



# Energy

# 2017

## Fifth Edition

Contributing Editors:

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# CONTENTS

<b>Preface</b>	Geoffrey Picton-Turbervill & Julia Derrick, <i>Ashurst LLP</i>	
<b>General chapter</b>	Global Energy Security: New Concerns and Enduring Challenges – Karl V. Hopkins & Melissa Boyle Mahle, <i>Dentons</i>	1
<b>Albania</b>	Floran Pustina & Jolita Hoxholli, <i>TashkoPustina – Attorneys</i>	9
<b>Algeria</b>	Mohamed Chemloul & Amel Chemloul, <i>Chemloul &amp; Associés</i>	23
<b>Australia</b>	Graeme Gamble & Chelsea Herman, <i>Herbert Smith Freehills</i>	31
<b>Belgium</b>	Wouter Geldhof, Cedric Degreef & Justine Diepart, <i>Stibbe</i>	39
<b>Benin</b>	Jeffrey Gouhizoun & Elias Mahoulé Syné Guidi, <i>OTL Conseils</i>	52
<b>Bolivia</b>	Enrique Barrios, <i>Guevara &amp; Gutiérrez S.C.</i>	56
<b>Congo – D.R.</b>	Pathy Liongo Bootsi & Michel Tshidibi Kankonde, <i>Emery Mukendi Wafwana &amp; Associates SCP</i>	68
<b>Cyprus</b>	Michael Damianos, <i>Michael Damianos &amp; Co LLC</i>	73
<b>Ecuador</b>	Daniel Pino Arroba, Jaime Arosemena Coronel & Fernanda Guzmán Amador, <i>Coronel &amp; Pérez</i>	83
<b>Germany</b>	Matthias Hirschmann & Alexander Koch, <i>Hogan Lovells International LLP</i>	86
<b>Ghana</b>	David Addo-Ashong & Johnnie Klutse, <i>Ashong Benjamin &amp; Associates</i>	96
<b>Ivory Coast</b>	Gérard Bohui & Franck Hessemans, <i>Hoegah &amp; Etté Law Firm</i>	108
<b>Japan</b>	Takahiro Kobayashi & Shigeki Okatani, <i>Mori Hamada &amp; Matsumoto</i>	112
<b>Kenya</b>	John Miles, Nikhil Desai & Rubin Mukkam-Owuor, <i>JMiles &amp; Co.</i>	123
<b>Kosovo</b>	Erkand Kola, Rudi Metaj & Irina Kotenko, <i>TashkoPustina – Attorneys</i>	132
<b>Mexico</b>	Juan Carlos Serra Campillo & Jorge Eduardo Escobedo Montaña, <i>Basham, Ringe y Correa, S.C.</i>	136
<b>Morocco</b>	Kamal Habachi & Houda Habachi, <i>Bakouchi &amp; Habachi – HB Law Firm</i>	147
<b>Mozambique</b>	Ilidio Bambo & Taciana Peão Lopes, <i>TPLA – Taciana Peão Lopes &amp; Advogados Associados</i>	151
<b>Nigeria</b>	Ayodele Oni, Chukwudi Ofili & Okezi Okah-Avae, <i>Bloomfield Law Practice</i>	158
<b>Portugal</b>	Mónica Carneiro Pacheco & João Marques Mendes, <i>CMS Rui Pena &amp; Arnaut</i>	165
<b>Romania</b>	Laurentiu Pachiu, Delia Vasiliu & Radu Dudău, <i>Pachiu &amp; Associates</i>	180
<b>Serbia</b>	Đorđe Popović, <i>Petrikic &amp; Partneri AOD in cooperation with</i> <i>CMS Reich-Rohrwig Hainz</i>	187
<b>South Africa</b>	David Forfar, Luke Havemann & Aaron Ohm, <i>Bowmans</i>	195
<b>Spain</b>	Francisco Solchaga, <i>Araoz &amp; Rueda Abogados</i>	204
<b>Sweden</b>	Björn Winström, Dan Hanqvist & Markus Olsson, <i>Roschier</i>	213
<b>Switzerland</b>	Phyllis Scholl & Kirsten Johanna Schmidt, <i>Bär &amp; Karrer AG</i>	221
<b>Tanzania</b>	Lucy Sondo, Edwin Kidiffu & Henry Sondo, <i>Abenry &amp; Company, Advocates</i>	230
<b>Turkey</b>	Omer Kesikli, <i>Kesikli Law Firm</i>	236
<b>United Kingdom</b>	Julia Derrick & Justyna Bremen, <i>Ashurst LLP</i>	252
<b>USA</b>	Clint Vince & Jennifer Morrissey, <i>Dentons</i>	275
<b>Uzbekistan</b>	Umid Aripdjanov & Ravshan Adilov, <i>Centil Law Firm</i>	285
<b>Venezuela</b>	Federico Araujo & Juan Carlos Garantón-Blanco, <i>Torres, Plaz &amp; Araujo</i>	294
<b>Zambia</b>	Eric Suwilanji Silwamba & Joseph Alexander Jalasi, Jr., <i>Eric Silwamba, Jalasi and Linyama Legal Practitioners</i>	304

