
CHAMBERS GLOBAL PRACTICE GUIDES

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**Portugal: Law & Practice
and Trends & Developments**
Manuel Protásio and Catarina Coimbra
VdA





Law and Practice

Contributed by:

Manuel Protásio and Catarina Coimbra
VdA

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Authors



Manuel Protásio joined VdA in 1991 and is the Infrastructure, Energy & Natural Resources Group executive partner, leading several teams involved in most of the transactions carried out by the firm to date in the

power (including renewable energy), oil and gas, road, transport, and water and waste sectors. Manuel also works on regulation and public procurement procedures in these areas.



Catarina Coimbra is an Infrastructure & Mobility managing associate at VdA, and is actively involved in several transactions related to the development of large infrastructure projects in Portugal and abroad

(Angola and Mozambique, in particular), with emphasis on the health sector and road and rail infrastructure, especially in public-private partnerships and under a project finance model. Catarina also works in the water and waste sector, providing general follow-up and legal advice to concessionaire companies, with general regulation for these sectors.

Vieira de Almeida e Associados

Rua Dom Luis I, 28
1200-151
Lisboa
Portugal

Tel: +35 121 311 3400
Email: fvda@vda.pt
Web: www.vda.pt



1. Mining Law: General Framework

1.1 Main Features of the Mining Industry

A variety of mineral resources are mined in Portugal, including metallic minerals such as copper, zinc, lead and tungsten, and industrial minerals such as lithium, feldspar, kaolin and limestone. Portugal also has significant deposits of ornamental stones, including marble and granite. Some of the country's historical mines – such as Panasqueira, Aljustrel and Neves-Corvo – have played a major role in shaping the economic development of their regions.

The Iberian Pyrite Belt is one of the world's most significant mining regions, where the Neves-Corvo mine (operated by Lundin Mining) is a major producer of copper and zinc.

In recent years, Portugal has emerged as a key player in the global lithium market due to rising demand for lithium-ion batteries for electric vehicles and renewable energy storage. With several lithium exploration projects (as well as conversion plants) under way, Portugal has the potential to become a major supplier of this critical mineral, and to command a strategic position within the global energy transition.

1.2 Legal System and Sources of Mining Law

Portugal's legal system operates under a civil law framework. The main sources of mining legislation have evolved significantly over the years.

Until 2015, mining law was regulated by Decree-Law 90/90 of March 16th, which established the General Regime for the Discovery and Use of Geological Resources, and by specific Regulations for each type of mineral resource – ie:

- Decree-Law 84/90 of March 16th, which established the Spring Waters Regulation;
- Decree-Law 85/90 of March 16th, which established the Heavy Waters Regulation;
- Decree-Law 86/90 of March 16th, which established the Mineral Waters Regulation;
- Decree-Law 87/90 of March 16th, which established the Geothermic Resources Regulation;
- Decree-Law 88/90 of March 16th, which established the Mineral Deposits Regulation; and

- Decree-Law 270/2001 of October 6th, which established the Quarries Regulation.

In June 2015, the Legal Framework for the Discovery and Use of Geological Resources Located in Portugal (including National Maritime Space) – Law 54/2015 of June 22nd, or the “Geological Resources Law” – was enacted. The Geological Resources Law revoked Decree-Law 90/90 of March 16th.

Following the approval of the Geological Resources Law, Decree Law No 30/2021 of May 7th, which approved the new mineral deposits regulation (the “Mineral Deposits Law”), came into force, revoking Decree-Law 88/90 of March 16th.

The creation of this new legal regime resulted from the National Strategy for Geological Resources (ENRG-RM) (Council of Ministers Resolution 78/2012), which provided for the establishment of a new, more efficient legal and institutional framework, and has introduced significant changes to the regulation of mining rights and the extractive industry sector in general.

Other key statutes include:

- the General Health and Safety at Work on Mines and Quarries Regulation (approved by Decree-Law 162/90 of May 22nd);
- the Regulation on Environmental Recovery of Deteriorated Mining Sites (approved by Decree-Law 198-A/2001 of July 6th);
- the Regulation on Waste Management of Mineral Deposits' Exploitation (approved by Decree-Law 10/2010 of February 4th);
- the Regulations on Manufacture, Storage, Trade and Use of Explosive Products (approved by Decree-Law 376/84 of 30 November 1984, as amended); and
- the Regulation on Social Security for Employees in Mines (approved by Decree-Law 195/95 of July 28th).

