
Centralized purchasing system for biomethane and hydrogen produced through water hydrolysis

[Ordinance 15/2023 of January 4](#) has been published, establishing the centralized purchasing system for biomethane and hydrogen produced through water hydrolysis using electricity generated from renewable energy sources.

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Key aspects

- > Ordinance 15/2023 of January 4 has been passed in response to the commitment the Portuguese Government made to reach carbon neutrality and speed up the energy transition.
- > It (i) provides for the launch of a tender to purchase renewable gases biomethane and hydrogen produced through water hydrolysis using electricity generated from renewable energy sources, to be put into the National Gas Grid (“**NGG**”); and (ii) sets the annual maximum thresholds.
- > It also establishes that the contracts will remain in effect for 10 years from the date of the first delivery.
- > By June 30, 2023, the Directorate-General for Energy and Geology (“**DGEG**”) will announce a tender to purchase amounts of biomethane and hydrogen.



Centralized purchasing system for renewable gases

Renewable gases are essential for promoting and facilitating the energy transition, providing an opportunity for Portugal and the European Union to develop economically, industrially, scientifically, and technologically.

Decree-Law 62/2020 of August 28, which establishes how the National Gas System should be structured and run, provides that:

- (i) the government official responsible for the energy sector can (a) issue an ordinance that establishes specific systems for certain renewable or low-carbon gases, and (b) put in place support mechanisms for the production of renewable gases; and
- (ii) the Wholesale Supplier of Last Resort (“WSLR”) buys renewable and low-carbon gases from producers.

This is the context in which [Ordinance 15/2023 of January 4](#) (“**Ordinance 15/2023**”) was approved, creating a centralized purchasing system for renewable gases biomethane and hydrogen produced through water hydrolysis using electricity from renewable energy sources, to be put into the NGG.

Specific features of the centralized system

› Purchase of renewable gases

Biomethane and hydrogen produced through water hydrolysis using electricity from renewable energy sources, to be put into the NGG, are bought under a tender.

The amount of biomethane and hydrogen bought within one year must not exceed:

- (i) 150 GWh for biomethane; and
- (ii) 120 GWh for hydrogen.

The WSLR will enter a contract for the above amounts following an electronic auction tender. The maximum prices the WSLR will pay will be:

- (i) €62/MWh for biomethane; and
- (ii) €127/MWh for hydrogen.



› **Tender to purchase renewable gases**

The following aspects of the tender to purchase renewable gases are especially important:

- (i) The DGEG must coordinate the tender with the WSLR.
- (ii) The DGEG must prepare the tender documents in coordination with the WSLR and submit them to the government official responsible for the energy sector by May 30, 2023.
- (iii) Producers must have the qualifications necessary to connect to gas transport or distribution grids.

› **Terms of the contracts to buy renewable gases**

The terms of the contracts to buy renewable gases are as follows:

- (i) The contracts will last for 10 years from the date of the first supply.
- (ii) The WSLR will pay the prices established in the contract, which will be valid for the entire contractual term (Ordinance 15/2023 does not establish a price-revision mechanism.)
- (iii) All deliveries of renewable gases by producers must include guarantees of origin.

› **WSLR's remuneration**

The WSLR's remuneration is based on the cost of purchasing the renewable gases from the producers and the price obtained from their sale and from the associated guarantees of origin. The remuneration is paid by the Environmental Fund and is set by the Energy Services Regulatory Authority (ERSE). If the WSLR makes more money from the sale of the renewable gases and associated guarantees than the cost of acquiring them, the remainder is returned to the Environmental Fund.



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