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PORTUGAL: An Introduction to Energy & Natural Resources (International)

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In 2016, Portugal ran for four days straight on renewable energy alone. Recent investments in renewable energies mean that currently Portugal runs approximately 60 per cent on renewable energy all year round. Without relevant oil and gas developments, this European country represents the modern approach to the energy sector with clear successful results.

However, in Lusophone countries this trend has not yet reached the same results, and most Portuguese-speaking countries depend on traditional oil and gas resources to provide for their energy needs. This generalisation does not apply to all countries: in an effort to end the nation's dependency on oil, Cabo Verde plans to run on 100% renewable energy by 2025. Currently covering between 25% and 35% of the island's needs, renewable energy is the Government's course of action to lower energy costs. Likewise, São Tomé and Príncipe is currently benefiting from a project from the United Nations Development Programme (UNDP) to promote renewable energy. This programme particularly focuses on reducing the financial burden on the Government and ensuring a sustainable energy transition to renewable sources.

In parallel, cultural ties between Portuguese speaking countries are still close, and their good diplomatic relations mean that Portugal shares a strong connection with the legal framework of the Community of Portuguese Language Countries (CPLC). Portuguese speaking countries in Africa and Asia, such as Angola, Mozambique, Guinea-Bissau, Cabo Verde and Timor-Leste, all share a common root with the Portuguese legislative tradition. All countries from the CPLC have their own independent – often specific - legislation and judicial system, whilst maintaining the same civil law principles and structure of the Portuguese legal framework.

Angola has vast mineral and petroleum reserves that account for more than half of the country's GDP. One of the most promising economies in Africa, Angola reached a record high growth for over a decade before the advent of the global recession and the oil crisis in mid-2014. However, Angola has been wise enough to seize the moment, step up and reinvent itself, and a positive restructuring of the oil and gas sector is underway. Angola's mineral reserves are currently regulated by the Mining Code (Law No. 31/11, of 23 September) that addresses mineral exploitation, taxation and custom rules. The Angolan petroleum sector is governed by relatively modern Petroleum Activities Law (Law No. 10/04 of 12 November), Petroleum Customs Law (Law No. 11/04 of 12 November) and Petroleum Tax Law (Law No. 13/04, of 24 December). The National Concessionaire – Sonangol EP – is the exclusive holder of all mining rights, but a new agency may be on the horizon, to be called the National Agency for Hydrocarbons and Biofuels, in charge of the coordination, regulation and evaluation of the petroleum sector.

In fact, the Government in Luanda has been committed to increasing the level of efficiency of the sector, maximising petroleum resources, eliminating unnecessary costs, increasing tax revenues and improving the stability of financial flows to the State. For this purpose the Government recently created a taskforce to assess the Model for Readjustment of the Petroleum Sector's Organization (Presidential Order No. 307/17, of 21 December), assuring stability to the investors while focusing on improving the country's competitiveness.

In order to enhance the development of marginal fields, the Government has granted tax incentives for companies performing exploration and production activities (Presidential Legislative Decree No. 2/16, of 13 June). Whereas these incentives are sufficient to increase the number of marginal fields being developed in Angola is something that remains to be seen, but the Government is focused on getting the most out these industries, traditionally seen as low-profitability resources.

Given the current low oil prices and the Government's instability, Angola faces several challenges that will dictate the outcome of the country's economy. Nevertheless, economic growth is one of the Government's chief concerns and we should expect some new policies in the energy sector in the foreseeable future.

On the other side of the African Continent, Mozambique holds promising gas reserves, following the discovery of substantial gas reserves in Areas 1 and 4 of the Rovuma basin, in the northern part of the country. In 2017, two concessions were granted by the Executive for offshore exploration and production of natural gas (GNL). These concessions, operated by Anadarko (Area 1) and Eni (Area 4), signify the beginning of the construction of works and infrastructure so that GNL production is expected to start in 2022. The Mozambican Government also attributed special investment licences under these concessions. Although the general mining and petroleum laws and regulations of Mozambique date as of 2014, (Laws No 20/14 and 21/14, respectively, both of 18 August), the country has been working on a revamp of its regulatory framework. Most notably, the recent introduction of modifications to the Law on the Taxation and Tax Benefits of the Petroleum Sector (Law No. 14/2017, of 28 December) and the drafting of a new local content regulation for the petroleum sector, which is expected to be approved soon, show that Mozambique is alert to market behaviour in the energy sector. According to the Government's estimates, gas reserves will have doubled by 2030.

In Eastern Asia, Timor-Leste has also been focusing public investment in oil and gas sector. Since the beginning of developments in the *Bayu-Undan* area, in 2005, Timor-Leste's GDP depends approximately 90 per cent on the oil industry, and the Government's strategy to boost the economy has been mainly focused on the development of its hydrocarbons, with eyes on the Greater Sunrise field. In 2017, Timor-Leste settled a long term maritime boundary dispute with Australia in the *Treaty between Australia and the Democratic Republic of Timor-Leste on Certain Maritime Arrangements in the Timor Sea* (CMATS). Where the CMATS Treaty originally split the revenue from the Greater Sunrise field in equal shares between the two countries, the new settlement grants Timor-Leste promising rights to channel the almost entire petroleum and gas production to a yet-to-be-built Timorese plant.

The energy sector in African and Asian Lusophone countries is on the rise, along with Portugal's reputation in the development of the renewables. Given the shared affinities of its legal framework, Portugal enjoys straightened diplomatic and business relationships with Lusophone countries, particularly from the CPLC. Angola is improving its attractiveness by making its oil sector more efficient, transparent and business friendly. Mozambique and Timor-Leste are focusing on the exploration of their natural gas reserves. With Cabo Verde functioning mostly on wind energy and São Tomé and Príncipe investing in renewable energies, Portuguese speaking countries have a lot to offer in the energy sector for the upcoming years.