The legislative framework is complemented by several circulars enacted by the General Directorate of Energy and Geology (DGEG) regarding, for instance, the authorisation for the acquisition and use of explosive

products in mines and quarries (Circular No 9/2018, 1 April 2018).

As a member state of the European Union (EU), Portugal is also subject to EU legislation. In the mining sector, EU environmental legislation is particularly relevant.

Finally, legislation with a regional scope also applies in connection with mining activities in the Azores and Madeira autonomous regions.

1.3 Ownership of Mineral Resources

Mineral resources found within the national territory of Portugal are generally considered to be part of the State's public domain and, therefore, owned by the State. This is established under the Geological Resources Law, further to which the following are managed and owned by the State:

- mineral deposits;
- natural mineral waters;
- mineral industrial waters; and
- geothermal resources present within the national territory located on land or in the subsoil, as well as those found in maritime spaces.

This means that private landowners do not automatically own mineral resources beneath their land. Instead, these resources are under national control.

Nonetheless, the Geological Resources Law also allows for certain exceptions – mineral masses and spring waters, along with geological formations and structures that do not qualify as part of the State's public domain, can be privately owned. Consequently, while the State retains control over major and strategic mineral resources, certain minor or non-strategic resources can be subject to private property rights.

1.4 Role of the State in Mining Law and Regulations

In Portugal, the State primarily acts as a grantor-regulator in the mining industry, rather than as an owner-operator. The government's role includes granting licences and concessions for exploration and exploitation of mineral resources, ensuring compliance with legal and environmental standards. Companies must

obtain these licences to conduct any mining operations, and the application process involves rigorous assessments, including environmental impact studies and public consultations.

Unlike some countries, Portugal does not require mandatory national or government joint ventures, nor does it enforce mandatory contracting or direct government participation in mining projects. Private companies can operate independently, as long as they secure the necessary permits and comply with the regulatory framework.

As such, the State may control or impose conditions on the exploitation of mineral rights in certain circumstances – notably, for reasons of national or regional interest. Also, for reasons of public interest, the Ministry of the Economy may exercise preferential rights in the acquisition of mineral deposits.

1.5 Nature of Mineral Rights

The Portuguese Constitution determines which assets are to be considered public domain assets. Ordinary law regulates the terms and conditions and the limits for the use of such goods.

As stated previously, under the Geological Resources Law, geological resources are divided into public domain goods (mineral deposits, mineral waters, mineral industrial waters, geothermic resources, and geological resources located in the seabed and subsoil of the national maritime space) and private assets (quarries and spring waters).

The granting of rights over public domain assets is subject to the awarding of a concession contract, while the granting of rights over the private domain assets is subject to a licensing procedure.

1.6 Granting of Mineral Rights

In Portugal, expertise in mining matters is centralised with the Minister of the Economy, under the supervision of the Directorate-General for Energy and Geology (DGEG). Some geological resources are, by virtue of their specific characteristics – eg, geological resources located in the national maritime space – overseen by the General Directorate of Natural Resources, Security and Maritime Services. Specif-

ic matters governed by different authorities regarding health and safety, environmental protection, and social issues and cultural heritage may also apply. At local level, the municipalities also play an important role in the implementation of mining projects.

The Portuguese Environment Agency (APA) also plays a significant role in the environmental approval process for mining activities. While the DGEG serves as the primary authority for granting mineral rights, the APA is heavily involved in managing the environmental aspects of these projects.

Mineral rights are primarily granted through administrative contracts. However, the granting of rights over private domain assets is subject to the awarding of a licence.

1.7 Mining: Security of Tenure

The security of tenure for mining rights is guaranteed through a comprehensive legal framework.

Rights Required to Conduct Reconnaissance

The Mining Regulations acknowledge and regulate the concept of reconnaissance. To conduct reconnaissance, an entity must hold a prior evaluation right over an area or areas designed for the exercise of activities for the use of metallic mineral deposits. The right is granted under an administrative contract (with a maximum non-renewable term of one year) and may be requested from the DGEG by any entity with recognised technical, economic and financial suitability. Prior evaluation rights entitle the rights-holder to develop studies to allow for better knowledge of the geological potential of the area in question through the analysis of available information and samples taken from the area.