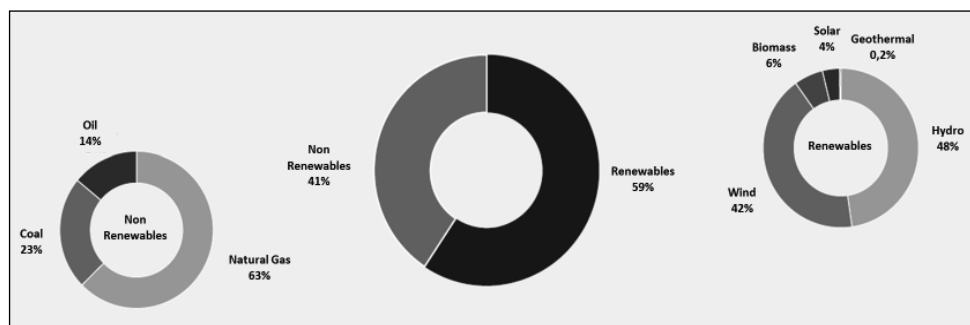
# Portugal

Mónica Carneiro Pacheco & João Marques Mendes  
CMS Rui Pena & Arnaut

## Overview of the current energy mix, and the place in the market of different energy sources

Portugal's dependence on imported energy has been historically high, since the country does not produce oil or natural gas. However, due to an increasing amount of renewable energy in the generation mix, complete energy dependence has been declining.

The total installed capacity of the Portuguese electricity system reached 19,690 MW in 2014. Renewable energy sources account for 11,678 MW of this capacity, as may be seen in the chart below.



**Chart 1:** Total installed production capacity in the electricity sector, 2014<sup>1</sup>

Due to the great increase in the production of renewable energy, Portugal has managed to decrease significantly its energy dependence from third countries (72.4% in 2014 compared to 88.8% in 2005). Also, in the same period, the level of security of supply in the country rose from 13% to 28.1%, while greenhouse effect gas emissions reduced by 25.9%.<sup>2</sup>

In 2015, the energy importer balance decreased 35.6% (in euros) compared to 2014, having reached the lowest value for a decade.<sup>3</sup> In the period 2005–2014, this balance had seen a yearly average decrease rate of 4.6%.<sup>4</sup>

In 2014 there was a decrease of 2.8% in primary energy consumption and a stagnation in final energy consumption (final data).<sup>5</sup> The decrease in final energy consumption was mainly due to a reduction in the consumption of oil products.

Regarding consumption of the different energy sources, from 2005 to 2014 the consumption of oil reduced from 58.9% to 43.8% of total primary energy consumption in Portugal. In its turn, the relative magnitude of renewable energy, which in 2005 accounted for only 12.6% of primary energy consumption, more than doubled, now accounting for 26.1% of the

same. The consumption of natural gas also increased, whereas the level of consumption of coal broadly remained the same.

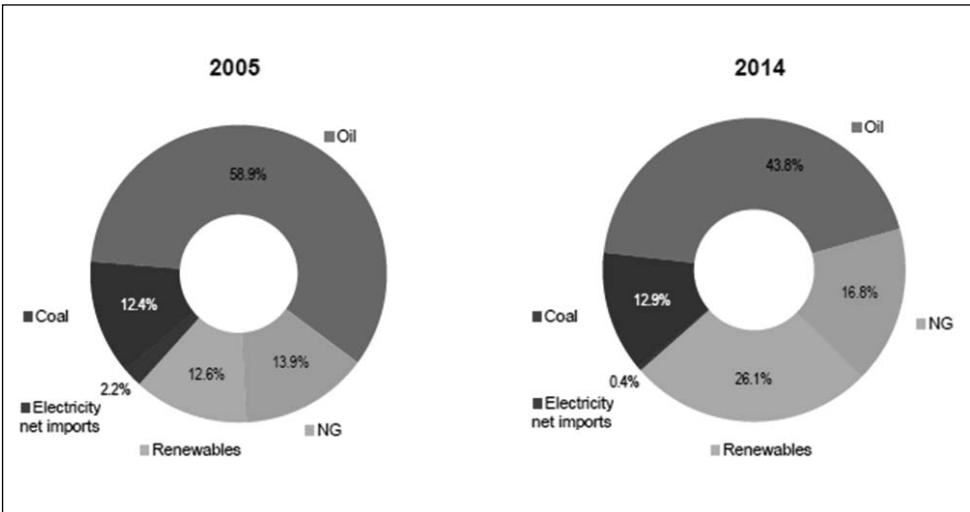


Chart 2: Total consumption of primary energy<sup>6</sup>

With respect to final energy consumption, 2014 data shows that renewable energy sources amount to 30% of total energy consumed, against 47% of oil, 10% of natural gas and 10% of other non-renewable electricity sources. Within renewable energy sources, biomass represents 45% of the energy consumed, hydro 26%, and wind 20%. The contribution of solar energy is still negligible.

