GAS: PORTUGAL'S NEW ENERGY FOCUS - PLMJ

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Portugal's desire to diversify its energy supplies has prompted significant investment in gas, including LNG, says Manuel Santo Vítor, head of the energy practice at PLMJ

Iberia's relative geographic isolation from Europe has been a major driver behind Portugal's energy diversification over the past 20 years, with the country set to enter a new phase as it moves to establish itself as a major gas consumer and hub for liquid natural gas (LNG).

'Portugal has historically imported the vast majority of its energy needs, but since the 1990s it has sought to find new supplies, and made significant advances in areas such as wind and hydro-electric power, but the emphasis for the coming decade is firmly towards developing the supply of gas, specifically LNG,' says Manuel Santo Vítor of PLMJ in Lisbon.

LNG was identified as a vital element of Portugal's energy strategy in the early 1990s, he says, with the first gas imports in 1997. A major reason for finding new alternative resources was the desire to reduce the country's high dependency on expensive oil and coal imports.

Portugal has traditionally imported around 90% of its energy needs, although as a result of an

ongoing diversification programme, recent years have seen a drop in both oil and coal imports – driven also by concerns over CO2 emissions – and an increase in exploring more sustainable hydro, wind and solar generation plants.

'The focus in respect of gas has been towards finding sustainable, competitive and secure sources of supply and consequently much of the emphasis has been towards North and West Africa, specifically Algeria and Nigeria, but also the Caribbean,' says Santo Vítor.

Portugal's first gas-fired co-generation and combined cycle power plant was the 990MW Tapada do Outeiro plant commissioned in 1994 and which came into operation in 1998/99, using natural gas from Algeria. PLMJ worked on the initial financing of the plant through a public finance initiative, which at the start of the decade supplied 20% of the country's total electricity needs.

Siemens, the constructor of the Tapada do Outeiro and subsequent Ribatejo plants, has also now been contracted to build two turnkey combined-cycle units, valued at $947m (€676m), at Pego Pego in Abrantes, northeast of Lisbon for ElecGas – a joint venture comprising International Power and the Spanish utility Endesa. Combined, the plants will provide around 40% of the country's total electricity needs.

Next phase

The next stage in Portugal's gas strategy is to try to develop the country as a hub for LNG supplies into Europe and elsewhere, says Santo Vítor.

'The expectation is that the market will develop, and so there is momentum towards developing the generation and supply infrastructure for both domestic and international European consumption.'

Portugal, like Spain, is well placed to offer an alternative European gas supply route, from Africa and the Caribbean, to reduce dependence on Russian supplies, he suggests.

'Arguably there are fewer political issues for gas supplied from Africa than has been the case more recently in Eastern Europe and Central Asia. The EU and Member States now want different options, and so supply routes originating in North Africa and South America look increasingly attractive. The EU may not be able to say this openly, but the belief is that Iberia can connect to France and perhaps elsewhere.'

'Portugal ha experimentado una revolución silenciosa en materia de suministro energético en las íºltimas décadas y el futuro parece igual de excitante,' dice Manuel Santo Vítor, Responsable del área de Energía en PLMJ en Lisboa. Ha sido notable en los íºltimos años el interés hacia el gas natural, incluido LNG, y se ha sugerido que el país podría posicionarse como proveedor regional y centro de distribución.
Algeria, he says, has invested heavily in its own supply and distribution infrastructure – which now connects directly to Iberia – and maintained supplies even while facing challenging domestic issues.

'Portugal's infrastructure is likewise very well developed, as is the relevant regulatory framework. The gas sector is unbundled and there is a large and wellestablished distribution network across the country and healthy competition within the sector.'

Portugal has therefore experienced a quiet revolution in terms of energy supply, over the past decades and the future looks equally as exciting, he says. 'The idea is to now extend this revolution, in terms of supply and cogeneration, beyond the country's borders.'