FIGHTING AGAINST THE COVID-19 IMPACT IN PORTUGUESE RENEWABLES.

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The global economic crisis, spurred by the coronavirus, has caused carbon dioxide emissions to fall this year for the first time since the 2009 financial crisis, with the world emitting less than one million tons of carbon dioxide a day.

The decrease in the demand for oil, has led to falling prices and a decrease in production, with the demand in April estimated to have drop down to a level last recorded in 1995. In addition, Europe is facing a record in electricity prices, with power prices turning negative in many European countries (MIBEL faced a 32% reduction in the wholesale electricity market price compared to the beginning of the year). Together with the current lack of liquidity in the market, these two factors may seriously jeopardize the investment in green energy and the development of renewable electricity projects in pipeline.

In Portugal, one of the main measures adopted to reduce the impact caused by Covid-19 in the ongoing projects, was Portuguese energy authority's (DGEG) Order no. 27/2020, subsequently amended by Order no. 33/2020, (The "Order") providing for the suspension of all administrative deadlines in the electricity sector from 16 March to 1 June, and the extension of such deadlines while the suspension is in force.

This measure comprises all deadlines for the performance of all actions and formalities by the promoters awarded on the first Portuguese solar auction in June 2019 for the attribution of injection capacity, as well as the relevant deadlines regarding to the allocation of reserve power injection capacity.

In addition, the Order has also provided for the suspension of the submission on new applications, from 21 March to the end of May, for the award of:

i. Reserve Capacity Titles;
ii. Agreements for the awarding of reception capacity in the Public Service Electricity Grid;
iii. Registrations for small production units or production units for self-consumption;
iv. Energy production licenses under the ordinary scheme, cogeneration and special scheme;

Establishment licenses for grid infrastructures (lines and branches, transformer stations and substations, except for those of public or private interest covered by situations considered as emergencies by DGEG, under grounds of public health or other similar reasons).

The Portuguese Government has also allowed the issuance of provisional certificates instead of the operation certificates for small production units during the state of emergency. This decision applied to a total of 220 projects for small renewable production units, for total of 30 MW.

All ongoing projects implementation was based on the assumption of an economic, social and financial stability context. Thus, projects that are already at a more advanced stage of development, namely with the construction and financing agreements already closed and signed, are more likely to succeed. In turn, projects where this is not the case, are likely to face serious difficulties, as the liquidity shortage in the financial market will probably cause an impact in relation thereto.

In spite of the negative views for renewables caused by Covid-19 pandemic outbreak, the investment in green energy may become an opportunity and a solution for affected countries to recover from the current crisis. In this regard, the Portuguese Government has committed to reduce the greenhouse gas emissions by 45% to 55% in 2030 and to reach a goal of a net zero carbon footprint by 2050.

The National Energy and Climate Plan for the period 2021-2030 (PNEC 2030), recently approved by the Portuguese Council of Ministers, sets high investment targets in renewable energy:

(i) Plus 15GW in the next decade. Solar capacity will double, promoted through capacity auctions (with the next auction scheduled for August with 700 MW of capacity to be allocated) and the investment in the production; and
(ii) The incorporation of renewable gases, such as hydrogen, as one of the main driving forces for the country to achieve the above green benchmarks. In particular with regard to hydrogen, Portugal intends to position itself as a pioneer in the development of this technology, aiming to establish support measures for hydrogen production projects and subsequently achieve a quota of 5% in the road transport consumption and between 50 to 100 supply stations in 2030.

The Portuguese Government intends to mobilize 4.5 billion euros on the above and in other green sustainability projects through strong public investment, but also with the engagement of the private sector. This "public investment shock", as called by the Portuguese Government, will be made through tax reforms, subsidies, transfers and increased public investment in sectors or strategic projects. Over the next years, Portugal may also benefit from an amount of circa 80 million euros under the Fair Transition Fund established by the European Commission to support the decommissioning of polluting industries and the decarbonization of regions dependent on fossil fuels.

The impact of Covid-19 in the energy sector is difficult to predict, but it is clear that the demand for energy resources has decreased, prices have fallen and the market is struggling to obtain liquidity. Portugal is engaged in fighting back, investing in green energy and establishing conditions to attract investment We believe that this may be the right way to economic recovery we need to put behind the economic effects of Covid-19.

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