

# THE CHANGING ROLE OF THE STATE IN PORTUGAL'S ENERGY MARKETS - RUI PENA ARNAUT & ASSOCIADOS

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**Mónica Carneiro Pacheco**

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El gobierno portugués está introduciendo una nueva normativa que regule el sistema energético para reflejar el cada vez inferior papel cada vez inferior que tiene en este sector, afirma Mónica Carneiro Pacheco, de Rui Pena Arnaut & Associados en Lisboa.

In light of the "Troika" agreement outlining the terms of its €78bn finance assistance package, the Portuguese Government is privatising major energy assets including power company EdP and distribution network REN. Beyond these high-profile sales lies a deeper issue though; the State also has to radically overhaul its regulatory approach to the energy market.

Mónica Carneiro Pacheco, co-Head of Energy at Rui Pena Arnaut & Associados in Lisbon, points out

that the privatisations are in line with a wider EU trend encouraging a reduction in the role of the State as an operator in energy markets.

In essence, the State has to move from being the “manager” of sections of the energy sector to being solely its “regulator”. The change does not therefore mean the absence of the State.

“In a European context, in which essential activities such as the supply of electricity and natural gas are performed by private entities, the intervention of the State through regulation setting is essential. It has to create obligations to which the operators are obliged respect while also guaranteeing consumers' rights.”

This will mean a distinct change of emphasis for the Portuguese Government. Through its stakes in companies like EdP and REN it had given a subtle hand to guide the market. Now the Government must entrust energy provision wholly to the private sector and be prepared to merely regulate the way entities operate.

“Since electricity and natural gas networks are natural monopolies, the presence of the State is essential to prevent market abuse and anti-competitive behaviour,” asserts Carneiro Pacheco.

It is too early to know exactly what form the proposed regulations will take, but things should become clearer once the privatisations have progressed, she believes. “What is already apparent is that the Government will need to take a new approach and have to be comfortable in its new role.”