EUROPE

PORTUGAL

Changes Since the Last Iteration

When comparing the top five uncertainties of the 2022 and 2024 Portugal Issues Survey results, there are no common issues. This remarkable difference may signal a considerable change in the business environment, and reflect adjustments to higher costs resulting from the supply crisis, inflation, and the pandemic, as well as the effects of recent wars. Additionally striking is the fact that all the top five priorities in 2024 are new issues, not present (at least as such) in the 2022 survey. One of these, 'Acceptability,' relates to the 'social license' to operate, now becoming prominent.

It is also surprising to notice the downgrading in 2024 of the economic issues present in the top five in 2022 (Commodity Prices, Affordability, Economic Growth, and Investor Environment). Despite the persistence of these challenges, it can be concluded that the energy sector has adapted to these new circumstances. Specifically, affordability moved from the 'Priorities' corner in 2022 to the 'Need for Action' corner in the 2024 edition, indicating that this social concern has become a focus of current policies.

Five-Year Country Trends

Portugal, aiming to be carbon neutral by 2045 (Climate Law), has increasingly invested in renewable energy sources, initially focusing on wind energy and now primarily on solar power. Over the past five years, there has been significant growth in renewable electricity generation capacity, which is expected to contribute to 80% of electricity generation by 2026. This increasing trend is driven by government policies. According to the Directorate General for Energy and Geology, renewable generation supported 54% of demand in 2019, increasing to 61% in 2023 (REN).

Electric vehicle (EV) demand is increasing, but EVs still represent less than 1% of the national fleet. Government incentives, including support to purchase electric vehicles or scrap old combustion ones, expansion of public and private charging networks, and the creation of a payment platform (Rede Mobi.E), are some actions promoting transport electrification.

Energy efficiency has improved across several sectors, including buildings, industry, and transport. According to a progress report of the Energy Savings Plan, Portugal exceeded the energy efficiency target established for 2023 by 159.6%.

Pumped hydro storage and batteries are being integrated into ongoing hybrid renewable projects, allowing maximization of renewable generation from variable sources (solar and wind). However, a significant increase in storage capacity is still needed.

Leadership in Community Integration

The government plays a central role in ensuring that energy transition policies are inclusive, considering consumers' needs. This can involve subsidized bills, incentives for community-based renewable energy projects, or policies prioritizing energy efficiency.

Suppliers are active in helping consumers join Energy Communities, sometimes financing installations and setting up platforms that aggregate producers and nearby consumers, who will benefit from lower energy costs.

Non-governmental organizations also play a significant role by promoting debate, awareness, and energy literacy.

Within communities, local leaders and activists are championing the transition to clean energy by promoting the creation and involvement in Renewable Energy Communities.

Progressing Faster, Fairer, and More Far-reaching Energy Transitions

Faster Progress: Scaling up new energy technologies, storage, and infrastructure is needed to accelerate the transition to a cleaner energy system. Energy storage enables the efficient integration of variable renewable energy sources, reducing reliance on grid stability provided by fossil fuels. Additionally, the expansion of renewable energy generation, transmission grids, and electric vehicle charging networks will allow the widespread adoption of clean energy resources abundant in the Iberian Peninsula. Electricity grid interconnections between Portugal and Spain and Iberia and the rest of Europe also leverage these resources, allowing new and more electro-intensive industries to settle in Iberia, creating more skilled jobs and accelerating the region's economic development.

Fairer Transition: Although access to electricity in Portugal reaches 100% of households, ensuring that the energy transition is fair and inclusive involves addressing social (mainly economic) equity concerns. The energy transition can contribute to more equitable social cohesion through the creation of job opportunities and reduction of energy costs over time. Meanwhile, subsidies are still required to support low-income consumers, ensuring that no segments of society are left behind during the transition.

More Far-reaching Impact: The energy transition has effects beyond the energy sector, such as new industries, technological development, new employment opportunities, emissions reduction, and new clean fuels. These are positive effects, but the transition also raises economic concerns and social stress, such as unemployment from fossil facility shutdowns and sunk costs.

