

FINANCING PORTUGAL'S RENEWABLES 'BET' - GARRIGUES

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“In 2008 there was a significant increase of litigation cases related to insolvency and unfortunately there is no reason to believe that this trend will alter during 2009.”

Vicente Sierra, Freshfields Bruckhaus Deringer



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Portugal, like Spain, has financial and political worries on how to deal with its energy tariff deficit. “We are likely to see some changes to feed-in production tariffs in the renewables sector but nothing is yet decided, but any change will likely affect new projects much more than existing ones,” says João Rosado Correia, partner with Garrigues in Lisbon.

The Portuguese tariff regime was first established in 2001, which Rosado Correia helped draft, but subsequently saw minor amendments mainly in 2005. To date the framework has remained remarkably consistent, prompting consistent investment.

Para lidiar con sus problemas financieros, Portugal probablemente realizará cambios en las “feed-in tariff” (sistemas de prima regulada); pero en comparación con España, el país luso sigue manteniendo cierta flexibilidad en el modo de afrontar el déficit de energía, indica João Rosado Correia, socio en Garrigues Lisboa.

“The initial tariff rates were developed as a partial ‘bet’ on renewable, to encourage the growth of the industry and technological innovation. This clearly worked and the subsequent amendments focused primarily on efficiency – to encourage consistent levels of production and continuing innovation.”

Some in the market suggest that the impact of a drop in renewable production tariffs, is currently being analysed but any final decision is unlikely to in the near future. “Some in the industry accept that some renewables producers are getting too much, and consumers are paying too little for their energy, but it is still difficult to take a ‘benefit’ away, even in the current financial climate and with news headlines filled with stories of oil spills,” he says.

The likely impact of any amendments may though be most felt in the wind sector, as some market observers argue that the rates for wind production have been initially the most generous in order to promote projects and now, with mature technology, it is time to correct the prices.

“This argument is refused by wind power producers, who claim that the actual tariff is fair and barely

covers the production costs. Nonetheless, it is foreseen that even if the wind power feed-in production tariffs suffers a significant drop the impact of this measure will be limited because there are now fewer opportunities for new developments – the best sites have already been taken, and the difficulties to finance the projects will lower the investors' interests," he suggests.

He is confident however that Portugal will see renewable projects grow, because many projects have already been authorised and benefited from the current tariff, and the Portuguese government maintains its supports to the renewables sector. He also believes that Portugal will continue its gamble on the sector. "We may even see rate increases for some renewable technologies, such as biomass, as well as for experimental technologies, like wave or offshore power, although in this case the number of licences is likely to be low and the technology in many respects remains unproven."