



## PROJECTS AND ENERGY

# National Energy and Climate Plan 2030 Towards a carbon neutral future

The National Energy and Climate Plan for 2021-2030 (*Plano Nacional Energia e Clima – “PNEC 2030”*) was approved by Resolution of the Council of Ministers 53/2020 and published on 10 July. The PNEC was published to comply with the obligations assumed by the Member States under Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action. This Regulation provides that all Member States have to submit an integrated National Energy and Climate Plan for 2021-2030 to the European Commission.

**"The PNEC 2030 was developed as the main instrument of Portugal's energy and climate policy for the next decade, to move towards a carbon neutral future."**

In this context, and in conjunction with the objectives of the Roadmap for Carbon Neutrality 2050<sup>1</sup>, **the PNEC 2030 was developed as the main instrument of Portugal's energy and climate policy for the next decade, to move towards a carbon neutral future.**

In order to give substance to Portugal's strategic vision and to guarantee achievement of the goals and objectives defined for the 2030, eight national objectives were defined in the PNEC 2030 that follow a logic of energy and climate integration<sup>2</sup>:

## 1. Decarbonising Portugal's economy

The major target of the PNEC 2030 is to reduce greenhouse gas emissions by between 45% and 55% by 2030, compared to 2005.

João Marques  
Mendes

Joana Brandão

Rui Vasconcelos  
Pinto

Hugo Aparício

Projects and Energy  
Team

<sup>1</sup> In 2016, at the Conference of the Parties to the United Nations Framework Convention on Climate Change, Portugal made a commitment to achieve carbon neutrality by 2050. To pursue this objective, Resolution of the Council of Ministers 107/2019 was published on 1 July 2019 and it approved the Roadmap for Carbon Neutrality 2050 (Roteiro para a Neutralidade Carbónica 2050 - "RNC 2050").

<sup>2</sup> For a detailed look at the objectives assumed in the PNEC 2030, see Resolution of the Council of Ministers 53/2020, available [here](#).

**"The energy transition in Portugal will, to a large extent, happen in the electricity sector. This is due to the potential for the development of a strongly decarbonised electricity generating sector based on renewable endogenous resources."**

This objective includes the following lines of action: the decarbonisation of the electricity generating sector through measures such as ending electricity production from coal, evaluating the possibility of converting coal-fired power stations to renewable sources, and promoting the phase-out of electricity production from fuel oil and diesel in the Autonomous Regions.

## **2. Giving priority to energy efficiency**

There is a clear strengthening of the commitment to energy efficiency, with the objective of reducing primary energy consumption by 35% by 2030 (excluding non-energy uses).

The commitment to the objective of reducing primary energy consumption in the various sectors is made in a context of sustainability and cost-effectiveness. It focuses on energy efficiency and the efficient use of resources, and it gives preference to rehabilitating and renovating existing buildings and to encouraging the construction of zero emission buildings.

## **3. Reinforcing investment in renewable energies and reducing the country's energy dependency**

The plan is for increased and sustainable use of endogenous resources, an increase in the electrification of the economy, and stimulation of innovation in clean technologies. The objective is to ensure 47% of renewable sources in gross final energy consumption by 2030.

This objective includes the **acceleration of electricity production from renewable energy sources**, through measures such as *(i)* continuing to promote an auction system to allocate injection capacity to the grid, *(ii)* disseminating hybrid systems of renewable technologies, *(iii)* increasing wind power production through over-equipment and repowering, *(iv)* encouraging renewable cogeneration and gradually reducing incentives for cogeneration based on fossil fuels, *(v)* fostering the use of ocean renewables and increasing the use of geothermal energy, *(vii)* organising pilot projects for renewable energy in the demonstration phase that are not very widespread or *(viii)* strengthening green certificate systems<sup>3</sup>.

**The energy transition in Portugal will, to a large extent, happen in the electricity sector. This is due to the potential for the development of a strongly decarbonised electricity generating sector based on renewable endogenous resources (water, wind, sun, biomass and geothermal energy).** Solar energy will become predominant, taking into account the abundance of the resource and the highly competitive prices of the technology.

<sup>3</sup> See our Informative Note on the green certificate market that is now active in Portugal [here](#).

