

# ENVIRONMENTAL BALANCING ACT - VIEIRA DE ALMEIDA

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## **Businesses may not have the financial capabilities to comply with all their obligations.**

Portuguese companies currently need to contend with both changing environmental obligations and economic considerations, says Manuel Gouveia Pereira, Managing Associate of the Environment Practice Area at Vieira de Almeida & Associados. Finding the right balance, he says, is difficult. The desire to cut carbon emissions is a long-held goal of the EU. One central component was the EU Emissions Trading System (EU ETS), a model where greenhouse gas emissions are capped and the surplus emissions traded for cash. The concept was welcomed when it launched in 2005, says Gouveia Pereira, but during the second trading period 2008-2012 things changed due to the surplus of allowances.

"As from 2013, the energy sector in Portugal can no longer be awarded CO<sub>2</sub> allowances for free but have to go through an auction process," he explains. "The system is not working as there is a huge excess of allowances so the value of carbon is very low." The attitude of most companies regarding emissions to the environment is to stick to strict pollution compliance levels, resulting in the volume of projects decreasing so as to meet the expectations of the law. To compound matters, Portugal

outlined the latest of its Integrated Pollution Control, Compliance and Enforcement laws this year that will put new limits on industrial emissions.

"The rules state that companies need to comply with the best practices possible to reduce pollution, from machinery and engines to waste water and chimneys," Gouveia Pereira adds. "The feasibility of this best practice approach is seldom taken into consideration by the Portuguese authorities, but regardless companies still have to comply."

Gouveia Pereira says businesses may have to spend a lot of money to comply with regulations.

"Operators have a huge number of rules to meet but, unlike 10 years ago, they will not all have the financial capability to do so. The environmental euphoria of the 2000s has given way to a new period of 'post-financial crisis' reality."