Rights Required to Conduct Exploration

Conducting exploration for mineral deposits requires a prospecting and research right or an experimental exploitation right.

The procedure for obtaining prospecting and research rights may be initiated by the interested parties through the submission of an application, or by the Portuguese State through a tender procedure (subject to the provisions of the Public Procurement Code),

while experimental exploration rights are granted at the request of the interested parties. These rights may only be granted over available areas (except if there is no incompatibility between the concessions granted, or to be granted, and the prospecting and research rights) and to legal entities who show proof of suitability and financial and technical capacity to perform the activities. The contract for prospecting and research activities and for experimental exploitation rights has a maximum term of five years.

A prospecting and research title confers the right to develop activities aimed at the discovery of resources and the definition of their characteristics until the determination of the economic value of any resources found.

If the discovered resources fail to meet the conditions necessary to initiate their immediate and effective exploitation, the interested parties may submit an application for experimental exploitation rights. These rights are granted through an administrative contract, with a maximum legal term of five years, and entitle their holder to perform the same activities as those entrusted to a holder of an exploitation title.

Rights Required to Conduct Mining

The right to exploit geological resources (mining) is granted by means of a concession (with a maximum term of 90 years), following a prior evaluation/prospecting and research/experimental exploitation agreement (if resources have been discovered) or, if no such prior agreement exists, granted directly in respect of:

- available areas; or
- areas covered by prior evaluation/prospecting and research/experimental exploitation rights, where these relate to different mineral resources and the different mining activities are compatible.

Change of Control

Further to the Mineral Deposits Law, the rules on the assignment of contractual positions in prior evaluation/prospecting and research/experimental exploitation and exploitation agreements are applicable to the following.

- The encumbrance of shareholdings representing the share capital of the rights-holder that result in, or may result in, a change of control, either directly or indirectly, over the rights-holder, with the exception of shareholdings encumbered in favour of financing entities. For the purposes of the preceding paragraph, “control” is understood to mean:
 - (a) the holding of shareholdings representing at least half of the share capital;
 - (b) the holding of at least half of the voting rights; or
 - (c) the ability to appoint at least half of the members of the management or supervisory body.
- Any material or legal acts with effects materially equivalent to those intended to be avoided under the preceding paragraphs.
- Any corporate changes of the legal entity holding the right of prospecting and research, including, but not limited to, demergers, mergers or amendments to the corporate agreement that result in the transfer of the ownership of prospecting and research rights, a change of control or the technical and/or financial capacity of the holder.

Any modification to the corporate designation of the company for any reason must be communicated to the DGEG.

Transfer and Encumbrance

Pursuant to the Mining Regulations, the assignment of the contractual position under prospecting and research, experimental exploitation and exploitation agreements is subject to prior authorisation from the Minister of Economy.

Rights to conduct the reconnaissance may not be transferred.

In accordance with the Geological Resources Law, the creation of mortgages is only authorised over rights arising from a concession for exploitation – and over the physical facilities created for support of mining activities – as security for credits/loans for the exploitation work, and must be previously communicated to the DGEG.

The enforcement of the mortgage must follow the rules of the Code of Tax Procedure and Proceedings

and of the Civil Procedure Code until the moment of auction, which must be carried out by the DGEG through a public tender.

2. Impact of Environmental Protection and Community Relations on Mining Projects

2.1 Environmental Protection and Licensing of Mining Projects

From an environmental standpoint, mining activity is assessed on a global basis but still tends to be quite compartmentalised as applicable permits and legal frameworks are intrinsically connected to the specific components and characteristics of a project (ie, its location, capacity and specific features).

Accordingly, from a broad perspective, and considering the activities and infrastructures in principle required for mining activity, the following legal frameworks should be considered:

- Environmental Impact Assessment (EIA);
- integrated prevention and control of pollution;
- responsible industry system;
- management of waste from the exploitation of mineral deposits and mineral masses;
- use of water resources;
- prevention of major accidents (involving dangerous substances); and
- environmental liability.

Although the above legal frameworks involve specific licensing procedures, such permits are all included in a Single Environmental Title (TUA), which aggregates and registers all environmental licensing decisions, condensing all information on environmental requirements applicable to an establishment, activity or project.

