

How to build safe business relations with Polish companies



LEGAL ASPECTS | GUIDEBOOK FOR FOREIGNERS

INTRODUCTION

This brief presentation is aimed at providing foreign companies with basic but crucial legal aspects of business relations with Polish companies. For further information, please, visit our home page at www.pnplaw.pl and contact our lawyers.

This document is for information purposes only and it cannot be considered as legal advice on any matter. Prior to making any decision or taking any action, you should consult your lawyer.



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Building safe business relations with Polish companies

Building international business relations is a complex process. Knowledge and experience gathered on the national market are not always enough to build legally safe relations with Polish companies. Therefore, when entering international business relations or a foreign market, you should consider taking legal advice provided by experts. Based on extensive experience of PNP LAW in providing legal services to companies, in this material we present ten principles that should be followed in business relations with Polish companies.

1. Verify your business partner

Apart from such issues as competences, experience and holding resources necessary to perform a contract, the verification of a partner should also include their legal and economic status. This will allow you to avoid transactions with dishonest persons and it will limit the risk of losing money or goods. The legal status of a Polish partner may be verified free-of-charge based on Polish public registers of entrepreneurs and lists of VAT and VAT EU taxpayers. Basic economic data about a partner may be obtained on the basis of financial reports publicly available in the court register. In the case of high-value contracts you may consider ordering an audit of your contractor by a specialist entity, namely business intelligence. In Poland, there is also a possibility to verify a financial condition based on the data from Credit Information Agencies.

2. Set the rules for negotiating a contract

At the beginning of negotiations, it is worth setting the rules for negotiating a contract. Lack of clear negotiating rules increases the risk of prolonged negotiations or lack of the final agreement.

3. Specify applicable law for a contract as well as courts in case of a dispute

In contracts concluded between entities from different countries, you should indicate the law of which country will apply to the contract. In case of a dispute, it is also worth specifying the jurisdiction, i.e. the courts of which country will be competent to settle a possible dispute arising under the contract. The arrangements of the parties to the contract in this regard should be specified in writing.

4. Specify the subject-matter of a contract as well as the remuneration / price

The subject-matter of a contract as well as the price / remuneration should be precisely determined. In the future, this will prevent unnecessary discussions about the proper interpretation of the contract in the scope of the subject-matter and prices. Provisions of the contract concerning the price may refer to binding price lists. However, in such case it is advisable to enclose such a price list to the contract.



5. Analyse tax matters related to a contract

Before signing the contract you should consider all tax matters related to the contract being concluded. It may turn out that the revenue obtained by a foreign company as a result of the contract performance will be subject to taxation also in Poland. The scope and manner of taxation of transactions with VAT are yet another issue which should also be determined.

6. Define terms and conditions for the contract performance

Precise formulation of terms and conditions of the contract will facilitate the contract performance.

7. Consider insurance or other security form of the contract performance

In the case of high-value contracts or if it is advisable due to the nature of a transaction, you should consider obtaining the security of the contract performance. The security form should be adjusted to conditions and a transaction type as well as contractor’s capabilities and market practice.

8. Introduce rules and limits of liability under the contract

If you expect limiting your company’s liability for concluding the contract or limiting the total sum of liability, introduce the relevant provisions to the contract. Remember that the national law usually prevents effective limits of liability for damages caused by wilful misconduct.

9. Ask for the draft contract to be reviewed by a lawyer

The cost of verifying the draft contract by a lawyer usually constitutes a small fraction of the costs incurred as a consequence of signing an unfavourable contract. Therefore, in our opinion, you should not save on legal services related to the verification of the draft contract by a lawyer.

10. Check authorisation of a person representing a Polish company before signing a contract

To avoid future legal problems and doubts as to the effectiveness of the contract conclusion, you should check whether a person signing the contract on behalf of the Polish company is legally authorised to do so. To do this, you should ask such a person to present a document, e.g. an up-to-date excerpt from the Register of Entrepreneurs, a power of attorney, confirming that this person is authorised to sign the contract, and you should contact the office of the Polish company in order to verify the data.