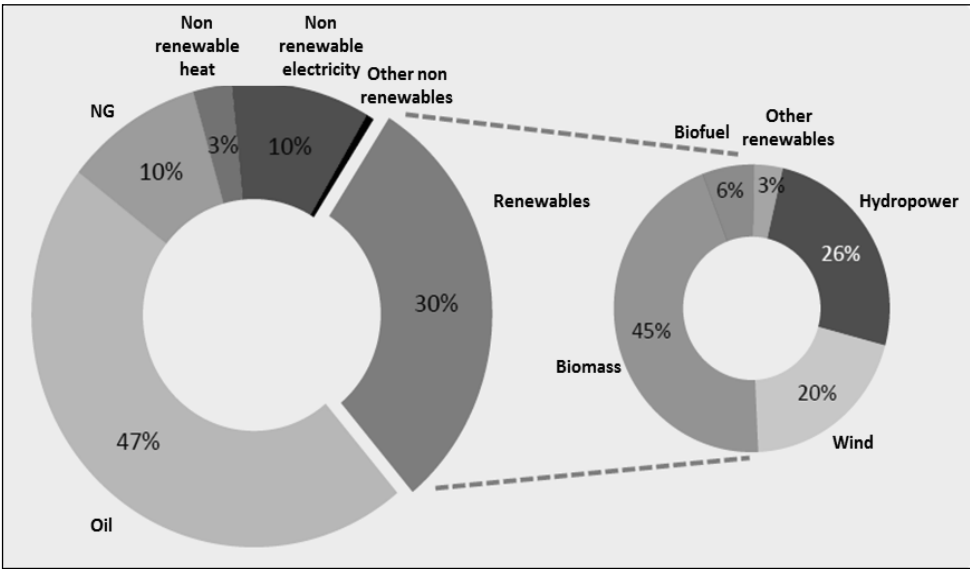
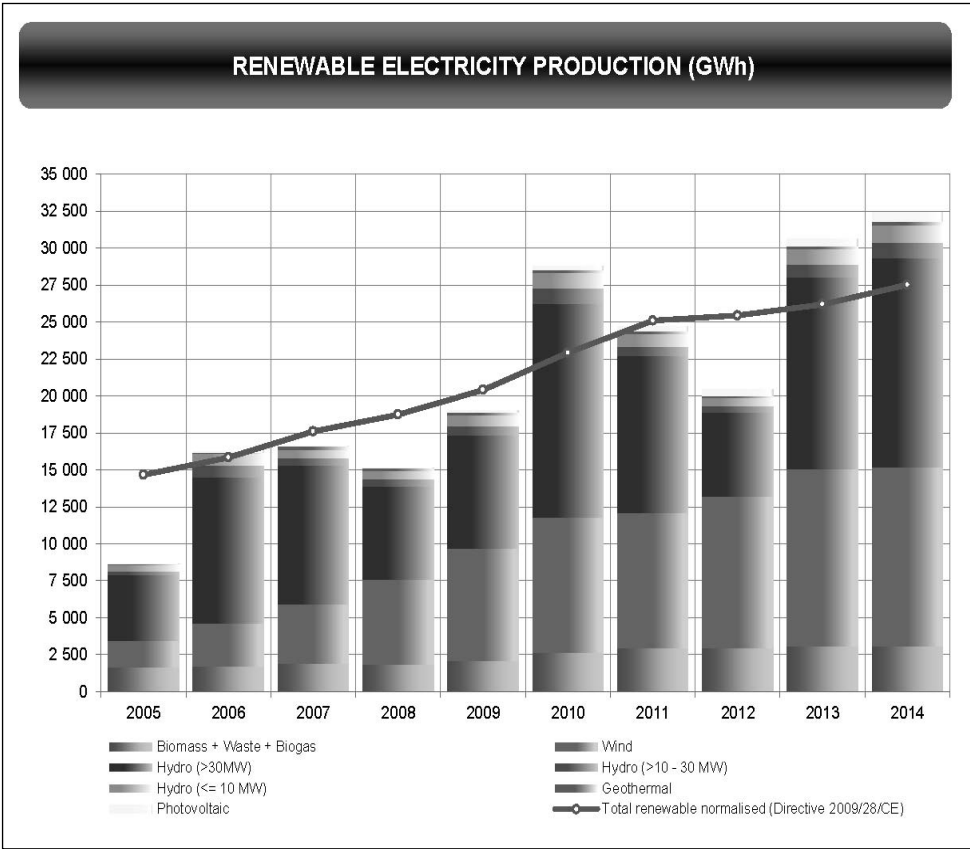


Chart 3: Total consumption of final energy in 2014<sup>7</sup>

The production of electricity from renewable energy plants has also increased over the years, along with its installed capacity, as seen in the chart below.

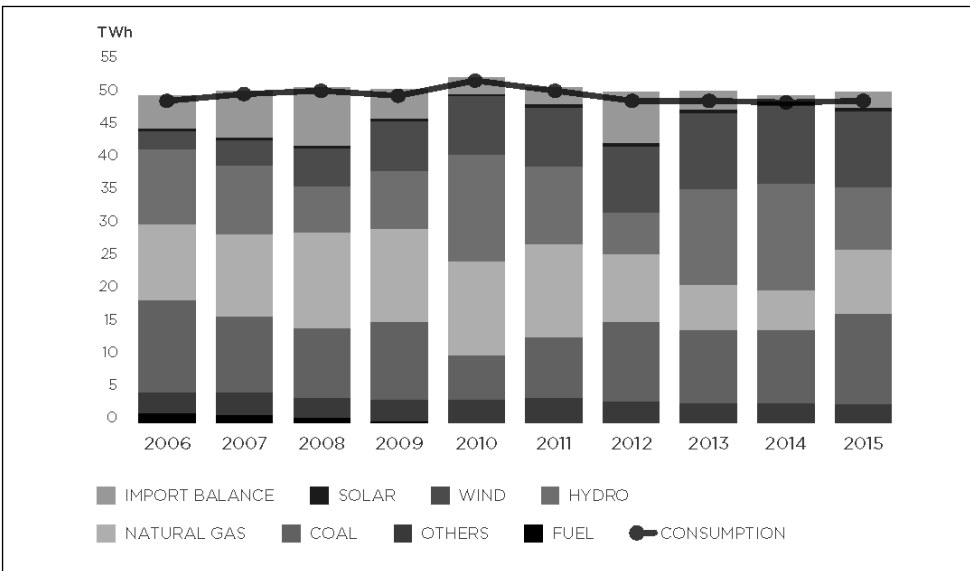


**Chart 4: Production of renewables<sup>8</sup>**

The consumption of coal and natural gas for the production of electricity varies every year according to demand and, chiefly, to the availability of renewable sources, especially hydro and wind, which have priority of dispatch. As the installed capacity and total production of renewable energy plants has increased over the years (see chart below), the contribution of thermal plants has reduced significantly, at a yearly rate of 2.4% in the case of coal, and 18.7% in the case of natural gas, in the period from 2005 to 2014.<sup>9</sup>

