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Portugal: Trends and Developments

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Trends and Developments

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Portugal's Voluntary Carbon Market Framework Enters 2025 With Momentum – a New European Push for Biodiversity and Nature Credits

Portugal's Voluntary Carbon Market (VCM) framework, established by Portuguese Decree-Law 4/2024, published on 5 January 2024, continues to evolve, with key implementing ordinances now in force. On 27 November 2024, the European Union (EU) adopted Regulation (EU) 2024/3012, establishing a Union certification framework for permanent carbon removals, carbon farming, and carbon storage in products. In 2025, the European Commission published a dedicated Roadmap towards Nature Credits, signalling the EU's intention to structure high-integrity, market-based tools for financing biodiversity and broader ecosystem services.

In parallel, the Commission's proposal to amend the European Climate Law to enshrine a net greenhouse gas emissions reduction target of 90% by 2040 has reframed the narrative around flexibility, cross-sectoral co-operation and the role of market instruments.

Together, these developments position Portugal to play an early-mover role as high-quality credits – carbon, biodiversity and broader “nature credits” – converge under more integrated climate-and-nature finance architectures.

Portugal's VCM: Legal Architecture, Implementing Measures and Open Questions

Decree-Law 4/2024 created the legal basis for a national VCM designed to support emission reductions and removals while enhancing transparency

and environmental integrity. Building blocks adopted in October 2024 include ordinance-level rules on verifier qualification, the registration platform and fees for market operators.

The national energy agency ADENE was designated as the qualification management entity for independent verifiers under Ordinance 240/2024, with higher education, relevant experience, audit training, a qualifying examination and professional association membership (when applicable) among its core criteria. This function is crucial to the market's monitoring, reporting and verification integrity.

Ordinance 241/2024 defines the operational requirements for the public registration platform, which is central to market transparency. The platform must support:

- account-opening by market agents;
- registration of projects and credits;
- issuance and cancellation of credits;
- submission of monitoring reports by promoters;
- initial and periodic verification filings; and
- submission and management of proposed methodologies.

Ordinance 239/2024 sets the fee schedule for opening and maintaining accounts, registering projects and programmes, trading credits and submitting methodologies. A reduced EUR500 fee applies to methodology approvals submitted by 31 December 2026, with standard fees becoming applicable thereafter. This

early-bird fee is designed to catalyse market participation and methodology development across sectors.

Complementing this framework, Decree-Law 122/2024 of 31st December established the *Agência para o Clima, IP* (Climate Agency), consolidating national climate governance and reallocating to the new agency the climate-related competences previously held by the Portuguese Environment Agency. Among its legally defined roles are:

- the development and implementation of climate policies;
- the role as national authority for the EU Emissions Trading System and related registries;
- the supervision and promotion of carbon markets, including the VCM; and
- the co-ordination and management of climate-related funds (including, inter alia, the Environmental Fund, the Social Climate Fund, the Modernisation Fund and the Blue Fund).

The government subsequently appointed the agency's board by Resolution of the Council of Ministers 25/2025 of 14th February, enabling operational leadership across these functions.

The regulatory “missing piece” remains the ordinance on capital requirements and minimum insurance conditions to cover reversals of sequestered emissions from natural risks such as wildfires, storms, floods, pests and disease.

The EU's New Architecture for High-Integrity Carbon and Nature Finance

In late 2024, the EU adopted the Regulation establishing a Union certification framework for permanent carbon removals, carbon farming and carbon storage in products. This Carbon Removals and Carbon Farming (CRCF) framework is voluntary and anchored in robust monitoring, reporting and verification. It adopts a two-step model – certification first, then issuance of certified units – under strict criteria on quantification, additionality, long-term storage and sustainability. Crucially, the CRCF framework requires carbon farming activities to generate co-benefits for biodiversity and ecosystem services; secondary legislation is expected to operationalise methodologies and

integrity safeguards, including third-party verification and science-based tools to assess permanence and reversal risk.

This “co-benefits by design” approach foreshadows the EU's broader turn towards integrating biodiversity and ecosystem outcomes into climate finance mechanisms. On 7 July 2025, the European Commission published its Roadmap towards Nature Credits. The Roadmap sets out a stepwise plan to develop high-integrity nature credits – certified, tradable units representing verifiable nature-positive outcomes, quantified using recognised biodiversity metrics or ecosystem indicators.

The Commission's approach emphasises:

- certification first, credits later, with integrity safeguards to avoid greenwashing and double counting, and clear separation of roles among developers, certifiers and registries;
- methodological pluralism within a coherent framework, acknowledging the heterogeneity and location-specificity of ecosystems and outcomes;
- bottom-up development through an EU expert group, pilots and international co-operation, alongside seed finance and de-risking tools to address early-stage transaction costs; and
- policy coherence with existing instruments, including potential uses in supporting national targets under the Nature Restoration Regulation (Regulation (EU) 2024/1991) and alignment with disclosure and sustainable finance frameworks.

The Roadmap is explicitly not a nature-offsetting regime. It proposes a certification and crediting architecture to reward nature-positive actions that go beyond legal obligations and the mitigation hierarchy, while leaving open longer-term questions about market design, governance and demand drivers.

