

PORTUGUESE STATE BUDGET 2027

PROPOSALS FOR THE ENERGY SECTOR

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SUMMARY

The Portuguese 2027 State Budget Bill (the “2027 State Budget Bill”) broadly maintains the tax framework applicable to the energy sector established under the 2026 State Budget Law (the “2026 State Budget”). As submitted by the Portuguese Government, the Bill introduces no material changes to the taxation of energy products used for energy generation, the Extraordinary Contribution on the Energy Sector (*Contribuição Extraordinária sobre o Setor Energético*, “CESE”), or the earmarking of energy-related tax revenues.

The main changes announced for 2027 concern the budgetary framework and policy priorities: greater visibility of funding allocated to the energy sector, increased focus on energy storage, the planned launch of LicençIA, and the implementation of the Renewable Energy Acceleration Areas (ZAER) and dynamic grid injection capacity management mechanisms.

The Bill allocates €842 million to the energy sector. However, several measures scheduled for implementation in 2027 were already approved or regulated in 2026. The principal development therefore lies in their implementation and consolidation, rather than in the introduction of new regulatory frameworks.

I. Introduction

The 2027 State Budget Bill allocates €2.265 billion to the Ministry of the Environment and Energy, of which €842 million is earmarked for the energy sector.

From a tax perspective, there are no significant changes compared with the 2026 State Budget. The taxation of fuels used for energy generation, the Extraordinary Contribution on the Energy Sector and the allocation of energy-related revenues to the Portuguese National Electricity System and the Environmental Fund remain unchanged.

The main developments for 2027 concern increased funding and the implementation of measures relating to energy storage, licensing procedures, access to and use of electricity networks, and the security and resilience of the energy system.

2. Taxation of energy remains materially unchanged

Petroleum and energy products covered by the transitional regime remain subject to 100% of the full rate of Tax on Petroleum and Energy Products (*Imposto sobre os Produtos Petrolíferos e Energéticos*, ISP) and 100% of the CO₂ emissions surcharge when used for electricity generation or combined heat and power generation. The applicable regime depends on the type of product, its use, the location of the installation and the exclusions provided for in the Portuguese Excise Duties Code and the applicable State Budget legislation.

With respect to natural gas covered by the transitional regime, the Bill maintains the application of 50% of the applicable ISP rate and 50% of the CO₂ emissions surcharge. This regime applies to natural gas used in mainland Portugal for electricity generation, combined heat and power generation, or the production of town gas, without prejudice to the applicable exemptions and other statutory conditions.

The exemptions applicable to biofuels, biomethane, renewable hydrogen and other renewable gases also remain in force, provided that the applicable requirements, sustainability criteria and other statutory conditions are met.

3. Energy-Related Revenues Earmarked for the Climate Transition

The 2027 State Budget Bill maintains the allocation of revenue from the taxation of energy products to the financing of the electricity sector and environmental measures.

Under the Bill, 50% of the relevant tax revenue collected in mainland Portugal continues to be allocated to the Portuguese National Electricity System, notably to reduce the tariff deficit. The remaining revenue is allocated to the Environmental Fund for the statutory purposes assigned to it.

The Bill also maintains the allocation to the Environmental Fund of €30 million in ISP revenue collected from petrol, road diesel and marked and coloured diesel. This amount is intended to finance the purposes specified in the applicable State Budget provision.

The Bill further provides for the transfer to the Environmental Fund of up to €32 million in revenue resulting from the tax alignment of heating diesel and road diesel.

4. Renewables and electricity networks: implementation of measures approved in 2026

The report accompanying the 2027 State Budget Bill provides for the implementation of the Sectoral Programme for Renewable Energy Acceleration Areas (Zonas de Aceleração de Energias Renováveis, ZAER). The 2027 State Budget does not introduce this measure, as the programme was prepared, submitted to public consultation and approved in 2026. Its implementation in each designated area will depend on the relevant implementing instruments, coordination with land-use planning and environmental rules and compliance with the applicable statutory procedures.

The report also refers to LicenclA, an artificial intelligence platform designed to streamline licensing procedures, which may have a significant impact on the energy sector. Until its legal framework, scope, functionalities, procedural coverage and applicable safeguards have been defined, it will not be possible to determine whether the platform will affect statutory deadlines, the allocation of powers between public authorities, procedural formalities or decision-making criteria.

5. Energy storage and security of supply

The report accompanying the 2027 State Budget Bill identifies energy storage as a means of integrating a higher proportion of renewable energy and strengthening security of supply. It envisages the use of battery storage, hybrid projects and pumped-storage hydropower to store electricity during periods of lower demand and release it when demand increases or solar and wind generation decreases.

This measure builds on the National Energy Storage Strategy presented in 2026. The strategy covers stand-alone grid-connected batteries, batteries associated with solar and wind power plants, the use of available capacity at connection points that have already been allocated and the expansion of pumped-storage hydropower. It also envisages mechanisms to remunerate the availability of these solutions and other sources of flexibility within the electricity system.

The targets announced by the Portuguese Government are approximately 3 GW of battery storage capacity and 3.9 GW of pumped-storage hydropower capacity by 2030. By 2040, these targets increase to approximately 4.5 GW and 5.3 GW, respectively. These are sectoral policy targets and do not constitute specific appropriations or legally binding obligations approved through the 2027 State Budget.

The Government has also announced competitive tender procedures for stand-alone battery projects or battery projects associated with renewable energy installations, as well as for pumped-storage

hydropower projects. The latter may be subject to approval by the European Commission under EU State aid rules. The report accompanying the 2027 State Budget Bill does not earmark a specific amount for energy storage or establish the timetable, capacity to be procured, remuneration arrangements or eligibility criteria. The budgetary impact is therefore indirect: the 2027 State Budget provides general funding for energy policy, while the relevant measures remain dependent on competitive tenders, implementing regulations and administrative decisions.

6. CESE extended for a further year

The 2027 State Budget Bill provides for the Extraordinary Contribution on the Energy Sector (Contribuição Extraordinária sobre o Setor Energético, CESE) to remain in force in 2027 by updating the relevant temporal references in its statutory framework. The contribution will only continue to apply if the 2027 State Budget Law is enacted and enters into force as proposed.

As submitted, the Bill introduces no material changes to the CESE rates, taxable base or liable entities compared with 2026. The principal amendment is the temporal update required for the contribution to apply in 2027, without prejudice to any changes that may be introduced during the parliamentary approval process.

7. What to expect in 2027

A comparison with the 2026 State Budget indicates continuity in tax policy and a greater focus on implementation. The taxation of fuels used for energy generation, the CESE and the earmarking of energy-related tax revenues remain in place. The 2027 State Budget gives greater visibility to funding for the energy sector and to policies concerning energy storage, digitalisation, security and resilience.

As submitted, the 2027 State Budget Bill does not introduce any immediate, far-reaching changes for energy market operators. Its practical impact will depend on the final legislation enacted by Parliament, the regulation and implementation of LicençIA and the energy storage mechanisms, and the implementation of the ZAER programme and the dynamic grid injection capacity management regime, both of which were initiated in 2026. The Bill is primarily intended to fund and provide a budgetary framework for energy policies already under way, without prejudice to any directly applicable provisions ultimately included in the enacted State Budget Law.

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