piebalgs, who is in charge of energy policy. The negotiations between the two countries over the realization of the power link between the towns of Elk in Poland and Alitus in Lithuania, which includes the construction of a 400kV transmission line of over 150 km, stalled after it turned out that Polska Grupa Energetyczna (PGE) and Lietuvos Energija (LE), which represent the states, are unlikely to win approval from the EC. According to EU rules any cross-border links should allow third party access. The grid operators should also be involved. According to the new plan the PSE-Operator and a commercial investor from Lithuania will join the venture.

KNF Takes Over Banking Supervision

Gazeta Wyborcza online, December 6, 2007

On Thursday, Civic Platform (PO) and Polish Peasants Party (PSL) MPs voted to reject the president's draft bill to postpone transferring banking supervision from the NBP to the Commission for Financial Supervision (KNF). From January 2008, the KNF will watch over ZŁ700bn in bank assets and their customers. Paradoxically, it was Law and Justice (PiS) that filed a bill moving banking supervision to the KNF. The KNF, which already supervises insurance companies and the stock exchange, as well as investment and pension fund companies, was a PiS idea. It seems the PiS no longer trusts KNF Chairman Stanisław Kluzka, and wants to keep banking supervision in the hands of NBP Chairman Sławomir Skrzypek, a close associate of President Lech Kaczyński. The Commission for Banking Supervision (KNB) will meet for the last time on 19 December.

Budget Amended

Rzeczpospolita p. B2, December 8-9, 2007

On Friday the parliamentary public finance committee accepted Civic Platform's (PO) four amendments to the budget bill. The amendments foresee expenditure on central administration and certain funds lower by ZŁ3.4bn. The biggest cuts were in the Social Insurance Fund (FUS). Its subsidies were cut by ZŁ1.5bn. Zbigniew Chlebowski explained that the fund will not run out of money, because this year it received more money than before. In comparison to the draft budget prepared by Law and Justice (PiS) more than ZŁ0.5bn was cut from reserves. The Institute of National Remembrance (IPN), Supreme Chamber of Inspection (NIK) and Central Anticorruption Bureau (CBA) will lose the most. The PM's and president's chancelleries will lose ZŁ8m each. PiS is worried that such cuts in the IPN or the National Broadcasting Council (KRRiT) may mean they will stop functioning. Chlebowski denied.

Treasury Ministry to Hold Supervisory Board Contests

Puls Biznesu online, December 6, 2007

The contests held by the Treasury Ministry will result in appointing candidates for the supervisory boards of 11 state-controlled companies, including PKO BP, the Industrial Development Agency and energy companies. The Treasury's decision was announced during Thursday's press conference. Treasury Minister Aleksander Grad declared that the contest rules ensure that nominations of supervisory board members are "a clear, public process, not performed in political cabinets," one which might take several, or even a dozen, months. Similar rules are to be applied to Treasury affiliates - Grad sent letters to the respective ministers, asking them to consider similar actions. The next step would be preparation of an appropriate legal act consolidating the owner's supervision in the Treasury Ministry, laying out rules of ownership changes and changing current provisions limiting the earnings of managers in state-owned companies.

Another Pension System Failure Looming

Wall Street Journal Polska p. 1, December 8-9, 2007

The pension reform in Poland may end with it being discredited. In about one year the first payments from open pension funds (OFE) should begin. However it seems that the new IT system will not be ready on time. The reform was supposed to finish when payments from the so-called second pillar commence. However the politicians only concerned themselves with collecting social insurance premiums and then investing them. They left the calculations and disbursement for later. Consecutive governments have pushed the matter aside. PM Donald Tusk announced the bill will be adopted in the first quarter of 2008. However former Social Insurance Board (ZUS) chairman Paweł Wypych says this does not leave enough time to prepare an IT system. However, according to Deloitte the optimum time for changing IT systems is 17 months.

PO Cans Kluska Package

Gazeta Wyborcza online, December 5, 2007

Right from the start, the Civic Platform (PO), as well as business organisations, believed that the so-called Kluska economic bill package was insufficient. The set of regulations named after the president of Optimus IT company was supposed to make the lives of entrepreneurs easier. However, the PO and business people were of the opinion that the Law and Justice (PiS) government used the Kluska package for PR purposes, rather than really fixing problems facing entrepreneurs. On Wednesday the PO officially decided to kill the Kluska project. Instead, the PM promised in his opening speech to introduce systemic changes supporting entrepreneurship. It is unclear how long the government will work on these systemic changes. However, the Economy Ministry plans to adopt a small amendment to the Freedom of Economic Activity Act before Christmas. The amendment is supposed to address the most pressing issues.

