
Mechanism to compensate municipalities

Decree-Law 18/2024 was published on February 2, 2024, establishing a mechanism to compensate municipalities for high-impact strategic electricity projects that generate negative externalities locally

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Key aspects

- > Decree-Law 18/2024 establishes a mechanism to compensate municipalities when public service electric network (“RESP”) infrastructure that is part of the National Electricity System (“SEN”) is installed on or crosses their territories.
- > The compensation amount to be awarded depends on the RESP operator verifying the existence of significant negative effects and quantifying them, considering the substantiated damage.
- > The compensation is borne by the RESP operator.
- > The compensation amount is validated by the Energy Services Regulatory Authority (“ERSE”).



Application scope and procedure for obtaining compensation

The current framework for compensating municipalities whose territories and populations are negatively affected by the installation of electricity infrastructures is considered inadequate. Decree-Law 18/2024 aims to address this inadequacy by establishing a mechanism to compensate municipalities.

Decree-Law 18/2024 entered into force on February 3, 2024. However, a government ordinance must still be approved to specify the negative local externalities or impacts that may require compensation.

> **Municipalities entitled to the compensation mechanism**

Municipalities crossed by RESP infrastructures, under the responsibility of SEN's electricity network operators, are entitled to compensation, provided the infrastructures:

- > are essential for carrying out high-impact strategic electricity projects; and
- > generate significant negative effects and impacts.

The following are considered high-impact strategic electricity projects:

- i. Crossborder interconnections
- ii. Projects classified in the Development and Investment Plan of the national transmission grid
- iii. Feira-Ribeira de Pena line
- iv. Ferreira do Alentejo-Panoias and Panoias-Tavira lines
- v. Fanhões-Rio Maior line
- vi. Alqueva-Divor line
- vii. Ferreira do Alentejo-Pegões and Pegões-Rio Maior lines
- viii. Fundação-Vilarouco line
- ix. Lares-Arouca line
- x. Portuguese-Spanish interconnection: Ponte de Lima-Fontefría line.

> **Calculation of compensation amount**

The compensation amount is limited as follows:

- > For substations, transformer stations, and other investments, the compensation amount cannot exceed 1% of the direct external costs of the investments.



- For overhead lines, the compensation amount is capped at 5% of the value of the direct external costs of the investments.

➤ Procedure for obtaining compensation

To obtain this compensation, municipalities must submit an application to the RESP¹ operator. This application should:

- list and demonstrate any negative impacts that have not been minimized, mitigated or compensated for by the environmental impact assessment; and
- present and justify proposals for the compensation measures the municipality considers appropriate.

The compensation is granted through a protocol to be signed between the RESP operator and the respective municipality. Under this protocol, the municipality agrees to allow the infrastructure to be installed on or cross its territory.

The compensation provided for in Decree-Law 18/2024 can be combined with other compensation provided for by law. Specifically, it can be combined with the assignments provided for in article 49 of Decree-Law 15/2022 and the contributions provided for in article 4-B of Decree-Law 30-A/2022, as amended by Decree-Law 72/2022.²

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¹ The RESP operator must decide on the application within 60 days, and the compensation amount to be awarded must be submitted to the ERSE for validation.

² Although the Decree-Law 30-A/2022 regime is temporary (i.e., it only applies until April 18, 2024), Decree-Law 18/2024 establishes that the contributions provided for in article 4-B will still be payable to municipalities even after Decree-Law 30-A/2022 is no longer applicable.