2.2 Impact of Environmentally Protected Areas on Mining

Mining operations may only be carried out in areas designated for these activities in the applicable municipal zoning plans, or in areas where mining is considered compatible with the use anticipated for the municipal zoning plan. In some cases, the munic-

pal plan may not be completely updated in relation to special zoning plans approved by the government determining legal restrictions for environmental purposes, and these plans and restrictions must be taken into account.

2.3 Impact of Community Relations on Mining Projects

In Portugal, managing community relations in mining projects involves a well-structured and inclusive approach that prioritises transparency, consultation and safeguarding local community interests. Significant mining projects are required to hold public consultations under the EIA process, which give local residents an opportunity to voice their concerns, ask questions and contribute feedback on the proposed activities.

This process ensures that the community's perspective is taken into account during decision-making. Furthermore, the EIA process evaluates both environmental and social impacts, considering how mining operations will influence the health, livelihood and overall well-being of local communities.

2.4 Prior and Informed Consultation on Mining Projects

Prior and informed consultation is mandatory under the EIA legislation.

Generally, State authorities organise and oversee the public consultation process to ensure compliance with legal requirements. The investor or project developer typically provides the necessary information and documentation for the consultations. This ensures that transparency is maintained and that the local community's feedback is appropriately considered.

2.5 Impact of Specially Protected Communities on Mining Projects

There are no specially protected communities in Portugal.

2.6 Community Development Agreement for Mining Projects

In Portugal, community development agreements are generally not mandated by law for mining projects or other industrial activities. Legal requirements focus

primarily on public consultations under the EIA procedure to ensure community involvement and address environmental and social effects.

While not mandatory, some project developers may choose to enter into voluntary agreements with local communities to foster positive relationships and mutual benefits. However, these agreements are not a common legal requirement, and are not enforced under the current legislative framework.

2.7 ESG Guidelines and Regulations

As a member state of the EU, Portugal is subject to EU legislation, including environmental, social and governance (ESG) guidelines and regulations. While comprehensive sector-specific ESG regulations may still be evolving, several legislative and policy measures incorporate ESG principles.

Additionally, companies operating in Portugal are encouraged to implement Corporate Social Responsibility (CSR) practices aligned with ESG principles to promote sustainable development and ethical business practices.

Portugal is also subject to EU Regulations and Directives emphasising ESG features, such as the EU Taxonomy Regulation and the Non-Financial Reporting Directive (NFRD), which require companies to disclose relevant ESG information. The EU's Corporate Sustainability Reporting Directive (CSRD) further mandates that large companies report on sustainability, including ESG factors, affecting businesses in the mineral sector.

2.8 Illegal Mining

Illegal mining is not a significant or widespread issue in Portugal compared to some other regions or countries. Portugal has a well-regulated mineral sector, with stringent laws and frameworks in place to manage mining activities. Consequently, illegal mining's impact on legal industrial mineral production in Portugal is minimal.

2.9 Good and Bad Examples of Community Relations/Consultation Impacting Mining Projects

The Neves-Corvo polymetallic mine developed by Sociedade Mineira de Neves-Corvo, SA (or Somi-cor) and located in the Iberian Pyrite Belt in the Baixo Alentejo region in the south of Portugal is a good example of environmental and community relations around mining projects in Portugal.

Neves-Corvo is one of the EU's largest underground copper and zinc mines, and started operating in 1988. It directly employs around 2,000 workers, and therefore has a significant impact on the social and economic development of the region. It is located in the Natura 2000 area within the Special Protected Areas (SPAs) of Castro Verde and the Guadiana Site of Community Interest (SCI). There is also a protection area for wild birds and several habitats, according to the Habitats Directive No 92/43/CEE.

The mining project has been subject to the EIA procedure, and was approved with constraints due to the Nature Conservation Area.

The mining company has met and gone far beyond all of its obligations. It has created multiple programmes and enhanced its CSR drive by initiating actions to support local communities. The government is backing this initiative by permitting a share of the royalties that the company is required to pay to the State to be used for regional development activities. These efforts aim to improve the quality of life for local communities, boost public awareness, and foster acceptance and trust in the mining sector.

The recent surge in lithium exploration, with numerous mining projects under way, has sparked opposition from local communities, with resistance primarily attributable to the projects involving open-cast mining (requiring the removal of large quantities of earth to access valuable minerals), which could trigger significant environmental damage. Open-cast mining has often met with opposition from local communities, with residents living close to mining sites frequently expressing concerns over the deterioration in their living conditions, a loss of biodiversity, and the potential health risks associated with air and water pollution.