To strengthen the installed capacity of renewable origin, Portugal will continue to hold auctions to allocate reception capacity in the grid and, in the short term, two auctions are planned for the allocation of at least 2 GW of new renewable capacity. It is also possible for promoters, together with the grid operator, to develop grid reinforcements in situations where there is no reception capacity (ideally for large projects).

Of significance in this context is the investment in the development of solutions for energy storage and in the production and incorporation of renewable gases such as hydrogen<sup>4</sup> and biomethane, to reduce external dependence and give flexibility to the energy system.

In addition, the aim is to (i) encourage the spread of **distributed production and self-consumption of energy and energy communities**, (ii) foster better use of biomass for energy uses, and (iii) encourage the production and consumption of renewable gases.

**"Of significance in this context is the investment in the development of solutions for energy storage and in the production and incorporation of renewable gases such as hydrogen and biomethane."**

#### 4. Guaranteeing security of supply

The objective is also to ensure the maintenance of a resilient and flexible system, with diversification of energy sources and origins, strengthening, modernising and optimising energy infrastructures, developing interconnections and promoting the integration, reconfiguration and digitalisation of the energy market to maximise its flexibility.

One of the goals in this plan is to achieve a target of 15% electricity network interconnection capacity by 2030.

#### 5. Promoting sustainable mobility

The aim is also to decarbonise the transport sector by focusing on **electric and active mobility** and the use of **alternative clean fuels**.

#### 6. Promoting sustainable agriculture and forestry and enhancing carbon sequestration

There is also a plan to reduce the carbon intensity of agricultural practices and to support effective agroforestry management, thus contributing to increasing the capacity of natural sinks.

<sup>4</sup> On the importance that hydrogen is expected to assume, see our informative note available [here](#).

## 7. Developing an innovative and competitive industry

Another of the objectives is industrial modernisation that focuses on innovation, decarbonisation, digitalisation (**industry 4.0**) and circularity, thus contributing to increasing the competitiveness of the economy.

## 8. Guaranteeing a fair, democratic and cohesive transition

The objective is also to strengthen the role of citizens as active agents in decarbonisation and energy transition, to create equal conditions for all, to fight energy poverty, to introduce tools to protect vulnerable citizens, and to foster the active involvement of citizens and territorial enhancement.

**The essential aim of these eight objectives is to achieve carbon neutrality by 2050 and to foster energy transition through a commitment to renewable energies and energy efficiency.**

Finally, on the subject of **financing energy projects**, the PNEC 2030 emphasises the need to redirect financial flows towards promoting carbon neutrality, in particular, by fostering the development of a framework that is favourable to sustainable financing.

Therefore, the PNEC 2030 refers to possibilities of financing projects in the energy sector within the scope of **European financing, national public financing and private financial sector financing**.

In particular, as far as **European financing** is concerned, the highlights include several programmes and funds to finance projects relating to energy transition, energy efficiency or renewable energies. With regard to **national public financing**, the highlights include the Energy Efficiency Fund, the Fund for Systemic Sustainability of the Energy Sector, the Innovation Support Fund and the Energy Efficiency Credit Line. Regarding **private financing**, the PNEC 2030 highlights, among others, the possibilities of using green bonds<sup>5</sup>. These bonds represent a market that is enjoying a sharp increase in growth and, in 2018, the total value of green bonds issued worldwide reached USD 167.3 billion dollars. Another highlight is green loans<sup>6</sup>.

Our Energy team is available to answer any questions about PNEC 2030.

5 PNEC 2030 defines green bonds as bonds where the value of the debt contracted will be applied exclusively to finance or refinance, in part or in full, eligible green projects. The definition of project eligibility is given by the International Capital Market Association's (ICMA) Green Bonds Principles and (as of May 2019) the European Commission is working on an EU Green Bond Standard.

6 The PNEC 2030 defines green loans as loans made available exclusively to finance or refinance, in whole or in part, new projects, and/or existing eligible green projects, but directed at the general operation of the company. In these loans, the interest rate to be paid depends on the ability of the company to achieve the environmental objectives defined and agreed between the lender and the funder. In order for a loan to be considered green, there are several procedures referred to in the Green Loans Principles issued by the Loan Market Association. This option is currently widespread in several international banks.