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# LEGAL BUSINESS



## Der Freshfields Skandal

The German government has  
Freshfields in its grasp

# Portuguese Market Update – Sustainable Financing

## The Paris Climate Agreement, signed in Paris

on 12 December 2015, strengthened the call to action among the financial community by setting a new long-term goal on finance: ‘making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development’. Portugal ratified the Paris Agreement in 2016 and has since taken the first steps towards what will hopefully be a robust and appealing green financing market, which has recently shown a more consistent path.

The development of Portugal’s green financing market has been mainly led by banks and big listed companies with sustainability strategies, seeking to obtain or allocate funding while pushing forward with the decarbonisation of the Portuguese economy.

In the corporate sector, EDP - Energias de Portugal has prepared its MTN Debt Programme for the issuance of green bonds, the proceeds of which are being directed to financing or refinancing portfolios of wind and solar energy generation facilities, thus overcoming the first-mover fear that was holding back the Portuguese market.

Earlier this year, mortgage lender União de Créditos Imobiliários, Establecimiento Financiero de Crédito – Sucursal em Portugal entered the universe of European green securitisations by privately placing its inaugural RMBS Green Belém No. 1, a deal having Tagus STC (a Portuguese securitisation vehicle) as issuer and backed by Portuguese residential mortgages originated by UCI Portugal. This was the first ‘green’ RMBS securitisation in the Iberian Peninsula, with UCI Portugal committing to use the proceeds from this deal to fund earmarked green building initiatives and sustainable finance projects in Portugal and Spain. This was also the first securitisation to be labelled ‘STS’ (simple, transparent and standardised) under the Securitisation Regulation in Portugal and the first to be successfully completed within the difficult context of the Covid-19 pandemic, just as states of emergency were being declared in various countries around the world, including Portugal.

Following clear and documented policies for climate action and environmental sustainability, as well as a renewed ambition to establish a trend for investments in this domain, the European Investment Bank subscribed part of the senior class of the issuance. This marked the return of supranational institutions to the Portuguese RMBS market, which will hopefully send a clear message to other potential investors as to the robustness and health of this market.

Sustainalytics, an independent global provider of ESG and corporate governance research and ratings, played a crucial role in both issuances by confirming that each was in compliance with the Green Bonds Principles, a set of voluntary process guidelines established by the International Capital Market Association recommending transparency and disclosures and promoting integrity in the development of the Green Bond market.

Euronext Lisbon – the Portuguese stock exchange and member of the Euronext platform – also launched in 2020 a new suite of ESG-focused products, services and initiatives, designed to provide a robust framework of tools for European capital markets to fuel sustainable growth. Euronext Green Bonds offerings (which included the RMBS Green Belém No.1) saw a 70% increase in the number of issuers since launch and led to Euronext expanding its offering to other ESG-related bonds, including blue, social, sustainability and sustainability-linked bonds.

More recently, a reflection group on sustainable financing was created, being composed of the main players in the Portuguese financial sector and coordinated by the Ministry of Environment and Energy Transition, in cooperation with the Ministry of Finance and the Ministry of Economy. This group launched two important documents ‘Guidelines for Accelerating Sustainable Financing in Portugal’ and ‘Letter of Commitment for Sustainable Financing in Portugal’, which establish guidelines and commitments with respect to sustainable financing, such as the commitment to developing a fiscal policy in favour of sustainability and the signatories’ commitment to promoting training in sustainable financing aimed at their employees at different levels of the organisation (including board level).

September 2020 saw the incorporation of a national green development bank. Banco Português de Fomento springs from the will to streamline the action of financial institutions in support of the economy, by maximising the efficiency of their action and promoting their strategic co-ordination while simultaneously aiming to provide financial capacity and accelerate the various existing sources of financing dedicated to investing in sustainable, carbon neutral and circular economy projects.

2020 has seen the Portuguese financial sector embracing ESG and is on the path to increasing the supply of financial products that promote decarbonisation, while also bringing awareness to sustainability policies and projects among Portuguese SMEs.

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