Business culture and communication rules in Poland

Knowing and adhering to the local etiquette and business culture in Poland will allow you to avoid misunderstandings and significant mistakes when establishing business relations with Polish companies. It will also allow you to build the solid mutual trust with a Polish contractor at a faster pace. Therefore, using guides describing business and social etiquette in Poland may also turn out to be valuable. You should, however, avoid guides published more than a decade ago because since then, the business culture in Poland has undergone major changes in certain aspects.

Language

Poland belongs to countries with a high rate of persons with higher education. Moreover, practically all persons graduating from schools after 1990 distinguish themselves by a good command of English or German. Therefore, the language should not be an obstacle in business relations. However, if you learn several basic expressions in Polish, you will definitely make a good impression on Polish partners.

Personal titles

There are still very formal rules for addressing others in the Polish society. Until adults do not agree on less formal rules between each other, they address each other with the form Mr/Ms (Pan/Pani in Polish). Yet, it is more and more common to use the first name preceded by Mr/Ms instead of the surname of a given person. However, since such a form sounds odd in English even for the Polish people, communication in English with foreign persons involves either the form of Mr/Ms with the surname or a totally informal form, i.e. addressing everyone by first name.

The academic titles, such as doctor, professor, etc., are usually not used at business meetings.

Communication in business relation

Polish people prefer direct eye contact during a face-to-face conversation. Avoiding the eye contact may raise doubts of Polish contractors as to your intentions.

The first meeting should be used for mutual presentation of all participants. In the case of a higher number of participants from each party, the person with the highest position in the organisation should present the participants of each party. The meeting may start with a short small talk about less formal topics.

General business etiquette rules in Poland

Polish people appreciate and expect timely arrival at meetings. By way of exception, a maximum delay of fifteen minutes is allowed. If there is a risk of being late, you should inform your Polish partner about it and explain



the situation. Lack of apology for being late will usually be perceived as a sign of disrespect to other participants of the meeting.

Kissing women's hands when greeting them was a common practice for many years in the Polish culture. However, currently it is not commonly used in business relations. A handshake is a sufficient gesture to greet both a woman and a man in business relations.

In Poland, there is no custom of kissing on the cheek when greeting each other. Exceptions are family and certain social gatherings. Among men, kissing on the cheek is limited to exceptional family situations such as wedding wishes.

Dress code

Participants of business meetings in Poland are expected to wear formal and colour-coordinated clothes. In big corporations, the top management sometimes allow themselves a little more extravagance in outfit, which may additionally confirm their high status in the organisation.

Bigger organisations based on the corporate culture usually follow the "casual Friday" rule. Therefore, if a meeting is planned on Friday, you should consult your outfit with the Polish party.

Negotiations

Meetings, including negotiations concerning the conclusion of a contract, should be well-prepared. The summary of arrangements from the meeting should be made in writing in order to avoid any misunderstandings.

When starting negotiations concerning the contents of a contract, you should determine the rules for conducting the negotiations and define the most crucial problems and differences of opinion. The concessions made by Polish partners in the course of negotiations should not always be treated by the other party as binding and final (i.e. the ones from which you may no longer withdraw). This is due to the fact that Polish people often make their final negotiating stance contingent on the outcome of further negotiations as to other matters relevant to them.

How to secure the performance of a contract in Poland?

A manner of securing the performance of a contract will depend on many elements, i.a.:

- ❖ the law of what country will govern the contract (e.g. Polish law)?
- ❖ what type of contract is it (e.g. a sales contract, a lease contract)?
- ❖ what is the subject-matter of a contract (e.g. a real property, a machine, rights to shares in a company, a set of rights and things)?
- ❖ where will the subject-matter of a contract be located at particular stages of the performance of the contract (e.g. a machine manufactured in Denmark is to be delivered to Poland before the final payment of the remuneration is made)?
- ❖ which element of a contract would we like to secure the most?
- ❖ how many parties are to sign a contract (e.g. a tripartite contract)?
- ❖ how simple or complicated is the nature of a contract (e.g. the parties to the contract are entities from Poland and Sweden, but the subject-matter of the contract is to be delivered to a third country, e.g. to Spain)?
- ❖ what effect will the security have in the event of our business partner's insolvency and, consequently, in the event of its bankruptcy?

