
Public consultation on the tender rules for the centralized purchase of biomethane and hydrogen

The Government has launched a public consultation, until July 31, 2023, on the tender rules for centralized purchase of biomethane and hydrogen produced through water electrolysis using electricity from renewable energy for injection into the National Gas Grid.

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Key aspects

- > The tender rules follow on from the approval of Ordinance 15/2023 of January 4 establishing the centralized purchase system for biomethane and hydrogen produced through water electrolysis.
- > The tender falls within the wider picture of Portugal's commitment to reach carbon neutrality by 2050.
- > The rules under public consultation aim to regulate the procedural and operational aspects of the tender for centralized purchase of biomethane and renewable hydrogen and the allocation of sales rights (and the respective Guarantees of Origin) for their subsequent injection into the National Gas Grid.



Introduction

Following the approval of Ordinance 15/2023 of January 4 establishing the centralized purchasing system for biomethane and hydrogen produced by water electrolysis using electricity from renewable energy sources, the Government launched a public consultation on the tender documents for the centralized purchase of biomethane and hydrogen. These documents will be available for public consultation on the [Portal Participa](#) website until July 31.

As we mentioned before when discussing the approval of Ordinance 15/2023 of January 4, the purchase of biomethane and hydrogen falls within the wider picture of consolidating carbon neutrality in Portugal by 2050. It is one of the core drivers established by the Government for accelerating the energy transition.

Tender program

The tender program for the centralized biomethane and hydrogen purchasing system establishes the general provisions, qualifications, bidding phases and award, remuneration models, required guarantees, and documents to be submitted by the bidders. We highlight the following main points:

- The bids will be in multiples of 1 MWh/year, based on the higher calorific value (“HCV”), a list of technical specifications attached to the tender program, and the values selected for the purchase contract by the Wholesaler Consumer of Last Resort (“wCLR”) for each lot, in the maximum quantities stipulated in the tender.
- Bidders must be biomethane or renewable hydrogen producers registered and qualified to connect to the National Gas Grid, and they must meet the required technical injection conditions established by the Transmission System or the Distribution System Operator, as applicable.
- The maximum base bidding prices for each lot are stipulated in the bidding regulation attached to the tender program and expressed in €/MWh (base HCV): €62/MWh for biomethane and €127/MWh for renewable hydrogen.
- Submitting a bid implies providing a provisional security deposit in favor of the State, through the Directorate-General of Energy and Geology (“DGEG”), for a period of 12 months and for 7.5% of the base price in €/MWh/year, multiplied by the amount of energy that the bidder intends to bid for in all the tender lots it is interested in, multiplied by 10 years.



- The tender award allocates the right to sell biomethane or renewable hydrogen for injection into the public service infrastructure that makes up the National Gas Grid in lots defined according to amount, injection point, and remuneration model.
- The award of the certificate conferring the right to sell biomethane or renewable hydrogen implies the provision of a definitive security deposit of 7.5% of the final bidding price, in €/MWh/year, multiplied by the amount of energy in all the awarded lots, multiplied by 10 years.
- This certificate is non-transferable until the injection of gas into the public gas infrastructure.
- The sales offers are made through a bidding platform managed by the OMIP (the regulated market operator), which will provide the qualified bidders with the information required to access the platform and is responsible for the technical management and handling of the bidding.

Specifications

The tender specifications establish the terms and conditions for awarding the winning producers the rights to sell biomethane and hydrogen, and the respective guarantees of origin, for injection into the national gas grid. We highlight the main points:

- The renewable gases are acquired by Transgás, S.A., as the wCLR.
- The amounts of renewable gases to be purchased by the wCLR are those injected by the producers that obtain the right to sell at the connection points to the National Gas Grid, based on grid capacity and contingent on the awarded amounts.
- The purchase contract between the wCLR and the renewable gas producer has a term of 10 years from the date of the first supply to the grid, which should be after the date stated in the winning bid or until the end of the term associated with the prior registration of the production unit.
- The price for which the wCLR purchases the renewable gases is the one stipulated in the successful bid, which includes the amount for the associated guarantees of origin, and will remain unchanged throughout the contract term.
- The producer is entirely responsible for obtaining the licenses, authorization, opinions and other administrative acts required for the gas production unit to start operations and for compliance with all the obligations described in the specifications.



- The right to sell renewable gas is non-transferable until the beginning of injection into the grid. After this, a transfer of the right to sell may only occur after the producer has given notice and obtained the required authorization from the competent authorities and presented it to the wCLR.
- Transfers and encumbrances over shares in the producer's share capital leading to or that may lead to a change of ownership are also prohibited, except for encumbrances in favor of financing entities and of corporate transactions intended to enable or facilitate a project financing operation.
- Any disputes between the wCLR and the producers regarding the validity, interpretation and enforcement of the rights, charges and obligations laid down in the specifications will be settled by the Arbitration Centre of the Portuguese Chamber of Commerce and Industry, in accordance with the respective regulations.

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