Dust and noise pollution from mining operations have also been flagged by the local populations as factors that will negatively impact their quality of life.

The new Barroso Mine, developed by Savannah Resources, has come up against significant criticism from local populations. Although the APA gave its preliminary approval for the EIA of the Barroso mine project at the end of May 2023, many residents think the mine should not be built, and have founded Unidos em Defesa de Covas do Barroso (UDCB), an association that organises demonstrations, assemblies, protest camps and legal action.

3. Climate Change, Energy Transition and Sustainable Development in Mining

3.1 Climate Change Effects

Climate change legislation in Portugal is affecting the mining industry by driving the integration of renewable energy sources, adoption of cleaner technologies, and compliance with stringent environmental regulations. Financially, these regulations incur additional costs, but they also attract investment for companies prioritising ESG criteria. Participation in the EU Emissions Trading System (ETS) requires emissions management and reporting. EIAs mandate rigorous evaluations, promoting sustainable practices and fostering transparent community engagement. Strategically, mining companies are aligning with national climate adaptation plans, supporting broader climate goals and driving innovation in sustainable technologies.

3.2 Climate Change Legislation and Proposals Related to Mining

In Portugal, while there are comprehensive climate change and environmental regulations that impact the mining sector, there is no specific climate change legislation that exclusively targets the mining industry.

3.3 Sustainable Development Initiatives Related to Mining

As an EU member state, Portugal actively follows EU initiatives on sustainable development. However, the country also has its own distinctive sustainable development measures, primarily driven by the Cli-

mate Framework Law, approved by Law No 98/2021 of December 31st.

This framework aims for climate neutrality by 2050, potentially advancing to 2045, and introduces the right to a balanced climate, which could lead to climate litigation.

Key initiatives under this law include the IRS Verde tax deduction for sustainable goods and services, the Climate Action Portal for citizen engagement and transparency, and the establishment of a carbon budget. Additionally, a new Council for Climate Action will independently analyse and discuss climate policies.

Portugal also created a voluntary carbon credits market that includes projects for both carbon sequestration and emissions reduction, exceeding a similar EU proposal.

Furthermore, there is increasing interest in carbon sequestration projects, particularly those involving marine ecosystems, capitalising on Portugal's geographic advantages.

These initiatives reflect Portugal's comprehensive and proactive approach to sustainable development, encompassing legislative action, market mechanisms, fiscal incentives and corporate governance reforms.

3.4 Energy-Transition Minerals

As an EU member state, Portugal adheres to EU legislation and participates in initiatives that promote the responsible exploration, development and use of critical raw materials.

The EU's Critical Raw Materials Act (CRMA) aims to ensure a secure and sustainable supply of energy-transition minerals. This legislation outlines measures to enhance the sourcing, recycling and production of critical raw materials within the EU, to reduce dependency on external suppliers and to encourage sustainable mining practices.

As an EU Regulation, the CRMA has general application, is binding in its entirety, and is directly applicable to its member states, including Portugal – meaning that its provisions and targets, such as increased

extraction, processing and recycling of strategic raw materials by 2030, must be observed nationally.

Lithium is classified as a strategic raw material under the CRMA, reflecting its importance for batteries, electric vehicles and renewables. The CRMA outlines benchmarks to strengthen domestic supply chains and lessen EU dependence on external sources.

Strategic projects, such as Portugal's Barroso lithium mine, benefit from faster and more predictable permitting processes as well as better access to funding and support at the European level.

In addition to opportunities, the CRMA also introduces new obligations. Companies involved in extraction and refining must meet stringent environmental and social criteria, manage supply chain risks, and promote circularity and sustainable practices, including recycling.

To implement CRMA requirements at national level, Portugal has established dedicated working groups and is adapting its legislative framework to facilitate mining projects in line with EU priorities.

Ultimately, by complying with the CRMA, Portugal positions itself to take advantage of growing European demand for energy-transition minerals.

4. Taxation of Mining and Exploration

4.1 Mining and Exploration Duties, Royalties and Taxes

Taxes

Companies carrying out exploration and mining activities in Portugal will be subject to the general provisions provided in the Corporate Income Tax Code. However, pursuant to the Company Tax Code, the provisions made retained against the costs in connection with the environmental damage of the mining site are tax-deductible.