Thus, there is no universal type of collaterals because a lot depends on the above variables. Below, we present 10 basic forms of collaterals for contracts under Polish law:

1. Contractual penalty

It is the most popular form of securing any type of contract in Poland. It should be specifically reserved in the contract, especially when it comes to:

- ❖ the sum of a penalty (defined as a certain amount or as a percentage of an amount) and
- ❖ determining the situations when the penalty is to be paid – it concerns only situations of non-performance or improper performance of "non-pecuniary" obligations (a penalty may not be stipulated in the event of a failure to pay / a delay in payment of remuneration because it is a "pecuniary" obligation!).

In practice, an advantage of stipulating a contractual penalty is the lack of obligation for a creditor to prove the amount of damage suffered by the creditor. Even when the damage is minor, the agreed amount of the penalty is to be paid. A debtor may, however, in some cases demand a reduction of the "grossly" excessive penalty. If the creditor wants to claim damages higher than the agreed contractual penalty, the creditor should decisively specify it in the contract. Otherwise, the right to claim higher damages by the creditor will be limited.

2. Preliminary contract

While a "letter of intent" (popular in Scandinavian countries) does not, as a rule, entail an obligation to conclude a target contract (e.g. an



employment contract), a concluded "preliminary contract" (e.g. after fulfilment of a condition) results in such an obligation being imposed on both parties. Therefore, we may treat a preliminary contract as a form of collateral (reservation) for the conclusion and performance of a target contract. It is essential that the preliminary contract should specify essential provisions of the target contract.

3. Earnest money deposit

Many people do not see the difference between "advance payment" and "earnest money deposit", and use them interchangeably in the contracts. This is a serious mistake.

An advance payment (e.g. for the performance of a contract) does not guarantee that the contract will be finalised because if the contract is terminated early, the advance payment should, as a rule, be returned.

An earnest money deposit (EMD), on the other hand, is to secure the performance of a contract by protecting both parties. In the event of non-performance of the contract by the other party, the party which has paid an EMD may demand an amount twice as high. On the other hand, the party which has received an EMD may withdraw from the contract and keep the EMD in the event of non-performance of the contract by the party which has given the EMD.

4. Mortgage

A mortgage may be established to secure a contract by encumbering a debtor's real property with a right under which a creditor may seek satisfaction from the real property, regardless of whose property it later becomes, and with priority over other personal creditors (N.B.: our mortgage will be less privileged if other mortgages have been established on the real property earlier!).

In practice, a mortgage is a very strong and desirable collateral, but not always practiced due to the fact that it is used for larger transactions (e.g. securing a bank loan).

To be effective, a mortgage needs to be established in the form of a notarial deed and entered into the land and mortgage register of a real property.

5. Registered pledge

Unlike a mortgage, we may not establish a registered pledge on a real property. However, it may be established on existing or future movables (e.g. machines), a set of things (e.g. an entire machine park), rights (e.g. debtor's claims against other entities, shares in a company), or a set of rights, regardless of whose ownership the subject of a pledge becomes immediately after the pledge has been established, with priority over other creditors, subject to some exceptions. A pledge may be established to secure a future or conditional claim. A pledge arises after a written agreement has been concluded, at the moment the pledge is entered into the pledge registry (N.B.: other types of pledges are also known in Poland).

6. Reservation of ownership titles to things

This collateral is most often used in sale contracts of movables, when the payment for a thing is to be made later. It is important that the reservation of ownership is confirmed in writing (an e-mail or a text message is not a written form!), especially if the thing is handed over to a buyer before a full price is paid. Moreover, the reservation will be effective against buyer's creditors if the letter has a certified date (it may be obtained, for example, by going to a Polish notary public; in some situations it may be treated as a separate collateral for the contract). If the above-mentioned reservation is not made, the result may be that ownership of the thing is transferred to the buyer upon conclusion of the contract or upon the transfer of possession of the thing (N.B.: the moment of transfer of ownership depends on the type of thing!).

