

A NEW LEGAL FRAMEWORK ON ELECTRIC MOBILITY – CREATING A NEW MARKET FOR ELECTRIC VEHICLES - ABBC

Posted on 13/07/2010



Category: [Energy](#)



Worldwide there are around one billion vehicles, a figure that is expected to double in just two decades. Alongside this trend, the price of fuel has been growing in the medium term, with no substantial or time-consistent decrease expected. Meanwhile, Governments have to deal with increasing environmental concerns, notably the reduction of carbon emissions. Thus, the long-term sustainability of the automobile industry may depend on “new” alternative sources of energy.

Whereas hybrid vehicles are already establishing a rightful place in the market, new projects for full electric vehicles have been recently announced by European Governments.

In the first row of these new policies, the Portuguese Government has recently enacted Decree-Law N. 39/2010, which sets forth the basic provisions applicable to electric vehicles (EV) and the supply

chain of electricity for this new industry.

The new Decree-Law is intended to act as a support instrument for this new industry and is envisaged to contribute to the development of its value chain upstream and downstream, terms ironically "imported" from the oil industry. The intention is to create the legal basis for the development of the following activities: (i) technological research; (ii) construction of EVs; (iii) development of batteries; and (iv) electricity infrastructure to power the new EVs.

According to the new Decree-Law, approximately 320 Charging Points will be installed in the coming year, and a thousand more the year after. According to Government figures, Portugal is expected to have 40,000 EVs by 2015 and 160,000 five years later – which would represent a reduction, respectively, of 10,000 tonnes of oil equivalent (TOE) and 52,000 TOE. Even so, this will only account for 0.8% TOE of fuel consumption by 2020.

The new legal framework also draws a diagram of main stakeholders' commercial relationships. Electric Mobility Retailers (EMR), Charging Network Operators (CNO) and a Managing Entity (ME) will comprise the core of this new market.

EMRs will sell electricity direct to final users, who will have unlimited access to the whole charging point network in order to achieve a consistent and viable market, to promote standardisation and assure mobility throughout Portuguese territory. Consumers, by means of a top-up card, will not therefore have to establish commercial relationships with any other entity than an EMR.

Portugal está a la cabeza de los países que promueven el uso de vehículos eléctricos y ha instaurado recientemente una normativa que establece las provisiones aplicables a vehículos eléctricos y redes de distribución de electricidad para esta nueva industria, explica Bruno Azevedo Rodrigues de ABBC en Lisboa. El resultado es un entorno de prueba, no solo para determinar la regulación necesaria de esta industria, sino también para evaluar su viabilidad comercial.

CNOs will control and manage the Charging Points, and the ME will manage information and power flows, as well as undertake some regulatory functions, notably concerning technical rules regarding the connection and functioning of Charging Points.

Both EMR and CNO activities may be carried on a free competitive basis, despite the need for permits. Only the ME is exclusively reserved to a new company controlled by the concessionaire of the Distribution Grid, which will hold the majority of the share capital, the remaining left for other shareholders in equity stakes equal to 5% or 10%, depending whether they are private or public entities, respectively.

As for EMRs, those that already have permits to act as electric retailers are also authorised to sell electricity for EVs. CNOs will be granted a permit for a 15 year period to exploit Charging Points, extendable for an equal period. This new legal framework is designed to operate as a pilot project, and its purpose is to help the creation of a new market and the associated industry, while assessing and gathering information, so that more reliable and consistent goals can be established in 2012.

Naturally, the key for this environmental friendly policy depends on the maximisation of the existing renewable energy based power plant, and also in the deployment of new renewable capacity in order to ensure the effective substitution of a fossil fuel-based industry with "green" electricity.

Naturally, the expansion of electricity to the transportation sector means good news for the renewables industry, which is reaching its maximum installed capacity bearing in mind a balanced energy-mix. Thus, it will be worth following the development of this new Government policy and the business opportunities that may arise along the value chain value of electric mobility.

Bruno Azevedo Rodrigues is a lawyer in the energy group at ABBC in Lisbon. He can be reached via b.azevedo@abbc.pt