Within thermal plants, Chart 1 above shows that the majority of installed capacity of thermal plants comprises natural gas fired plants, whose total capacity is 5,017 MW, against 1,871 MW of coal-fired plants.<sup>10</sup> There is a huge discrepancy between the installed capacity and the total production of coal and natural gas-fired plants. The production of combined-cycle power plants is significantly lower, when compared to that of coal-fired plants, taking in proportion the installed capacity of each. This is mostly explained by low emission allowances and coal prices, making coal-fired plants more competitive than natural-gas fired plants. The contribution of oil to the generation of electricity is currently reduced, due to the deactivation of fuel-fired plants and the conversion of cogeneration systems to natural gas.

The chart below shows the evolution over the years of the contribution of each energy source for the satisfaction of the demand of consumers.



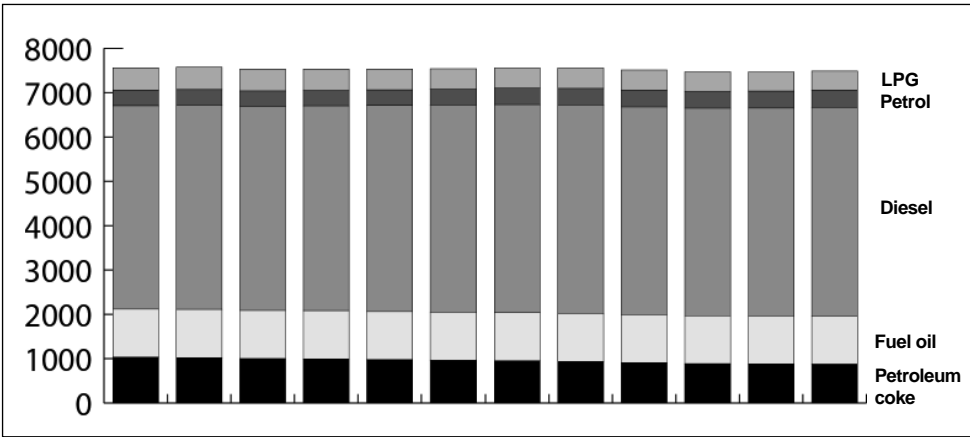
**Chart 5: Energy used to satisfy the energy demand of consumers, per source<sup>11</sup>**

Regarding natural gas, Portugal imports 100% of its natural gas from the preferential markets of Algeria and Nigeria, either through high-pressure pipelines or marine tankers (LNG). There is currently some prospecting for shale gas being undertaken in central Portugal.

In 2015, the intake of natural gas to the infrastructure operated by the RNTGN concession holder was mostly through the Interconnection Point of Campo Maior (66.1%), which connects with the Maghreb gas pipeline and supplies Portugal with gas mainly from Algeria. The intake from the regasification of liquefied natural gas at the REN Atlântico Sines Terminal stood at 30.5%. Grid entry points via underground storage and Valença were equivalent to 3.1% and 0.3% of the total intake into the national system, respectively.

It should be noted that in September, the capacity contracted at the VIP (Virtual Interconnection Point between the Portuguese and Spanish systems) stood at 100% for 28 consecutive days (from 3 to 30 September).

In its turn, the consumption of the different range of oil products is shown in the chart below:



**Chart 6: Total consumption of oil products (kt) March 2015–March 2016<sup>12</sup>**

The oil sector in Portugal is fully liberalised, whereas the electricity and natural gas sectors initiated the liberalisation process in 2016. The level of consumers in the liberalised market of the electricity and natural gas sectors has since then increased steeply, and the great majority of consumers are presently supplied by suppliers within the liberalised market. Currently, there are 15 active electricity suppliers in the electricity residential sector, and eight in the natural gas residential sector.

In the electricity sector, the consumption of electricity in the liberalised market increased nearly 5% in 2016 when compared to 2015, contributing to a relative weight of liberalised market consumption of 90%, which means that only 10% of the consumption remains in the non-liberalised market.

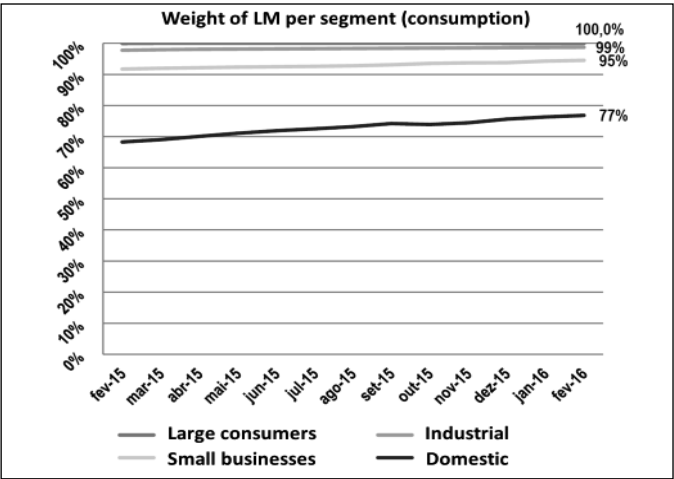


Chart 7: Consumption of electricity in the liberalised market<sup>13</sup>

In the natural gas market, by turn, the consumption of clients in the liberalised market accounted for 96% of total consumption in 2014 (an increase of 1% compared to the previous year), even if, in the residential sector, the liberalised market only represented 63.9% of clients' consumption.