7. Guarantees

In Poland, various types of "guarantees" are used, e.g. a surety, guarantee of a parent company, a bank guarantee (e.g. for proper

performance of a contract, advance payment refund, payment for goods), an insurance guarantee.

Guarantees granted by banks (a bank guarantee and a letter of credit) are considered to be the "safest", although more difficult to obtain (time, costs). Collaterals of that type are used in contracts of significant value (e.g. construction contracts) or in international relations (contract parties come from different countries). In practice, the type of guarantee less frequently chosen by Polish entrepreneurs is a letter of credit, and the most frequently preferred type is a bank guarantee (a situation where they want a guarantee to be granted by a foreign business partner). Sureties or guarantees of parent companies are much simpler solutions (no financial institution involved), faster and cheaper collaterals, although less often preferred.

8. Declaration on voluntary submission to execution proceedings

In many cases, it is the preferred form of collateral (e.g. in tenancy contracts). Such declarations are made in the form of a notarial deed in the presence of a notary public, according to strict rules as to their contents. They may relate to securing the return of a thing (e.g. premises) or the payment of a remuneration. The declaration allows a creditor to proceed with execution proceedings without lengthy and costly court proceedings.

9. Pre-emption right

It is most often used in sales contracts, and is regulated by regulations of the code (as opposed to the right of priority, which is not regulated by law). A thing to which the pre-emption right applies may be sold to a third party only provided that the holder of the pre-emption right does not exercise that right. When using this type of collateral, a particular attention should be paid to the form (written, notarized) due to the type of thing (movable, real property).

10. Contractual set-off

This is an important type of collateral, although it is often overlooked in practice. It facilitates mutual settlements between the parties, saves costs, etc. The set-off occurs as a result of a unilateral declaration by one of the creditors, even against the will of the other.

Contrary to a statutory set-off, a contractual set-off offers more flexibility. For example, you can set off a larger catalogue of receivables.

Tax aspects of business relations with Polish companies

Obligations related to taxes are an integral part of conducting business activity. It is no different in the case of entrepreneurs who sell and buy goods as well as provide and acquire services from Polish taxpayers. The tax payment obligation and other related obligations (e.g. registration or record-keeping ones) may constitute a significant cost of the entire transaction as well as significantly extend its execution. Thus, it is important to examine the matter of taxes in detail, even before commencing the cooperation with a Polish entity. Below we present chosen aspects of the income tax and VAT.

Income tax

In principle, income tax on the full income is paid by Polish residents, the so-called natural persons, having their place of residence in Poland, or companies having the management board or the seat in the territory of Poland. In spite of lack of the tax residence, foreigners and foreign companies obtaining income in the territory of Poland may also be obliged to pay taxes in Poland. The tax obligation of such entities results from the rule of taxation on income in the country of the source of income. According to the rule, foreign entities are subject to a tax obligation only on the income generated in the territory of Poland. In certain cases, the tax resident of other country may not be obliged to pay taxes in Poland due to the agreements concluded between Poland and that country on avoidance of double taxation or due to tax exemption resulting from EU regulations or Polish tax acts.

Examples of revenue sources in Poland

In order to determine whether a foreign entity will be obliged to pay the income tax in Poland, it is necessary to determine whether the revenue obtained by this entity has its source in Poland. Such revenue sources include receivables for the following items obtained in the territory of Poland: dividends, interest, royalties, capital income, real property located in the territory of Poland, as well as income obtained under the business activity in the territory of Poland by the so-called establishment.

Royalties

Income from royalties is a matter to which foreign entities doing business with Polish taxpayers should pay special attention. The royalties constitute a broad concept and the obligation to pay a flat-rate income tax will be imposed on foreign entrepreneurs if they obtain income from i.a. the following services: consulting, accounting, market research, legal services, advertising services, management and control, data processing, employee recruitment and supply services, guarantees and sureties, or revenues from copyrights and trademarks.



