

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

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PORTUGAL: ENERGY & NATURAL RESOURCES (INTERNATIONAL)

The global impact of the SARS-CoV-2 (COVID-19) pandemic in the energy and natural resources sectors poses a number of new challenges to governments, investors and other industry-stakeholders all over the world.

While addressing the main trends, developments and difficulties for 2021 in the energy and natural resources sectors in Portugal, we should also take a look at the progress of these sectors in other Portuguese speaking countries in Africa and Asia, such as Angola, Mozambique, Cabo Verde, São Tomé and Príncipe and Timor-Leste, where significant investment and effort has been put into the development of these strategic sectors by both public and private entities.

Despite the 2020 global recession, **Portugal** continues to be seriously committed to decarbonizing the energy sector and implementing the country's ambitious renewable energy goals and carbon neutrality roadmap (the so-called "RNC2050"). The Government's expressed goal is to ensure that 80 per cent of Portugal's total power demand will run on clean energy by 2030. Another sign of the Portuguese Government's efforts towards a more sustainable strategy of transition to a decarbonized economy is the recent approval of the National Strategy for Hydrogen (EN-H2). Having "*closed the door to oil and gas exploration once and for all*", Portugal represents the modern approach to the energy sector with clear, successful results.

The Portuguese Government has also been particularly focused in attracting investment into the mining sector, where lithium exploration has been playing an increasingly significant role. In fact, in the past two years nearly 40 lithium exploration licences were granted to both national and foreign investors and some mining concessions were eventually awarded. This scenario will certainly contribute to enhance considerable investment opportunities in this strategic sector. It all indicates that Portugal is well positioned to take the lead on the production and export of lithium in Europe.

Angola also has ambitious plans for the energy sector. According to the Angola Energy 2025 Plan, electricity should be secured to about 50% of the population by 2022 and 60% by 2025; a relevant increase when compared to the current 42% rate. New regulations on power generation, transmission, distribution and marketing regulations are expected in 2021 and the growth of interest and effective investment in this sector is already evident.

The oil and gas industry continues to be the key catalyser of the Angolan economy. In 2020, a new gas consortium led by Chevron (CABGOC), Sonangol, BP, Total and Eni was announced, an international tender for the award of new oil concessions has been launched by the Petroleum, Gas and Biofuels National Agency (ANPG) and a new set of local content regulations has been approved. The challenge to reboot the oil and gas industry increases as Angola chairs the Organization of Petroleum Exporting Countries (OPEC) 2021 meetings.

The mining industry has also been flagged by the Angolan Government as one of the key priorities for the future in a response

to the increase of demand for mineral resources. This governmental position has attracted new investors to the country (particularly interested in the exploitation of mineral resources that will play a critical role in the achievement of global energy transition policies and in the development of new technologies) that now join the long-term investors in the diamond subsector. At a governance level, one should highlight the institution of the National Agency for Mineral Resources, the revision of the Sector Governance Model and the launch of the Angolan Diamond Stock Exchange (expected to be created in 2021).

On the east coast of the African continent, **Mozambique** continues to seek the goal of total electrification. Mozambique's Draft National Electrification Strategy has a goal to achieve universal access to electricity by 2030 and significant efforts are being made by the Government to achieve it. As an example of such efforts, later in 2020 the Government launched a tender for the development of a 30 MW / 40 MW solar photovoltaic project which attracted several stakeholders to invest in the country.

Mozambique's drive to develop the promising gas reserves in Areas 1 and 4 of the Rovuma basin suffered a significant setback in 2020 as a result of the terrorist action of jihadist cells in the northern area of the country and the global oil and gas industry retraction. Against all odds, the Mozambique LNG project is moving at full steam and was considered the largest project finance in Africa, worth USD20 billion, providing for the development of natural gas fields and the construction of a natural gas liquefaction plant with a capacity of 13.1 tonnes/year, with funding from the US, Japan, the UK, Italy, South Africa, the Netherlands, Thailand and the African Development Bank.

After months of disruption, drilling activities for the Coral Sul Project restarted and the FLNG Coral Sul floating platform's construction continues as planned, with the first production of liquefied natural gas (LNG) still scheduled to start in 2022.

In Eastern Asia, **Timor-Leste** has also been particularly focused in the oil and gas sector, mostly following the conclusion of the long-term maritime boundary dispute with Australia and the signature of the landmark treaty between the two countries on 6 March 2018 establishing the special regime for the promising Greater Sunrise oil fields. In 2020, Timor-Leste launched the second licensing round for 18 new onshore and offshore blocks. The expectations of a sustainable development of the oil and gas sector in the country are high.

Attention has also been given by the Timorese Government to the mining sector, with a new Mining Code expected for 2021.

In **Cabo Verde**, the Government continues to invest in renewable energy projects as a strategy to ensure economic growth sustainability. The use of wind and solar photovoltaic energy is key for centralized production and distributed generation on a large scale up to the maximum penetration rate. The country continues to push ahead the plan of running on 50% renewable energy by 2030.

São Tomé and Príncipe has also set in motion the development of a new project for the recovery of the energy sector, establishing an agreement to redesign and build up the Príncipe Island electrical system based on a photovoltaic power station.

A new regulatory framework for the exploration and mining of mineral resources has been enacted in 2020 and the Government is expectant as to the impact of such regulatory changes in the attraction of new investment to the sector.

The above snapshot shows the multiple opportunities and challenges ahead for the development of the energy and natural resources sector in Portuguese speaking countries, where Portugal will continue to play the role of primary investment hub. Programs such as the EUR400 million Lusophone Compact Guarantee Package recently approved by the African Development Bank Group (to boost business development initiatives for the Bank's non-sovereign portfolio in Portuguese-speaking African member countries) will certainly contribute to the sustained development of these countries with great opportunities for years to come.