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Update

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New Portuguese Attempt to Win the Pole Position for the Production of Hydrogen and Renewable Gases

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The Minister of Environment and Climate Action, João Pedro Matos Fernandes, has recently revealed that the Government will launch a 40-million-euro tender to support renewable energy production and distribution projects, pursuant to the National Strategy for Hydrogen (EN-H2) and under POSEUR (Operational Program Sustainability and Efficiency in the Use of Resources).

As previously declared by the Minister, public support to the production of green hydrogen and other renewable gases shall be granted by "*public candidacy and tender under the Operational Program for Sustainability and Efficiency in the Use of Resources (POSEUR) or the program that succeeds it in the next community support framework*".

The first notice for the application to support the production of green hydrogen and other renewable gases should be made public in the first half of December and the tender will be accessible to both public and private entities.

Hoping that the announced tender is repeated annually until 2025, it is expected that the total investment to encourage the production of renewable gases for injection into the national public grid is of around 200 million euros – 40 million per year.

The Government expects a high number of applications from a wide range of projects – from Águas de Portugal to alternative jet fuel projects and also projects related to the production of biomethane– and will pay 85% of the proposed investments, with a maximum of five million per investment.

Addressing recent criticism of the Government's bet in this sector, the Minister of Environment and Climate Action has additionally stated that "*the price difference between hydrogen and natural gas tends to fade because the carbon tax associated to natural gas is growing and will continue to grow. There is no income here, much less we should classify this same income with an adjective. What there is here is an investment support only for the injection value chain in the net, because it has the direct*

competition of the natural gas, to support who uses these gases and has no way to use electricity in a way that they do not see its competitiveness reduced. This is really taking care of the economy".

We recall that one of the national goals for the 2030 horizon is the reinforcement of the bet in renewable energies and the reduction of the energy dependency.

The recent approval of the [National Energy and Climate Plan 2021-2030 \(PNEC 2030\)](#) and the [National Strategy for Hydrogen](#) have reaffirmed Portugal's commitment in promoting the reduction of greenhouse gas emissions, the incorporation of energy from renewable sources and energy efficiency, the decarbonization of society and the promotion of the gradual introduction of hydrogen as a sustainable and integrated pillar in a broader strategy of transition to a decarbonised economy.

Both national plans include a commitment to increase, within the next decade, the production and incorporation of renewable gases such as hydrogen, foreseeing the end of electricity production from coal by 2023 in Sines through the construction of a Green Hydrogen Production Plant (*Green Flamingo Project*).

It is estimated that the creation of an industrial cluster in this field could attract investments of 7 billion euros to Portugal by 2030.

More broadly, it should be borne in mind that the Portuguese strategy for hydrogen is aligned with the [one from the EU](#). According with the European Commission, hydrogen *"is essential to support the EU's commitment to reach carbon neutrality by 2050 and for the global effort to implement the Paris Agreement while working towards zero pollution."*

As such, [both the multiannual financial framework \(2021-2027\)](#) and the [Next Generation EU](#) (the stimulus package created to help rebuild Europe in a post-COVID19 context) are expected to represent a major boost for the implementation of hydrogen projects and infrastructures throughout the EU, since several of the EU's financial instruments will have a special focus on them. It is clear that hydrogen will play a major role in the years to come, which means that the companies interested in such cluster must invest in the needed preparation to properly benefit from the EU funds specially designed for it. Moreover, it cannot be ignored that Portugal is strongly investing to have the pole position in the hydrogen's ecosystem amongst the EU Member-States.