Business activity in Poland in the form of “establishment”

Particular attention needs to be paid to the definition of an “establishment” contained in the Agreement on Avoidance of Double Taxation concluded between Poland and the country of your company's seat. If the Polish tax office recognises that the business activity of a non-resident fulfils the conditions which allow to recognise that an establishment was created in the territory of Poland, the income obtained with the use of such establishment will be taxed in Poland.

In a very large number of cases, foreign entities will be exempt from the payment of the income tax provided that they complete documents confirming the right to tax exemption in advance.

VAT

VAT is a turnover tax harmonised in the European Union. The same general rules for the operation of VAT apply in every EU member state, and interference of the states in regulating of this tax is limited. A general rule is that transactions between entrepreneurs from different EU states are subject to VAT in the country of the purchaser of goods or services. In the seller's country, 0% VAT rate or an exemption with the right to deduct the input tax is applied to such transactions. However, certain transactions (e.g. real property services) are governed by other, more specific, rules on VAT taxation. Foreign entities commencing to provide services for the benefit of Polish taxpayers should particularly remember the obligation to register to VAT-UE. Such registration will enable the intra-Community supply of goods and provision of services. On the other hand, if foreign entities conduct VAT-taxed activities in Poland, they are obliged to register themselves as VAT taxpayers in Poland. A foreign entity registered to VAT in Poland will have the right to VAT refund within 60 days (in certain cases: 25 or 180 days) as of submitting the application, so on the same terms as Polish entities. In principle, the tax is refunded to entities not registered to VAT in Poland within 4 months. Therefore VAT registration in Poland enables a faster VAT refund.

Tax consultancy

Unfortunately, tax regulations in every country may be completely different and are often complicated. In case of doubts related to taxes, contacting a lawyer specialising in the tax law is highly recommended.

Resolving commercial disputes

In the course of cooperation between the parties, certain things may not go according to the plan. In such case, regardless of which side you are representing – a plaintiff or a defendant – you should always be prepared for a possible conflict and risk of bringing the case before the court. If you prepare for such situation before it occurs, your chances for a positive outcome are much higher.

1. Step one – if possible, avoid commercial disputes

It may sound trivial, but in regard to commercial disputes, the best recommendation is simply to avoid them. We cannot stress enough how important it is to involve a commercial lawyer in the process of preparing documents for the needs of a transaction. Many court cases could have been avoided if a lawyer had a chance to analyse and correct a document, remove ambiguities in its wording, and insert protecting clauses.

Many disputes arise because contracts have not been properly prepared and many disputes would not take place if a party asked for legal advice and got warned about possible risks. Ask for legal advice before entering into an agreement in order to be on the safe side.

2. Step two – if a dispute arises, again, consult your lawyer

If a dispute is on the way, definitely ask for professional advice. Depending on which side you are, you may have very little time to act. Typically, if you receive a statement of claim, possibly with an order of payment attached, you may have as little as 14 days to prepare an objection letter or to reply to the statement of claim. Rules of Polish civil procedure are very strict. You need to provide your position and all evidence connected to it in the first letter. In reality, 14 days is rarely a comfortable amount of time to see through the statement of claim, gather all evidence, and prepare the letter. On the other hand, if the business relation goes wrong and you are forced to go to the court to get what is due, you should have a proper case assessment in order not to waste your money and time for a lost cause.

Speaking of time – court cases usually take a long time. It is hard to estimate the duration of any court case, as there are many factors influencing this. An educated guess would be that a simple court case may end within a year from the moment when the statement of claim was submitted to the court, but it may also last 2–3 years in the first instance. As an alternative, you can consider inserting an arbitration clause into your contract. There are a few arbitration courts in Poland and it is worth considering to agree on arbitration with your business partners, in case any dispute occurs.