Policy and Ecosystems to Enable Transparent, Transformational, Trustworthy Transitions

Portugal has robust policy frameworks that set clear targets and provide a roadmap for the energy transition. The Energy and Climate National Plan (PNEC 2030) and Carbon Neutrality Roadmap are the two main strategic documents setting targets for 2030 and 2050. These plans include measures that promote renewable energy, energy efficiency, and emissions reduction, with clearly defined objectives and mechanisms for monitoring progress.

The National Investment Program 2030 (PNI 2030), the planning framework for the next cycle of strategic and structuring investments at a national level, was approved in 2023, listing private and public projects, including energy-specific actions to enable this transformational transition. The PNI includes the Development and Investment Plans for electricity and gas grids (PDIRT and PDIRD).

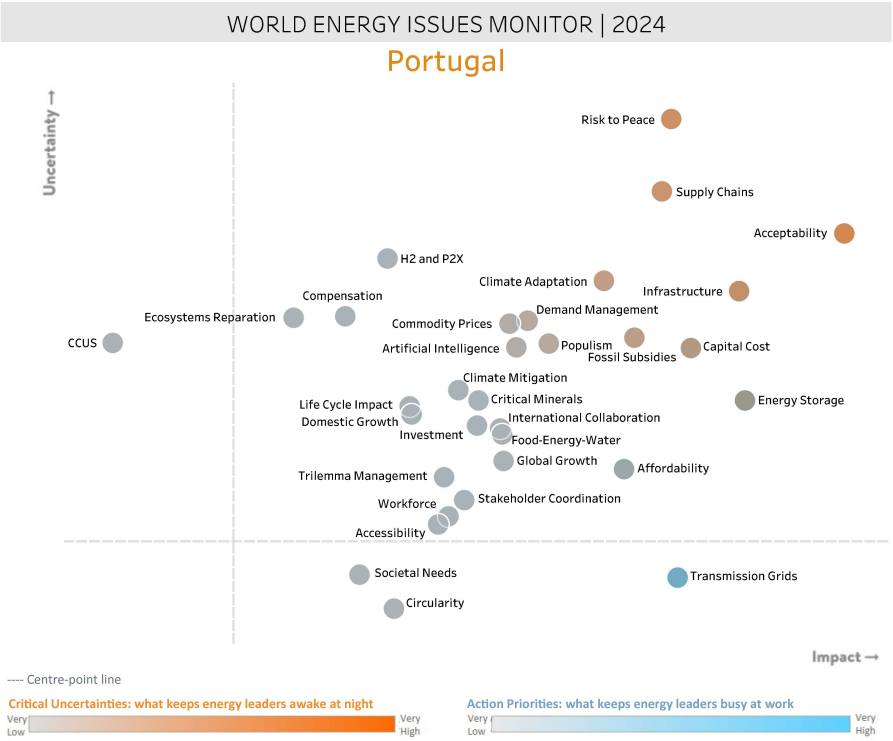
Transparent and regular reporting mechanisms are also foreseen.

Climate Risk and Resilience

Portugal faces climate risks, including extreme weather events, sea-level rise, and changes in precipitation patterns. The Climate Law, instrument development, including the Regional Climate Action Plans and Municipal Climate Action Plans.

Resource Allocation, Active Management, and Funding Flows

Through a combination of strategic resource allocation, active management, diverse funding streams, and private investment, promoters are developing their green projects. The primary finance resource stems from private investment, but state aid plays an important role. The Resilience and Recovery Plan and REPowerEU are also pivotal. These support mechanisms are monitored within set timeframes and intermediate targets, ensuring efficient resource allocation. Other state aids are being operationalized to further reinforce the energy landscape through the Portuguese Environmental Fund. Furthermore, companies can tap into various European funds, augmenting the financial support available for innovative energy ventures.



Acknowledgements

Portugal Member Committee