Royalties

Financial contributions are required for prior assessment, prospecting, research and experimental exploration activities. These contributions will be annual,

and based on the initially allocated area, with potential premiums for securing an exploitation concession.

For mineral deposit exploitation, the payment of annual royalties will be set contractually, usually at a minimum of 3% of the ore's value at the mine's gate. Calculations can be based on international market quotations, reference prices set by the DGEG, or total sales values, with deductions allowed for up to 5% for costs related to treatment, processing, storage and transportation.

This percentage may be reduced to 2% under specific conditions involving domestic industrial processing of the ore. However, any significant change in these conditions reverts the financial contribution to the original 3% criterion.

Where several mineral deposits are being exploited simultaneously in the same concession, the value of the royalties will be the sum of the values individually determined for each mineral deposit.

No royalties will be due if the concessionaire's taxable income for the previous year is 150% lower than the amount of the due royalties.

A portion of royalties – typically between one third to half – must be paid to the municipalities where the resource is located, with the remainder being State revenue to be allocated to the Geological Resources Fund (*Fundo dos Recursos Geológicos*).

In cases involving multiple municipalities, payments must be proportionally allocated.

Finally, licensing fees, royalties, premia and other considerations are usually negotiated and established in concession agreements on a case-by-case basis.

4.2 Tax Incentives for Mining Investors and Projects

In Portugal, mining activities are subject to the general tax provisions, meaning that there are no specific tax incentives for mining investors or projects. Furthermore, stabilisation agreements, either in tax or any other matters, are not commonly offered.

4.3 Transfer Tax and Capital Gains on the Sale of Mining Projects

The tax system in Portugal imposes transfer and capital gains taxes on the transfer or sale of a mining project. However, there is no specific tax exclusively for the transfer of mining projects. When a mining project is sold, any capital gains realised are subject to taxation. For companies, these gains are included in taxable income and taxed at the standard corporate tax rate, while, for individuals, capital gains tax rates may vary.

Although there is no specific tax on the transfer of mining rights, any associated real estate or significant assets involved in the transfer could be subject to Property Transfer Tax (IMT).

This obligation can extend to international transactions involving foreign corporate structures, depending on double taxation treaties and the economic substance of the transactions.

5. Mining Investment and Finance

5.1 Attracting Investment for Mining

In Portugal, attracting investment for mining primarily hinges on several general features rather than sector-specific initiatives. The main features include a favourable regulatory framework, general government support for business and a strategic location with well-developed infrastructure, and a skilled workforce.

5.2 Foreign Investment Restrictions and Approvals in the Exploration and Mining Sectors

Foreign direct investment is not restricted under general Portuguese law. In respect of repatriation of profits and investment, there are no currency controls under Portuguese law, and money can be freely transferred into or out of the country. Also, there are no restrictions on the remittance of profits or investments abroad.

5.3 International Treaties Related to Exploration and Mining

Portugal is not directly a part of any specific multilateral or bilateral treaties exclusively dedicated to the

mining sector. However, as a member state of the EU, Portugal benefits from a range of treaties and agreements that the EU has established with global partners. These agreements collectively provide a favourable and protective environment for investments, including those in the exploration and mining sectors.

5.4 Sources of Finance for Exploration, Development and Mining

In Portugal, there are no specific or distinct sources of finance exclusively dedicated to the development of mining activities. Instead, mining projects typically rely on general financial mechanisms available within Portugal and internationally. These include:

- standard equity financing through stock markets and private investors;
- debt financing from banks and bonds;
- government grants and subsidies; and
- strategic partnerships or joint ventures.

Additionally, companies may access funding from institutional investors, EU programmes and general project financing methods.

5.5 Role of Domestic and International Securities Markets in the Financing of Exploration, Development and Mining

In Portugal, both domestic and international securities markets play crucial roles in financing exploration, development and mining activities.

Domestic markets allow mining companies to raise funds through shares and bonds, offering access to local capital and ensuring compliance with national regulations. These markets enhance liquidity, broaden the investor base and provide localised expertise.

International markets offer access to substantial global capital, diversify investor risk, and enhance company visibility and credibility.

5.6 Security Over Mining Tenements and Related Assets

In accordance with the Geological Resources Law, the creation of mortgages (in rem security) is only authorised over rights arising from a concession for exploitation – and over the physical facilities created

for support of mining activities – as security of credits/loans for the exploitation works, and must be previously communicated to the DGEG.