3. Seek amicable solution

Polish law provides many ways to achieve settlement. It can be said that legal system prefers settlements to court verdicts – before the court, the judge will ask parties to the dispute to start negotiations so settle the case amicably. Before you go to court either as a plaintiff or a defendant, you are obliged to seek amicable solution. A standard way to do this is to prepare a call for payment / call to perform obligation to the opposing party. Again, if you receive a call for payment, it is advisable to analyse the claim and reply. A summons for amicable proceeding is usually the next stage. It is a proceeding during which one party summons another to the court in order to achieve a settlement. This proceeding does work sometimes, however, it is usually used to interrupt the limitation period.

4. Prepare arguments, patience and... money

Court cases are quite expensive. Usually, you need to pay 5% of the value of claim as an entry fee and the losing party is obliged to pay the costs of legal representation. On top of that, you have to pay the costs of experts, translations and your own lawyer. If you lose the case in the first instance, you may still lodge an appeal which will cost you another entry fee, equal to the first one. Therefore, the costs may be substantial.

Complex cases may be draining your wallet, so it is good to enter business relations bearing it in mind and prepare your documents with care.

Energy transition in Poland – business opportunities for foreign companies

EU's well-known target is to achieve climate neutrality by 2050 and to become a global leader in this area. Poland supports this goal, keeping in mind that the starting point of the Polish transition is very different, as it has had a high share of coal in the energy mix.

Recently, the Polish government adopted official strategy “The Energy Policy of Poland until 2040”, called PEP2040. The document contains eight specific objectives, including many ambitious goals like development of renewable energy sources, implementation of nuclear power, diversification of natural gas and oil supplies, development of district heating, as well as cogeneration and improvement of energy efficiency. Thus, it comes as no surprise that the Polish Ministry of Climate estimates that approximately PLN 260 billion will be allocated from the EU and national funds under various mechanisms to the national energy and climate transition only until 2030. The transformation of the Polish energy sector will be strongly based on co-operation with Scandinavian countries, especially with Denmark.

According to the report prepared for the European Commission in order to identify the potential of offshore wind with respect to the Baltic Energy Market Interconnection Plan, the potential for Baltic Sea wind power generation is expected to reach 93.5 GW by 2050. This estimate makes the Baltic Sea one of the most promising locations for wind farms in the world. Consequently, the energy generated in South Baltic offshore farms is planned as a special component of the newly shaped Polish energy mix. The Energy Policy of Poland until 2040 expects that the capacity of offshore wind farms installed by 2030 will reach 5.9 GW, and 11 GW by the end of a following decade. Offshore wind farms are expected to bring development to Polish seaports and Polish entrepreneurs, transfer of know-how, and enormous increase in the number of jobs, especially in the northern area of Poland. The estimates based on the Danish experience allow to assume that every single GW of capacity installed in offshore wind farms will result in 7 thousand new jobs created on the Polish labour market. Tender competitions are already being held for the port in Gdańsk, intended for assembling offshore installations, and the port itself creates yet another stimulus for the development of the entire maritime economy.

Legal frameworks for new energy-generating installations were set forth in the Act on Promotion of Energy Generation in Offshore Wind Farms, which came into force on 18 February 2021. These regulations, although still quite new, have defined in detail the process of investing into offshore wind farms. The Act contains regulations concerning terms and conditions for granting support to investors, preparing and carrying out construction projects of such farms, and connecting them to a transmission grid. We already know the details of the first projects in the field. So far, the President of the Energy Regulatory Office has granted public aid to these projects. The projects that have successfully completed the procedure



and are sufficiently advanced to start generating energy within the next 7 years are the result of international co-operation. A Scandinavian input is clearly visible in the projects jointly carried out by the PGE Energy Group and the Danish entity Ørsted, and the Polish company Polenergia co-operating with the Norwegian company Equinor. Auctions to be organised by the President of the Energy Regulatory Office in 2025 and 2027 will be the next stage of the planned development support for the offshore energy sector. If the energy possible to be contracted is not fully sold at these two auctions, the President of the Energy Regulatory Office will be able to announce further auctions. During that stage of construction of Polish offshore wind farms, Ørsted from Denmark will again be actively operating, this time with the Polish partner ZE PAK, a company listed on the Stock Exchange, the biggest private producer of energy in Poland. A company named Copenhagen Infrastructure Partners have also declared new investments.