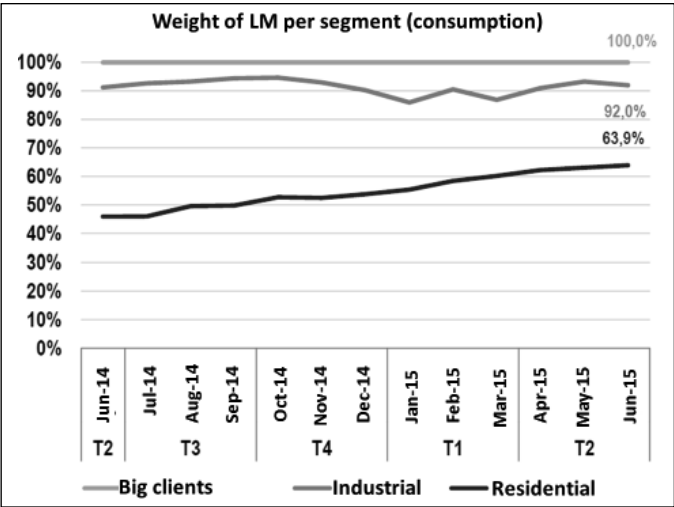


Chart 8: Consumption of natural gas in the liberalised market<sup>14</sup>

In the last decade, renewables have benefited from significant support from the Portuguese Government. Despite advances in the last decade – both as regards production and consumption of Renewables – investment in the renewables sector has decreased significantly due to the Memorandum of Understanding (MoU) signed by the International Monetary Fund (IMF) in Portugal and the European Union and the European Central Bank (ECB) on 3 May 2011, as part of the bailout package, which committed the Portuguese Government to renegotiate contracts in view of a lower feed-in tariff and to revise new contracts, thus lowering the feed-in tariffs.

For a country such as Portugal, traditionally dependent on external fossil energy resources, it is essential to improve competitiveness through more rational and efficient use of energy, while ensuring climate sustainability. Therefore, in 2013, the new National Energy Efficiency Action Plan and the National Renewable Energies Action Plan were approved for the period 2013–2020. These two plans established an overall goal for the reduction of primary energy consumption by 25% by the year 2020, and a specific goal for public administration to reduce primary energy consumption by 30% by the same date.

By the year 2020, Portugal intends to have 60% of its generated electricity coming from renewable energy sources (RES), in order to satisfy 31% of its final energy consumers. A target of 40% of renewables in the final consumption could be established for 2030, which means that Portugal could be obliged to achieve a quote of 80%.

### **Changes in the energy situation in the last 12 months which are likely to have an impact on future direction or policy**

The end of the bailout funding programme in June 2014 and renewed access to financial markets will certainly impact on the energy situation, since the decrease in consumption is due to the economic crisis that Portugal has been experiencing since 2008.

On the other hand, measures to reduce costs in the electricity sector, under the bailout package, have been taken through legislation and/or agreements, which removes – or at least lowers – the resetting of regulatory risk over the coming years, which also means that investors can again look to this market.

The energy model is now based on economic rationality and sustainability.

Within the bailout package, Portugal has reviewed co-generation and renewable energy's support schemes with a downward adjustment of the feed-in-tariff, established a new regime for the capacity payments mechanism, and managed to initiate a downward trend of the tariff deficit.

On 26 November 2016, a new Government took office, establishing as a priority promoting energy efficiency, giving a new impetus to renewable energy sources, reducing the tariff deficit through the implementation of new measures to reduce energy costs, and promoting competition in the energy sector.

### **Developments in government policy/strategy/approach**

The new Government's political agenda aims to open a new chapter in the energy transition of the country, through a sustainable growth in the generation of electricity through renewable sources and energy efficiency.

The new political strategy for the energy sector is based on six pillars:

a) *For Portugal to claim a role as a relevant energy supplier for Europe*

The affirmation of Portugal as a relevant energy supplier for Europe, seeks to take advantage



of the country's situation as an already major producer of wind energy, and of its great potential for the production of solar energy, due to being the country with the highest number of sun exposure hours in the whole of Europe. Portugal already has periods in which the production of energy from renewable sources surpasses the country's consumption of energy, especially during the night, when wind production is higher and consumption is less.

On the other hand, Portugal has a storage capacity of liquefied natural gas which may give it a relevant role as an alternate gateway of natural gas for Europe, reducing Europe's dependency on Russia as a supplier of natural gas.

In order to achieve this purpose, Government policy envisages investment in the construction of new gas and electricity network interconnections with Spain, and between the Iberian Peninsula and France, namely through the use of the Connecting Europe Facility mechanism and other funds available within the European Union.

Portugal is also studying the viability of the construction of electricity interconnections between Portugal and Morocco, which may be another way of achieving the aforementioned purpose.

*b) Resuming the strategy of investing in generation from renewable energy sources*

Regarding the resumption of investment in renewable energy, the objective is to achieve a goal of total production of energy from renewable sources accounting for 40% of energy consumed in the country up to 2030.