The enforcement of mortgages must follow the rules of the Code of Tax Procedure and Proceedings and of the Civil Procedure Code until the moment of auction, which must be executed by the DGEG through public tender.

6. Mining: Outlook and Trends

6.1 Two-Year Forecast for the Mining Sector

One of the most prominent trends in the Portuguese mining sector – which is likely to continue for the next couple of years – is the interest in lithium exploration and other activities in the lithium value chain. In fact, in addition to the projects under development for the massive exploitation of lithium reserves, several initiatives aim to establish lithium conversion plants. The development of downstream lithium processing facilities is crucial for adding value to raw lithium resources, and support for the EU's goals for a sustainable battery supply chain in Europe and Portugal is making strides in this direction.

Portugal's strategic reserves of important minerals (such as lithium and tungsten) not only support its mining industry but are also increasingly important for the defence sector. This growing significance is due to the fact that both Portugal and Europe as a whole face mounting challenges regarding the supply of critical raw materials, which are essential for modern defence technologies.

Recognising these challenges, the EU has highlighted the need to secure the entire value chain of vital minerals for defence and digital industries, notably through policies such as the EU's CRMA. To address these strategic priorities, the European Defence Fund (EDF) was established as a key EU initiative to foster innovation and strengthen integration within the European defence industry.

In particular, one of the main goals of the EDF is to accelerate the development and deployment of critical technologies necessary for Europe's security and

defence capabilities. In this context, Portugal's rich geological resources allow it to play a crucial role in supporting the EU's ambitions for greater self-sufficiency and supply chain resilience, particularly in times of geopolitical uncertainty and dependence on non-European suppliers.

As these projects are moving forward, it is expected that both national and European legislation will be adapted to address the challenges of this growing industry.

Portuguese legislation for the mining sector has also seen significant changes in recent years with the enactment of a new and more efficient legal and institutional framework, introducing substantial modifications to the regulation of mining rights and the extractive industry sector in general.

Such changes relate to the following in particular:

- the distribution of exploitation benefits (ie, royalties) between the State, municipalities and local populations;
- the possibility of having the relevant concession agreement imposing that minerals be processed on national territory;
- more demanding environmental sustainability regulations (in compliance with "green mining" standards);
- recognition of the wider inspection powers of the regulatory agency; and
- the promotion of public participation/consultation in the awarding procedures for the granting of mining rights.

Trends and Developments

Contributed by:

Manuel Protásio and Catarina Coimbra
VdA

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Authors



Manuel Protásio joined VdA in 1991 and is the Infrastructure, Energy & Natural Resources Group executive partner, leading several teams involved in most of the transactions carried out by the firm to date in the

power (including renewable energy), oil and gas, road, transport, and water and waste sectors. Manuel also works on regulation and public procurement procedures in these areas.



Catarina Coimbra is an Infrastructure & Mobility managing associate at VdA, and is actively involved in several transactions related to the development of large infrastructure projects in Portugal and abroad

(Angola and Mozambique, in particular), with emphasis on the health sector and road and rail infrastructure, especially in public-private partnerships and under a project finance model. Catarina also works in the water and waste sector, providing general follow-up and legal advice to concessionaire companies, with general regulation for these sectors.

Vieira de Almeida e Associados

Rua Dom Luis I, 28
1200-151
Lisboa
Portugal

Tel: +35 121 311 3400
Email: fvda@vda.pt
Web: www.vda.pt



Introduction

Portugal's mining sector is experiencing a period of profound transformation, shaped by domestic policy changes and broader European strategic initiatives.

One of the most prominent trends in the Portuguese mining sector – which is likely to continue for the next couple of years – is the interest in lithium exploration and other activities in the lithium value chain. In fact, in addition to the projects under development for the massive exploitation of lithium reserves, several initiatives aim to establish lithium conversion plants. The development of downstream lithium processing facilities is crucial for adding value to raw lithium resources, and support for the EU's goals for a sustainable battery supply chain in Europe and Portugal is making strides in this direction.

The Mina do Barroso Project

Savannah's Mina do Barroso project, located in northern Portugal, is a clear example of this trend. Classified as a "Strategic Project" under the EU's Critical Raw Materials Act, the Barroso deposit constitutes the largest spodumene lithium resource on the European continent, with reserves exceeding 39 million tonnes, according to the company.