However, to say that Scandinavian power companies participate in the above projects is still a simplification. Scandinavian and Polish entrepreneurs should also participate, at several stages, in the supply chain of materials and services necessary to successfully complete these projects. Not too long from now, the Polish shores will become a gigantic construction site. The first five projects alone mean that over 500 huge wind turbines will be erected. That is why Danish potentates, such as Vestas, the turbine manufacturer, or NKT, the submarine cables manufacturer, should take an active part in this immense transformation.

Is the wind energy sector ever to come back onshore? This is a somewhat paradoxical question. On the one hand, a reliable auction scheme ensured that wind parks have been constructed one after another in dozens of places in Poland in recent years. On the other hand, the Wind Power Plants Act of 2016 has become a stumbling block to investors in onshore farms. The Act has made it practically impossible to obtain new building permits. The Act is governed by the notorious 10H rule, which prohibits the erection of both residential buildings and wind turbines if the distance between them is shorter than 10-times the total height of the turbine. However, the Act only superficially protects village residents from the wind energy sector. As mentioned above, wind parks keep being erected anyway because their respective building permits were issued before the regulations came into force. In turn, new residential buildings cannot be erected in large areas surrounding wind power installations. The Polish Parliament has received a draft Act that provides for a local zoning plan to take precedence over the 10H rule. It will be possible for a local zoning plan to determine other distance between a wind power plant and a residential building, bigger than the forecasted area affected by the wind power plan. Yet, the distance will not be able to be shorter than 500 metres. The final distance from residential buildings will be verified and determined during the procedure of granting an

environmental decision for a given project, based on a detailed report on the project's environmental impact. More liberal rules concerning the distance will, however, be connected with additional obligations to consult projects with commune residents during public discussions.