However, the strategy proposed hinges on the development of renewable energy projects especially designed for certain types of generation, rather than on the wide promotion of any type of renewable energies project. The priority is given to:

- i) Small hydro generation projects, preferably with a reversible pump (to allow the storage of energy). On the contrary, the Government program foresees the re-evaluation of large hydro projects that are not yet developed.
- ii) Wind and solar projects whose electricity produced is especially destined for other Member States (through the development of interconnections).
- iii) Promoting the installation of small generation projects in public buildings, both in the State and in Municipalities, to be carried out by energy services companies, which shall be remunerated through the revenues from the energy produced.
- iv) Boosting the generation of electricity for self-consumption, with the selling of the excess energy produced to the grid.
- v) Promoting the pooling of consumers and micro-generators of renewable energy from plants without special remuneration regimes.
- vi) Incentivising the use of forest biomass and solar panels for the heating of water.
- vii) Evaluating and developing offshore generation of electricity, namely from wind energy.

*c) Lowering energy prices and the tariff deficit*

The third pillar consists in the production of cheaper energy, allowing the reduction of the tariff deficit, which in 2015 was around €5bn. In order to promote the reduction of the tariff deficit, the Government advocates: (i) the end of the revisibility regime of the CMECs, mentioned above, in order to allow the enhancement of renewables without the risk of increasing compensations to installed producers; (ii) taking advantage of the closing of certain thermoelectric plants (namely the Sines thermoelectric plant) for the reduction of the cost of generating electricity; (iii) limiting the remuneration of hydro energy in drought years; (iv) renegotiating concessions in the energy sector, in order to achieve a fair sharing

of risks between the State and the concessionaires; and (v) providing a progressive transition of the current model of special remuneration for renewables for a model of remuneration at market prices, eventually combined with green certificates.

d) *Stimulating competition and competitiveness*

In order to promote competition, the Government strategy undertakes to:

- i) stimulate the appearance of new market agents, notably suppliers of energy;
- ii) enhance the comparability of market offers;
- iii) ensure the achievement of a sole wholesale natural gas market for the Iberian Peninsula (the MIBGAS); and
- iv) continue with the unbundling of energy markets, notably in the oil sector.

e) *Promoting energy efficiency*

The Government strategy also makes a strong commitment to promoting energy efficiency, namely through the following measures:

- i) leveraging the development of smart grids and the installation of smart meters;
- ii) rewarding energy efficiency gains of intensive energy-consuming installations;
- iii) promoting fuel-switching between companies;
- iv) elevating the efficiency patterns of buildings and fleets;
- v) establishing a detailed schedule for the implementation of energy efficiency measures in the Public Administration and binding energy efficiency goals; and
- vi) promoting electro-mobility, namely through: (i) incentives to the acquisition of electric cars; (ii) the appearance of car sharing operators; (iii) the expansion of the network of charging points; (iv) allowing the return to the grid of the energy supplied to electric cars; and (v) creating incentives for the replacement of conventional cars with electric cars by logistics companies.

f) *Developing a technology cluster in the energy sector*

Finally, the Government undertakes to encourage the surging of a cluster of solar energy and electro-mobility in Portugal, similar to that of wind energy.

## **Developments in legislation or regulation**

Last year was scarce as regards the approval of new legislation, mainly due to the fact that a new Government took office at the end of 2015.

Still, some very relevant legislation and regulations were approved, especially in the oil sector but also in the natural gas sector and concerning co-generation of electricity.

### Amendment to the national oil system law

By means of Decree-Law no. 244/2015, of 19 October, the Government approved a thorough revision of the basic law of the organisation and functioning of the national oil system, which establishes the main provisions applicable to the storage, transportation, distribution, refinement and supply of oil.

This amendment completed the regulation in several aspects which were dependent upon complementary legislation, which had never been published, and focused on three main objectives: (i) ensuring more market competition, in particular providing for the unbundling of activities in the oil sector; (ii) establishing stricter rules for market operators, in particular as regards defining suitability requirements and providing for a mandatory certification of the supervisory authority; and (iii) enhancing the powers of the oil system supervisory authority (ENMC – *Entidade Nacional para o Mercado dos Combustíveis*) and the controlling powers of the activity of the market operators.

Regarding the unbundling, the new regime provides essentially for unbundling the legal and decision-taking between the activities of storage and transportation by pipeline of oil products and the activities of refining, distribution by pipeline and supply of oil products.

On the other hand, an accounting separation between the activities of refining, storage, transportation and distribution of oil products, when developed within the same company, is required.

The new regime also provides for stricter rules for market operators. In particular, suitability requirements are introduced which prevent any company, which is subject to insolvency proceedings or has debts to the tax or customs authorities or to the social security, from exercising activities within the oil sector.

Also, owners of installations of transportation of oil products by pipeline and/or storage of oil products which are declared of public interest, as well as owners of large installations of storage and distribution of piped LNG for the purpose of supply to the final consumer, are required to allow access to public service networks or infrastructures through negotiated solutions which abide by non-discriminatory, transparent and objective conditions and prices.

Changes are also introduced in the retail market, with obligations of provision of ownership of supply installations to the clients at the end of the supply contract, and obligations to receive and exchange LPG bottles irrespective of the brand, being imposed on suppliers.

ENMC, the supervisory authority, is also vested with deeper powers to regulate, monitor and supervise the activities of market agents, notably to approve regulations, monitor the quality of service, and initiate and decide misdemeanour proceedings, which are also regulated.

