

# 2019 Budget Law Proposal – implications for energy sector

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## Energy sector extraordinary contribution expanded Other energy sector proposals

On 15 October 2018 the government presented its 2019 Budget Law Proposal. It is currently under discussion by Parliament and the relevant parliamentary committees and may be amended as a result of the proposals submitted by the various parliamentary groups. The revision of the State Budget Law by Parliament is expected to be concluded by mid-December 2018. The 2019 Budget Law Proposal includes several measures for the energy sector.

### Energy sector extraordinary contribution expanded

As per the 2019 Budget Law Proposal, energy sector extraordinary contributions will be levied on generators that operate renewable energy power plants licensed under the guaranteed remuneration scheme (ie, the sale of electricity to the last resort supplier against payment of a legally or contractually determined feed-in tariff), which to date had been exempted from paying such contributions.

According to the 2019 Budget Law Proposal, the following generators will remain exempted from the energy sector extraordinary contribution regime, even though they most likely benefit from feed-in tariffs:

- generators that hold licences or rights granted to them in the context of a public tender;
- generators operating small-scale generation units or self-consumption generation units; and
- generators of electricity and heat through micro-cogeneration plants.

The energy sector extraordinary contribution regime proposed by the government has a special focus on special regime generation through endogenous resources – both renewable and non-renewable. In previous years (and with the exception of cogeneration), this type of electricity generation had been excluded from its scope as a recognition of its role in reducing Portugal's external energy dependence and greenhouse gas emissions as well as contributing to fulfilling national and European targets with regard to renewable energy generation and consumption.

Despite its so-called 'extraordinary' nature, the 2019 Budget Law Proposal acknowledges the need:

- for the energy sector extraordinary contribution regime to follow National Electric System's tariff debt; and
- to finance social and environmental policies within the energy sector.

The energy sector extraordinary contribution regime was first approved in the 2014 Budget Law and has been heavily disputed by the operators that it covers ever since.

### Other energy sector proposals

The State Budget 2019 also includes the following energy sector proposals:

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- Government authorisation to:
  - decrease the value added tax rate from 23% to 6% on the non-variable parts of electricity and natural gas invoices for low voltage electricity consumers with contracted power up to 3.45 kVA and low pressure natural gas consumers not exceeding 10,000 cubic metres per year; and
  - introduce a gradual carbon tax on certain oil and energy products.
- A new framework has been approved under which suppliers must acquire the electricity generated by special regime generators operating under the market regime (ie, trading energy through organised markets or bilateral agreements) in similar terms to the existing framework for market facilitators.
- Under the proposals, 50% of income generated by oil and energy product tax and carbon tax must be assigned to the national electric system, or the respective tariff deficit, through the Fund for the Energy Sector's Systemic Sustainability.
- An amendment to the regulatory mechanism that promotes competitive balance in the wholesale electricity market in Portugal has been introduced until the end of the first quarter of 2019, as established by Decree-Law 74/2013, pursuant to the Iberian Electricity Market's new rules, which aim to create harmonised mechanisms and reinforce competition and consumer protection.
- The power to issue and monitor origin guarantees and certificates, which had been assigned to the Directorate General for Energy and Geology in 2015, has been transferred to the Transmission System Operator.
- Budget incentives in 2020 will be allocated to public administration services and entities with the biggest energy consumption reduction in 2019.
- Natural gas social tariffs will be funded by natural gas transmission operators and natural gas suppliers according to the volume of natural gas traded in the previous year.
- The environmental fund will subsidise 600 electric vehicles for exclusive use of public administration entities.

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