PGNiG to Extract Libyan LNG Gas

Gazeta.pl, WSJ Polska p. 3, December 8-9, 2007; Gazeta Wyborcza p. 38, December 10, 2007

Polskie Górnictwo Naftowe i Gazownictwo (PGNiG) outbid BP, Gazprom, Lukoil, ExxonMobil and Chevron for access to Libyan deposits of the liquid natural gas (LNG). It has been allowed to explore gas on the Murzuq plot of nearly 5,500 square kilometers, which is located on Sahara, southern Libya. PGNiG will have the right to retain 11.8 percent of the extracted gas and will have to sell the rest to Libyan concern NOC. It was the fourth bid for exploring the oil and gas deposits. The offers for exploring 12 gas deposits were filed by 13 companies from 11 states. PGNiG lost the bid for the Ghadames deposits with Gazprom and Algeria's Sonatrach. According to Libya, the deposits may contain up to 2 billion cubic metres of LNG. Separately, PGNiG is holding a selection process for a new management board. Former Economy Minister Piotr Woźniak wants to file his bid and attend the interviews, which start in 10 days. He was deputy CEO at PGNiG before joining the Law and Justice cabinet.

Elektrim Seeks Approval to Withdraw from ZE PAK

Puls Biznesu p. 6, December 10, 2007

Elektrim is applying in court to be allowed to withdraw from the privatisation agreement of Zespół Elektrowni Pątnów Adamów Konin (ZE PAK), in which it has an almost 50-percent stake and operating control. The ailing company, which is currently under bankruptcy procedures, wants to avoid multi-billion fines for missing deadlines on investment projects concerning ZE PAK, which it was obliged to carry out by the privatisation agreement. Elektrim would have to pay ZŁ1.127bn for missing the end-of-the-year deadline for building a new unit at Pątnów II power station. It has already spent EUR585m on the investment. It also was obliged to boost the power-generating capacity at Pątnów utility by 2011, which may cost as much as ZŁ3.36bn. The fine for any failure here would be ZŁ1.073bn. Elektrim expects the government, which owns the remaining stake in ZE PAK, to return it ZŁ767m, even though a few months ago it asked the state to pay ZŁ2bn to buy back the ZE PAK stake.

Jakubas to File Bid for Ruch After 15 January

Wall Street Journal Polska p. 10, December 8-9, 2007

Zbigniew Jakubas, one of Poland's top investors, plans to file a bid for national press distributor Ruch. He wants to wait to find out who will be appointed deputy treasury minister in charge of the Ruch privatisation. The government owns 62.27 percent of the company, while the rest is traded on the Warsaw Stock Ex-

change. Jakubas claims that the current share price of about ZŁ24 is too high and he expects it will be lower after 15 January. "It's hard to assume that the government will be willing to sell the stake at a lower price than the market evaluation, which I think is rather too high given that there is a lot to do at the company and serious investment is needed," Jakubas said. He plans to bid for Ruch through one of his companies. "I think it really needs a strategic investor and this is the last moment to save this company. I have a vision for its development," Jakubas said. He wants to expand retail sales and rebuild the distribution network.

Green Bear to Invest EUR2bn

Gazeta Wyborcza online, December 5, 2007

France's Orco-controlled Green Bear plans to invest EUR2bn in the construction of 34 wind farms in Poland, thus becoming the leader of the market. The firm has already acquired a power station in Lisewo from Eurowind, to whom it paid EUR16m. Orco's majority shareholder Jean-Francois Ott stated that by 2012 his firm planned to put up 34 wind farms, generating 1,300 MW. Thus far, the company has managed to sign land lease agreements for power stations of 600 MW capacity. If Green Bear carries out its plan, it will become a major wind power player in Poland. At present, Polish wind farms generate altogether 280 MW. Nearly all of the planned power stations will be located in the Western part of the country, close to the German border. Eighty-five percent of the investment will be financed with a bank loan, but the French company is also considering flotation on the WSE. Other foreign firms investing in wind power in Poland include Endesa, Mitsui and RWE.

Italian Hit Car Made in Poland Debuts on Polish Market

Gazeta Wyborcza online, December 6, 2007

On Thursday, Fiat officially launched its hit Fiat 500 model in Poland. Although the car is manufactured in the Tychy plant in Poland, Polish customers had to wait five months for a local debut. The Car of the Year 2008 resembles the low-cost and simple car which revolutionised Italian motoring 50 years ago. However, the average Italian of the 1950's could not have dreamt about the equipment available on board the modern 500. The car is equipped with seven airbags, ABS, ESP, Bluetooth and many other features. The cheapest version costs ZŁ39,500, while the top version costs ZŁ55,000. This is about EUR200-400 more than on other European markets. Fiat head of marketing Marek Kisz was reluctant to reveal sales forecast. He said he assumes Fiat 500 will sell several times more cars than MINI. Annually, MINI sells around 200 cars in Poland. This year the plant in Tychy will manufacture 362,500 cars, next year around 500,000 and in 2009 some 600,000.

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