#### Safety of offshore oil and gas operations

By means of Decree-Law no. 13/2016, of 9 March, Portugal transposed Directive no. 2013/30/UE, of the European Parliament and the Council, of 12 June 2013, on the safety of offshore oil and gas operations.

The transposition of this Directive fills a gap that existed as to the prevention of major accidents in offshore operations, and follows some concerns which were voiced by environmental associations, as a number of deep offshore concessions for the prospection, research, development and production of oil, with prospection activities are currently being carried out.

The initiation of operations becomes dependent upon the validation by the competent authority of a set of documents which include the system of environmental and safety applicable to the operations, the description of the mechanism of independent evaluation of the control measures imposed, and an emergency response internal plan, as well as upon a public consultation procedure.

The objective of the regime is that the risks of a major accident are reduced to a level as low as possible and reasonably viable, this being the point where the cost of a risk mitigation measure is highly disproportionate to the benefits of such reduction.

Finally, the regime foresees the periodic reappraisal of the risk mitigation measures, according to the evolution of the technical knowledge and technologies.

The duties of competent authority are given to an entity formed jointly by ENMC and by the General Directorate of Natural Resources, Safety and Maritime Services.

#### Revision of the tariffs and commercial relations regulation of the natural gas sector

The first semester of 2016 also saw the approval of a revised version of the Commercial Relations Regulation and of the Tariffs Regulation of the natural gas sector by ERSE

(*Entidade Reguladora dos Serviços Energéticos*), the Portuguese regulator of the electricity and natural gas sectors.

The amendments made to this regulation essentially aim to strengthen the guarantees to consumers and the monitoring of the natural gas market, through new report obligations of the agents towards ERSE and information to be provided to consumers. From now on, natural gas suppliers, as has already happened with electricity suppliers, are forced to send the general conditions of their contracts to ERSE in advance, thus allowing a tighter and timely control of the lawfulness of these conditions.

Suppliers are also required to provide more detailed information regarding the price of the contract and fidelity clauses, and it is expressly established that the information provided to consumers in standardised characterisation form (approved by ERSE), prior to the execution of the contract, constitutes an integral part of the contract. Matters as to the provision of information in monthly invoices or invoicing during changes of supplier are also dealt with, with a view to protecting consumers' interests.

The modification of the Tariffs Regulations – which govern regulated tariffs, namely tariffs for the use of networks – also brings relevant changes, such as the introduction of a regulation by incentives within the activity of global management of the system, and a mechanism of reference costs relevant to supply activity, as well as the provision of more flexibility to the structure of tariffs for the use of networks, allowing better tariff options for consumers whose consumption is concentrated in time.

#### Licensing procedure of co-generation installations

Through the Ministerial Order no. 173/2016, of 21 June, the Government detailed the procedure of awarding injection capacity in the network and licensing co-generation installations which simultaneously generate heat and electricity, as well as the advance communication procedures, when applicable.

This regime also details the terms of the acquisition by the supplier of last resort of the electricity produced by co-generators which is not consumed in the installation associated to the co-generation.

This regime allows for the Government to establish maximum annual quotas of injection capacity subject to be allocated to interested market agents, as well as to temporarily suspend the award of injection capacity or define special procedures when it may be required by the management of the system.

The licensing and prior communication procedures mandatorily take place in an electronic platform (*Portal da Cogeração*) to be provided by the State.

### **Judicial decisions, court judgments, results of public inquiries**

#### Lawfulness of the Exceptional Contribution of the Energy Sector

By a judgment rendered on 7 January 2016, the Centre of Administrative Arbitration judged the application for judicial review on the tax assessment acts of the so-called Exceptional Contribution of the Energy Sector which was presented by REN, the Portuguese TSO.

The Exceptional Contribution of the Energy Sector, created in 2013 and in force during the years of 2014 and 2015, is a levy on all entities of the energy sector, excluding RES and small operators (thus including in its scope owners of power plants; concessionaires for the transmission and distribution of electricity and gas networks; refining operators, storage, transport and distribution of oil, etc.), whose aim is to contribute towards the promotion of balance and systemic sustainability of the energy sector, namely reducing the tariff deficit,

and to finance social and environmental energy sector policies related to energy efficiency measures.

REN has challenged the tax assessment acts, claiming that this contribution was materially a tax and thus violating the ability to pay, equal treatment and proportionality principles, as well as the principle of taxation on actual income.

The arbitrators considered that this is a financial contribution (not a tax), due to it being causally related to the energy system costs, and thus dismissed the claim of violation of the ability to pay principle.

The arbitrators also deemed the contribution as not disproportionate, considering the economic and financial state of the country and the accumulated amount of the tariff deficit, as well as the extraordinary and provisional nature of the contribution. The decision also invoked the fact that the majority of the operators exempted from this contribution have contributed to the elimination of the tariff deficit by other measures.

Finally, regarding the fact that the incidence basis of the contribution is the value of the assets of the operators, the arbitrators considered that it was not up to them to decide if this was the more adequate basis to serve as reference for the application of the contribution, but only to ascertain if there was a sufficient causal relationship between this basis and the purpose of the contribution, a question to which the arbitrators responded affirmatively.

Pursuant to article 6 of Law no. 159-C/2015, of 30 December, the Exceptional Contribution of the Energy Sector was maintained in the year of 2016.

REN has reportedly challenged this decision before the Constitutional Court.

#### Withdrawal of application for judicial review of decision regarding combined-cycle power plant

Endesa announced in April 2016 the withdrawal of the application for judicial review it had moved against the Ministry of Economy related to a denial of the licensing of a combined-cycle power plant in Sines.

