

Green Evolution: Opportunities and Challenges of the European Green Deal for Portugal

1. Executive Summary

The new European Commission headed by President Ursula Von Der Leyen, which took office in 2019, identified environmental sustainability in the European Union as one of its priorities, leading to the announcement of a European Green Deal. The pandemic has not changed this objective, as a significant part of the recovery and resilience package to combat the economic impact of COVID-19, will be dedicated to the green recovery.

In Portugal, since the seventies successive Governments have been developing specific legislation for environmental protection, beginning with the Nature Conservation Act in 1970. Despite significant progress since then, Portugal currently registers less favourable environmental indicators than most Member States of the European Union, except for indicators related to renewable energy.

In this report, we analyse the sustainability record in Portugal, we define the challenges and sectoral opportunities and what should be the priorities of green investments in the coming years, to reduce the gap relative to the European average.

2. Recommendations

Given the concerns revealed by the Eurobarometer about the economic stagnation in the last two decades in Portugal and its impact on personal income, we consider that green investments must be articulated with a priority to boost productivity.

Another public policy priority must be the improvement of energy efficiency of households and firms, where Portugal lags the European average. Moreover, energy costs are above average both for households and firms. Supporting energy efficiency is therefore not only positive for the environment but also may help reduce energy poverty, and could have a positive impact on supply, as it cuts costs for firms.

Portugal has a high level of energy poverty, according to the Energy Poverty Observatory, recently created by the European Commission, despite the policy to reduce electricity cost for households at risk of poverty. There is, however, no systematic assessment of energy poverty in Portugal. In our opinion, the Government should urgently carry out a survey of energy poverty and develop a plan to reduce it significantly, for instance, supporting the most vulnerable people in particular pensioners or indebted households.

With regard to emissions, a sectoral assessment allows us to conclude that the priority areas to reduce greenhouse gas emissions should be waste management, agriculture, and industry, where Portugal records higher than average emission intensity.

In the energy sector, Portugal has a higher-than-average percentage of renewable energy in total energy production. The Government wants to reinforce storage capacity through the development of green hydrogen, given existing infrastructure in Sines and the high potential of photovoltaic energy in Portugal. However, there is currently no commercially available technology for green hydrogen based on sea water and residual water on a large scale, which means that it may be early to make significant investments in that technology.

In the energy sector, it is also urgent to make energy transport and distribution grids resilient to climate change. In Portugal this should be a priority area because the increasing periods of drought have increased the frequency and intensity of fires, which can affect the security of electricity and natural gas supply. It is also essential prepare networks to prevent them from contributing to the ignition of forest fires. However, there does not seem to be currently a detailed plan to deal with this issue.

The Government will benefit from different European Union grants for funding the green economy. Furthermore, the newly created Banco de Fomento, will be able to provide guarantees for green investments, within the framework of the InvestEU program. In our view, it is desirable that priorities are directed towards increasing productivity and fighting energy poverty, at the same time as “greening” the recovery. Therefore, we recommend that projects that include these two objectives have a higher score when accessing EU funds.

It will probably be necessary to strengthen incentives for companies to invest in greener technologies to meet the objectives of the National Plan and Energy and Climate. According to data from OECD, Portugal already has a relatively high level of “green” taxes to GDP. In the future, it may be equally efficient and less burdensome for companies and households, to reduce tax incentives for polluting activities.