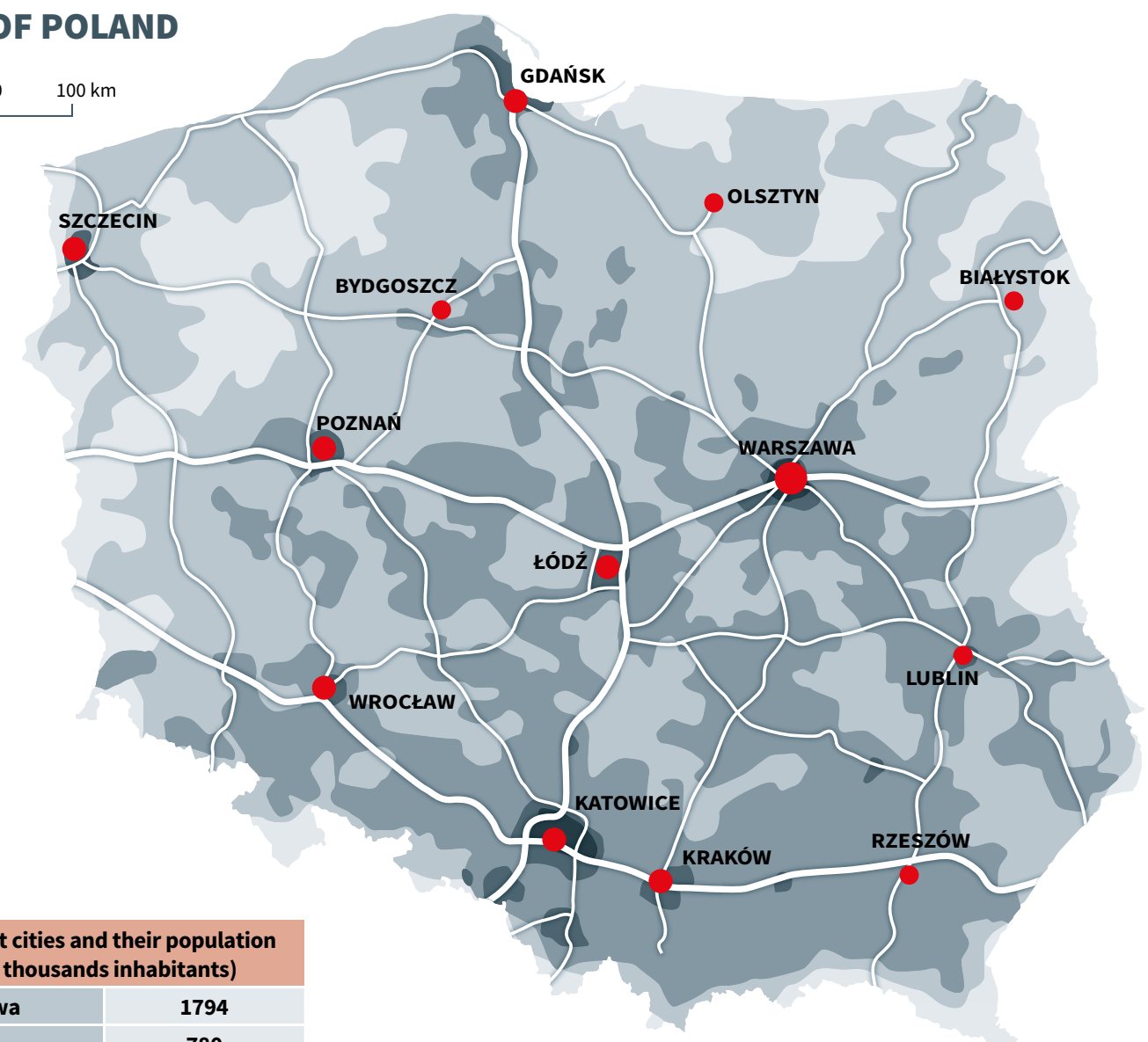
Poland will continue to diversify its sources of imported natural gas and oil. The events in Ukraine have accelerated the Scandinavian-Polish co-operation aimed to diversify sources of natural gas imported to Poland. The Baltic Pipe opened in autumn 2022 is no doubt a project of strategic importance to Poland. The gas will be supplied to Poland thanks to a new gas supply corridor created on the European market.

The transportation capacity of the Baltic Pipe is 10 billion cubic metres of gas per annum. The new project should reduce Poland's CO₂ emission and, by increasing the gas supply to the market, in a long term it should also contribute to the gas price reduction. Denmark will serve not only as a transit country – a contract on purchase of Danish gas has already been concluded. Major companies are parties to the contract: Ørsted on the Danish side, and PGNiG on the Polish side. Denmark will supply approximately 6.4 billion cubic metres of gas to Poland between 2023 and 2028.



MAP OF POLAND

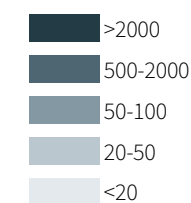
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Largest cities and their population (in thousands inhabitants)

Warszawa	1794
Kraków	780
Łódź	672
Wrocław	642
Poznań	532
Gdańsk	471
Szczecin	398
Bydgoszcz	344
Lublin	339
Białystok	297
Katowice	291

Number of inhabitants per 1 km²



Total population	38.2 million
Land area	312,685 km ²

Source: Central Statistical Agency in Poland (GUS), 2021

Peter Nielsen & Partners Law Office is a modern Danish-Polish law firm having its registered office in Warsaw, Poland. Since its establishment in 1990, it has gained market recognition as a reliable and efficient advisor. We find practical solutions for our clients within many areas of legal practice. We undertake to provide highly specialised legal assistance within: real estate market/construction law, foreign investments, mergers and acquisitions, labour law/HR, energy law, tax law, litigation and dispute resolution, bankruptcy/restructuring, debt collection, as well as corporate law. For more information, please, visit our website **www.pnplaw.pl**

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“How to build safe business relations
with Polish companies – legal aspects”
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