According to the announcement made, this decision is related to the alleged absence of conditions to build more natural gas-fired plants in Portugal.

The statistics of the General Directorate of Energy and Geology show that total production of electricity by combined-cycle power plants has significantly lowered in the past years, total production in 2014 being less than half that verified in 2011 (6,708 GWh in 2014 against 14,915 GWh in 2011),<sup>15</sup> which may be related, apart from the reduction of consumption, to the priority of dispatch given to renewables, low prices of emission allowances, and low carbon prices.

### **Major events or developments**

#### Conclusion of five-year testing of WindFloat prototype

Last year (2015) saw the successful conclusion of the five-year testing of the 2MW WindFloat prototype installed off the coast of Portugal which has used the WindFloat technology, an innovative semi-submersible foundation developed by Principle Power project.

The WindFloat prototype was installed 5 km off the coast of North Portugal and represented a cutting-edge project in the field of offshore renewables, different from conventional fixed turbines.

The WindFloat is reported to have faced waves over 17 metres in height and winds exceeding 60 knots, while delivering 17 GWh of electricity to the local grid.

It has been announced that this prototype project will be followed by a pre-commercial project known as the WindFloat Atlantic (WFA) project, by EDP Renewables (EDPR), Mitsubishi Corporation (through its subsidiary Diamond Generating Europe), Chiyoda Corporation (through its subsidiary Chiyoda Generating Europe), Engie and Repsol.

The project, located 20 km off the Portuguese coast at Viana do Castelo, is planned to be operational in 2018 and will consist of three or four wind turbines on floating foundations, accounting for a total capacity of 25 MW. WFA will benefit from the support of the European Commission, through the NER 300 program, and of the Portuguese Government through the Portuguese Carbon Fund. It was also selected for the InnovFin program by the European Investment Bank.

#### Access to the installations of storage and transportation of oil products

Pursuant to Decree-Law no. 244/2015, of 19 October, the infrastructure of storage and transportation of oil products of CLC – Companhia Logística de Combustíveis, S.A. (a company owned by Galp, Repsol, BP and Rubisgás), was declared as being of public interest, which means that non-discriminatory access to this infrastructure shall be given to third parties.

This infrastructure is the main oil products secondary distribution infrastructure in Portugal and is composed of a 147 km multiproduct pipeline which connects the Sines refinery (the largest refinery in Portugal) to a storage park in Aveiras de Cima (near Lisbon) with a storage capacity of about 350,000 m<sup>3</sup>, where products are stored before being distributed all over the central and south areas of Portugal. It is the main infrastructure of secondary distribution of oil products in Portugal.

This constitutes an innovation, given the free and market-based regime in which the activities of storage and transportation of oil products are developed in Portugal, and the private nature of the infrastructures.

In April 2016, CLC approved and published the rules and conditions which govern the provision of non-discriminatory access to its infrastructure, despite being publicly known that it presented an application for judicial review of the declaration of its infrastructure of public interest in courts, which, if granted, may reverse the situation as to the obligation of provision of access to this infrastructure.

#### Re-evaluation of the construction of large hydroelectric plants

In 2008, the Government in office launched a program of development of high hydroelectric potential plants, which resulted in the attribution of rights of development of seven new hydroelectric plants to EDP, Iberdrola and Endesa.

Following the entering into office of the new Government, in November 2016, it has been decided that the plants which have not already entered the construction stage will either be postponed or abandoned. This encompasses three hydroelectric plants, with global capacity of 756 MW. The remaining four plants, which have already reached the construction stage, will continue to be built.

A determining factor for this decision was the fact that the evolution of the consumption of electricity since 2008 was well below the estimates under which the program of development of high hydroelectric potential plants was developed, which pointed to an average annual growth of consumption rate of nearly 2.3%, whereas consumption actually decreased at an approximate rate of 0.5% per year.

#### Electro-mobility

The second semester of 2015 saw a new impetus given by the Government to the development

of electro-mobility in Portugal. A plan of action for electro-mobility was approved on 10 August 2015 which, among other incentives for the development of this sector, foresees the installation of 46 additional fast charging points and 124 additional normal charging points across the country, together with the relocation of the existing charging points to more suitable locations.

On the other hand, according to Dispatch no. 8809/2015, of 10 August, the company in charge of the management of the electro-mobility network, MOBILE, S.A., will be granted access to financing within the Portugal 2020 Program, financing which should be used for the expansion and reconfiguration of the electro-mobility network.

### **Proposals for changes in laws or regulations**

#### Low voltage electricity distribution networks

In Portugal, the distribution of low-voltage electricity is under the charge of municipalities, which may – and usually do – assign the development of this activity to companies by means of a public service concession agreement. Current concession agreements come to an end between 2016 and 2027.

Afterwards, according to the law, each municipality will have to launch a public tender for awarding concessions for low-voltage distribution activity.

In this context, on 15 February 2016, the Government appointed a working group with the task of proposing legal, administrative and contractual measures necessary and adequate to a seamless transition to the current concessions (explored by EDP), to future concessions based on concession contracts followed by tender procedures, guaranteeing the principles of public interest, equity and transparency.

The setting-up of the working group followed concerns expressed by the Association of Portuguese Municipalities regarding the potential threat to territorial cohesion and to the uniformity of tariffs which may result from the fact that some municipalities are more profitable, and appealing to economic operators, as well as to the need to conduct energy efficiency investments, namely in public lighting.

The working group will have to present a report with the proposed measures, which may then be adopted by the Government.

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### **Endnotes**

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