

THE NEW PORTUGUESE VOLUNTARY CARBON MARKET

Portugal has a Voluntary Carbon Market new regulation but for this market to operate, an online platform is still necessary and ancillary legislation, which are expected throughout this year.

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Portugal took the first relevant step in setting up the Voluntary Carbon Market ("VCM") with the publication of [Decree-Law 4/2024](#) ("VCM Regulation"), following a public consultation between 8 February and 11 April 2023.

The creation of this market aims at to prevent greenwashing in the acquisition of carbon credits and to increase investor confidence, at a time in which the European Union is developing its proposal for regulating VCMs. The VCM Regulation, although already incorporating EU principles, contemplates the eventual need of adaptation to new European legislation that may be approved.

To register projects in the VCM, promoters of greenhouse gas ("GHG") emission reduction projects or carbon sequestration projects in Portugal must submit them at an online platform, which has yet to be created, with a report detailing (i) the start and minimum duration of the project, (ii) the method used to quantify GHG emissions or carbon sequestration, (iii) the identification of possible externalities and the conditions for monitoring GHG emissions. Each project must also be validated by a duly qualified independent verifier using criteria yet to be defined by Ministerial Order.

According to the VCM Regulation, credits are generated by reducing GHG emissions or sequestering carbon, whereby reducing emissions, or sequestering 1 ton of CO₂ generates 1 carbon credit. In turn, those who are unable to reduce their emissions can voluntarily purchase carbon credits. In this way, they compensate for their emissions by financing GHG emission reduction projects.

Credits can take two forms:

- Future carbon credits, the licenses for which are issued prior to the reduction of GHG emissions or carbon sequestration and is based on an estimate submitted by the promoter; or
- Verified carbon credits, the licenses for which are issued after an effective reduction in GHG emissions or carbon sequestration.

Projects submitted to the Portuguese VCM cannot be submitted to other similar national or international trading systems.

The Portuguese VCM start of operation is expected in 2024 once the online platform and ancillary legislation are in place, but the current political outlook makes it difficult to happen.

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