



20.04.2017

TAURON and Grupa Azoty team up on coal gasification project

Grupa Azoty has joined forces with TAURON on a project to construct a coal gasification unit for chemical production. A letter of intent was signed by the parties in Warsaw on April 20th 2017.

The letter of intent was signed by TAURON's and Grupa Azoty's management boards on the premises of the Warsaw Stock Exchange to outline general terms of joint execution of the coal gasification project.

The parties had determined that natural gas currently used for nitrogen-based fertilizers production can be partly replaced with syngas obtained through coal gasification. This could create new opportunities for the mining industry and help advance low emissions technology, enhancing Poland's energy security.

"The coal gasification project perfectly fits with the concept of what we call clean coal technology. We have teamed up with Grupa Azoty to demonstrate that indigenous coal can provide a basis for expanding into new business areas and developing our capabilities. We hope that overcoming the barriers inherent in the implementation of innovation projects will pave the way for new mass-scale coal applications," said Filip Grzegorzczak, TAURON CEO.

In line with the project concept, coal produced locally by TAURON would be used by Grupa Azoty to produce chemicals, including methanol and ammonia. The letter of intent marks Grupa Azoty's entry into the business of making chemicals which have so far been either imported (methanol) or made from externally sourced natural gas (ammonia).

"The project that we and TAURON have officially got started today will have a wide-reaching and positive impact on the entire economy. Based on globally proven technology, we aim to extend our value chain and switch

a significant part of our production to local syngas over the next couple of years,” – said **Wojciech Wardacki**, Grupa Azoty CEO.

The letter of intent provides a framework for the collaboration between Grupa Azoty and TAURON. The parties also expressed their intent to sign further agreements, including an agreement to establish a joint special purpose vehicle. Estimates put the cost of the project at between EUR 400m and EUR 600m, depending on the technology chosen. The project will be sited in Kędzierzyn Koźle.

Coal gasification for chemical production is a technology used primarily in locations where access to natural gas is limited or costly. Synthesis gas obtained from coal is the feedstock for around 30% of the world's methanol production. The new coal gasification project is therefore an attractive investment opportunity, offering prospects for advancing innovative technology capabilities by the project owners.

TAURON Group, one of the largest business organisations in Poland, ranks as the leading distributor and second-largest producer and supplier of electricity, with its operations covering 18% of the country. Some of the Group companies are TAURON Wytwarzanie, TAURON Dystrybucja, TAURON Sprzedaż, TAURON Obsługa Klienta, TAURON Wydobycie, TAURON Ekoenergia, and TAURON Ciepło. TAURON Polska Energia SA has been listed on the Warsaw Stock Exchange since 2010, and its stock is included in WIG20, WIG30, and other indices. The Company also features in the RESPECT Index of socially responsible businesses.

Grupa Azoty is the largest chemical sector company in Poland, listed on the Warsaw Stock Exchange. It was established following the consolidation of the chemical plants based in Tarnów, Puławy, Police and Kędzierzyn-Koźle. Grupa Azoty is the second largest producer of artificial fertilizers in Europe and a major manufacturer of chemicals.