A Reframed EU 2040 Climate Trajectory: Flexibility, Sectoral Interlinkages and Market Signals

In early 2024, the European Commission proposed amending the European Climate Law to include a binding EU target of a 90% net reduction in greenhouse gas emissions by 2040 (relative to 1990). In its supporting analysis and communications, the Com-

mission emphasised more flexible, cross-sectoral pathways to 2040, moving beyond an exclusive focus on linear emissions cuts and residual “hard-to-abate” compensation.

Notably, the Commission signalled for the first time the potential role of high-integrity international carbon credits within the EU’s 2040 goal architecture, subject to strict quality, governance and timing conditions. This represents a tonal shift towards system-wide optimisation, inter-sectoral co-operation and pragmatic use of market mechanisms to accelerate decarbonisation while managing distributional impacts.

This evolution dovetails with the EU’s push on nature finance.

The Nature Credits Roadmap complements the CRCF framework by building a credible route to monetise biodiversity and ecosystem outcomes, not only as co-benefits of carbon projects but as standalone results in landscapes where carbon is not the primary lever.

Together, the measures reflect convergence between climate and nature finance, greater emphasis on integrity, and a recognition that private capital must be mobilised at scale to bridge investment gaps.

Biodiversity Credits and “Nature Credits”: Promise, Pitfalls and the State of Play

Biodiversity and “nature” credits are gaining traction globally as voluntary mechanisms to reward measurable improvements in ecosystem conditions, species outcomes, water regulation, pollinator habitats, soil health and other services.

The EU’s Roadmap underlines that these tools are nascent: there is narrative momentum and a strong economic case, but there is not yet EU-level legislation establishing a compliance market, and methodologies are still being developed. The European Commission’s plan is to pilot, consult and co-develop methodologies and governance with member states, experts and stakeholders, with a view to assessing by 2027 whether dedicated EU legislation is necessary.

Integrity risks are real. Lessons from the VCM – on additionality, permanence, leakage, baselines, safe-

guards and claims – must be internalised from the outset.

The EU’s two-step certification-and-crediting model, combined with strong governance and transparency, is designed to build trust before scale. At the same time, stakeholders have raised concerns about potential greenwashing, substitution of public with private funding, geographic inequities in project siting, and offsetting by proxy.

The Commission’s emphasis on complementarity with public funding, non-offsetting use cases (eg, disclosures, procurement, risk management) and strict guardrails is intended to address these critiques.

Portugal’s Potential Bridge to Nature Credits: Carbon Credits and Methodology Gaps

Portugal’s VCM expressly envisions credits that deliver benefits beyond carbon, aligning national priorities such as forest resilience, fire risk reduction and marine ecosystem services with climate mitigation.

The Portuguese VCM legislation has referenced the concept of “Carbon Credits+” to denote units with quantified co-benefits for biodiversity and ecosystem services.

This conceptual framing could open a pathway to converge with the EU’s emerging nature credit architecture; however, methodologies to quantify and verify biodiversity outcomes within Portugal’s VCM have not yet been adopted. The Technical Monitoring Committee – which will validate methodologies by project type (forestry, agriculture, marine and others) – remains a critical piece of the institutional architecture, and the timing of its appointments and work programme will be pivotal for near-term market development.

In practice, two near-term steps would help Portugal translate intent into investable opportunities. First, publishing the insurance and reversal-risk ordinance would unlock forest and other nature-based projects at scale. Second, ensuring that the VCM platform can register and transparently track co-benefits, confidentiality requests and linkages to EU methodologies would create a credible interface with the CRCF

framework and, in due course, with any future EU nature credit registry.

As the EU brings forward CRCF methodologies for carbon farming with mandatory biodiversity co-benefits, Portuguese project developers will be well placed to align designs with EU integrity standards and to attract buyers increasingly seeking nature-positive attributes.

Outlook for 2025–2027: From Architecture to Execution

For the EU, 2025–2027 is the build-and-test phase. The European Commission will convene the expert group on nature credits, run pilots, assess supply and demand, develop CRCF methodologies for carbon farming with biodiversity co-benefits, and consider whether to legislate a dedicated nature credits framework. These steps aim to ensure integrity from the outset, reduce transaction costs, and define credible use cases that do not undermine environmental law or public funding.

For Portugal, 2025 or 2026 could become a first issuance year if the registration platform launches and the initial forestry methodology is approved following public consultation. Fee incentives for methodologies filed by the end of 2026 are designed to catalyse developer action, and the verifier qualification regime provides a pathway to scale assurance capacity. The strategic opportunity is to position Portuguese carbon credits projects at the forefront of EU-aligned climate-and-nature finance, while addressing open issues on trading mechanics, confidentiality safeguards, supervision and reversal insurance.

Voluntary markets are moving towards higher-integrity units that deliver quantifiable climate outcomes with verified nature co-benefits – soon to be complemented by standalone nature credits built on rigorous certification.

With the remaining ordinances, appointments and platform operations in place, the market can mature into a credible channel for private investment across terrestrial and marine ecosystems, supporting national climate neutrality ambitions and Europe’s emerging nature-positive economy.

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