

# ENVIRONMENT

## CLIMATE FRAMEWORK LAW

VdA EXPERTISE



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## Law 98/2021 laying down the foundations of climate policy was published on 31 December 2021 and comes into force on 1 February.

The climate framework law establishes targets and requirements for the design of public policies across economic sectors and levels of government, besides being universally applicable: this act will directly or indirectly impact natural persons and public and private legal entities alike.

### The Climate Framework Law:

- Acknowledges climate emergency
- Adheres to the target of carbon neutrality by 2050, establishes 14 goals and 11 principles for climate policy
- Enshrines the right to climate balance
- Establishes climate-related rights and duties, including:
  - i) the right to intervene and participate in administrative procedures concerning climate policy;
  - ii) the duty to protect, preserve, abide by, and ensure the maintenance of climate balance.

The climate framework law is the outworking of the Paris Agreement, the European Green Deal and the European Climate Law, approved in July 2021, and is linked to the European ESG regulations, particularly the European Taxonomy and the obligations foreseen in the already effective legislation on sustainable finance.

Both the public and the private sectors, including investors, financial entities and the general public, will be impacted by the new law, which poses

complex challenges and imposes new and strict obligations, besides having its own penalty scheme in the event of breach.

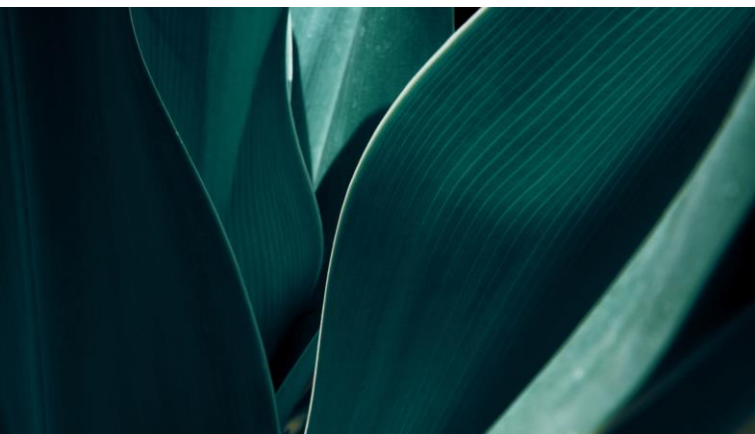
The climate framework law is **yet another aspect that companies need to factor in** when pursuing their businesses. We expect that the interpretation of, and interplay between, every European and national (including at regional and local levels) legal instrument in force in Portugal will be incredibly demanding.

Below an overview of the most salient aspects of the new law:

### CLIMATE POLICY AND TARGETS

- Timeline of greenhouse gas (GHG) reduction targets relative to 2005 values, excluding land use and forests: reduction of at least 55% by 2030, 65% to 75% by 2040, 90% by 2050;
- Target for the equivalent net CO<sub>2</sub> sink from the land use and forestry sector of at least 13 megatons on average between 2040 and 2050, and target for marine and coastal ecosystems;
- Sectoral targets for the reduction of GHG emissions relative to 2005 values and compulsory approval of sectoral plans for mitigation and adaptation to climate change

The law takes on the task to study, by 2025, the possibility of bringing carbon neutrality forward to 2045, which is much more ambitious than the objective in the European climate law. If that should be the case, the targets will need to be adjusted.



## ECONOMIC AND FINANCIAL INSTRUMENTS

- Budget and tax policies to abide which are the yardstick when it comes to climate.
- Creation of a new tax deduction category – IRS Verde [Green Personal Income Tax] –, which will benefit taxpayers who acquire, consume, or use environmentally sustainable goods and services.
- Definition of a financial instrument aimed at supporting climate policies.
- Links to European legislation, including:
  - i. in the area of financial policies, financial management, funding support and borrowing, of the State and public and private institutions, in compliance with the principles of sustainable financing, and factoring in climate risk and climate impact in their financing decisions;
  - ii. the requirement that by 2030 all State public assets satisfy the principles of the European taxonomy and the State ensures the divestment of holdings in companies or businesses that do not comply with the principles of the European taxonomy;

- iii. factoring in climate risk in the governance of companies and assessing the carbon impact of their business.

## GOVERNANCE OF CLIMATE POLICY

- Climate change mitigation and adaptation coordinated with other sectoral policies and with the development of economic, social and political activities.
- Climate Action Advisory Board [*Conselho Consultivo para a Ação Climática*].
- Regional and local climate policies, respectively planned and implemented by the Autonomous Regions and Local Government.
- Promotion of climate security by the Government, including by:
  - i. identifying risks and acting to prevent and mitigate the consequences of climate change on public order, security, and peace;
  - ii. identifying and declaring any areas where human health or security may be compromised as critical zones, which will then be subject to special civil defense measures.

# Contacts



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