With a conditional favourable Environmental Impact Declaration (EID) issued in 2023 and the investment contract now secured, the company is maintaining its timeline that points to construction starting in 2026 and production in 2028, and expects to make a final investment decision on the project later this year. Once operational, Savannah states that the project will produce enough lithium for approximately half a million vehicle battery packs annually.

While the sector offers new opportunities, complex challenges remain, particularly regarding environmental protection and public contestation. Popular and environmental challenges are now a central reality for the Portuguese mining sector. Across the country, communities are increasingly vocal about perceived risks, especially those confronting lithium projects.

Many in the region around Mina do Barroso worry that mining will disrupt traditional ways of life. Agriculture and rural tourism are vital to the local economy, and

residents fear loss of natural landscapes, biodiversity and water quality. In Boticas and neighbouring areas, local groups, NGOs and environmental coalitions have mobilised to object to the project. This opposition has taken several forms, including public protests, media campaigns and legal actions questioning the adequacy of environmental studies and licensing procedures.

This scenario is not unique. Similar disputes have arisen in Montalegre, where opposition has delayed projects involving tungsten and lithium, and in Covas do Barroso, where community efforts led to stricter environmental scrutiny. The lesson is clear: transparent processes and tangible local benefits are vital for mining projects to advance.

Key Changes

As these projects are moving forward, it is expected that both national and European legislation will be adapted to address the challenges of this growing industry. Portuguese legislation for the mining sector has also seen significant changes in recent years with the enactment of a new and more efficient legal and institutional framework, introducing substantial modifications to the regulation of mining rights and the extractive industry sector in general. Such changes relate to the following in particular:

- the distribution of exploitation benefits (ie, royalties) between the State, municipalities and local populations;
- the possibility of having the relevant concession agreement imposing that minerals be processed on national territory;
- more demanding environmental sustainability regulations (in compliance with "green mining" standards);
- the recognition of the wider inspection powers of the regulatory agency; and
- the promotion of public participation/consultation in the awarding procedures for the granting of mining rights.

In terms of institutional support, the Portuguese government has taken concrete steps to support the development of the lithium value chain by awarding public grants to flagship projects.

In addition to the allocation of EUR90 million in public funding to the Savannah Resources lithium project under the Recovery and Resilience Plan (PRR), the government recently announced support of up to EUR110 million from the Portuguese Agency for Investment and Foreign Trade (AICEP), representing the State, for the development of the project. This is part of the European Commission's Temporary Crisis and Transition Framework and aims to encourage "major investments in strategic sectors for the transition to carbon neutrality". Three other projects in the battery value chain also benefited from this measure.

This support brings the Portuguese projects to parity with similar strategic initiatives recently backed by other governments across Europe and globally. Ultimately, these public grants send a clear message about the importance of the lithium sector for Portugal's economic future, energy security, and role in the wider European green transition.

Portugal's strategic reserves of important minerals (such as lithium and tungsten) not only support its mining industry but are also increasingly important for the defence sector. This growing significance is due to the fact that both Portugal and Europe as a whole face mounting challenges regarding the supply of critical raw materials, which are essential for modern defence technologies.

Recognising these challenges, the EU has highlighted the need to secure the entire value chain of vital minerals for defence and digital industries, notably through policies such as the EU's Critical Raw Materials Act. To address these strategic priorities, the European Defence Fund (EDF) was established as a key EU initiative to foster innovation and strengthen integration within the European defence industry.

In particular, one of the main goals of the EDF is to accelerate the development and deployment of critical technologies necessary for Europe's security and defence capabilities. In this context, Portugal's rich geological resources allow it to play a crucial role in supporting the EU's ambitions for greater self-sufficiency and supply chain resilience, particularly in times of geopolitical uncertainty and dependence on non-European suppliers.

While the spotlight remains on lithium – a material crucial to battery production and the green energy transition – interest in other minerals such as tungsten and gold is also on the rise, in particular in the M&A field. Global mining companies and technology firms have increasingly turned their attention to Portuguese mining companies, hoping to secure reliable access to lithium and other critical resources. Notwithstanding, despite growing interest, there have been no landmark takeovers or large-scale public company acquisitions in Portugal's mining sector to date.

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