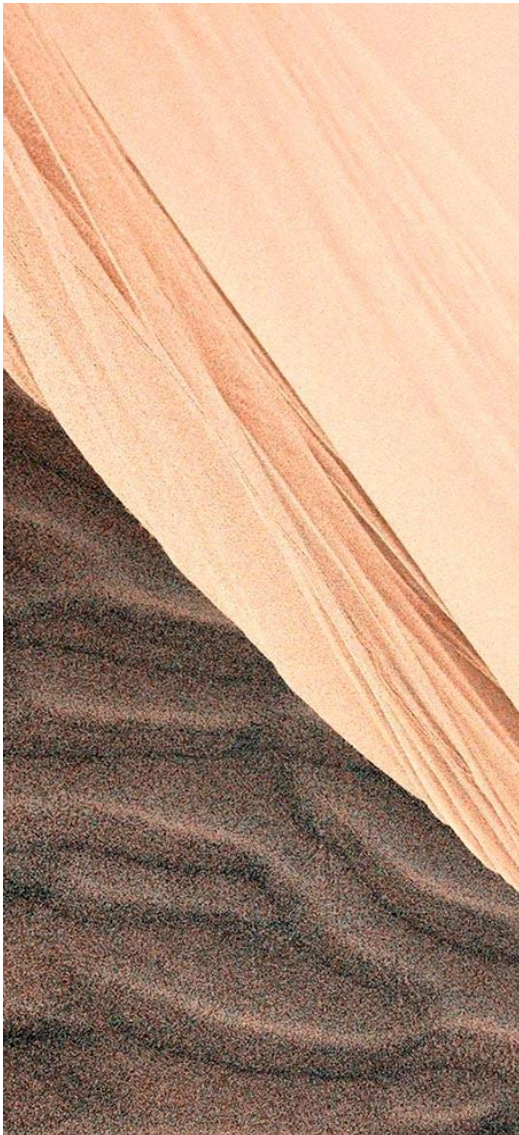

Desalination plant tender and drought response measures in Algarve region

On February 20, Council of Ministers Resolution 26-A/2024 was published and the tender for the Algarve desalination plant was launched.

Portugal - Legal Update

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Key aspects

- Council of Ministers Resolution 26-A/2024 (the “Resolution”) recognizes the current drought in the Algarve region and, in response, approves special, urgent and temporary measures, such as:
 - granting support for extraordinary measures;
 - restricting—with immediate effect—water use in urban consumption, tourism and agriculture sectors;
 - reviewing water supply tariffs;
 - limiting each municipal user’s water use volume to 85% of the volume corresponding to 2023;
 - charging a tariff for any consumption exceeding the limits; and
 - launching an international public tender for the design, construction and operation of the Algarve desalination plant.



Drought response measures in Algarve region

The current situation in the Algarve requires recognition of the state of alert caused by drought, as declared by the Portuguese Environment Agency (APA) on December 5, 2023. Consequently, extraordinary measures need to be implemented to ensure greater efficiency, conservation, and rationalization of both surface and groundwater reserves.

In this context, [the Resolution](#) has been published to approve a set of immediate and temporary response measures aimed at reducing consumption and rationalizing water use in the Algarve region.

Summary of approved measures:

1. Public supply

- a) Limiting the monthly volume of water for human consumption that Águas do Algarve S. A. (“AdA”)—the concessionaire of the Algarve’s multi-municipal water supply and sanitation system—can supply to each municipal user, establishing a limit equivalent to 85% of the volume registered in the same period in 2023.
- b) Reducing water pressure in the supply network.
- c) Suspending the use of public or drinking water for (i) irrigating green spaces, private gardens and public parks; (ii) ornamental fountains and artificial lakes; (iii) washing sidewalks, yards and vehicles; and (iv) compacting roads and controlling dust on the roads of public or private construction sites.
- d) Promoting water reuse.
- e) Suspending the use of public water for washing vehicles, motorcycles, quadbikes, scooters, or similar between June 1, 2024, and September 30, 2024, except in licensed establishments that have water recirculation systems.
- f) Reviewing low water supply tariffs.

2. Tourism

- a) Implementing water efficiency measures in tourist resorts.
- b) Suspending the supply of public water for irrigating golf courses.
- c) Limiting golf course irrigation with natural surface water to a maximum of 1.3hm³.

- d) Reducing the water renewal rate in public swimming pools.
- e) Closing showers and foot washers in beach areas.
- f) Introducing a water efficiency label for tourist resorts that can prove a reduction in water consumption.

3. Agriculture

- a) Establishing survival irrigation reference values for permanent crops through the Directorate-General for Agriculture and Rural Development.
- b) Updating contingency plans for collective irrigation during droughts.
- c) Assessing and implementing the use of the Arade reservoir's dead volume for agricultural irrigation.

4. Water resources use permits

- a) All procedures for granting new water resource use permits (“**TURHs**”) for 22 critically endangered groundwater bodies in the Algarve region are suspended, except for resilience water abstractions for the Eastern Algarve and Alvor irrigation perimeters and abstractions for animal watering on licensed farms that do not have a more sustainable alternative.
- b) The government has ordered a temporary and urgent review of:
 - i. TURHs issued for groundwater abstraction, with a 15% reduction in volume, except for those related to public supply;
 - ii. TURHs issued for surface water abstraction to produce water for public supply from the Odeleite–Beliche, Odelouca, and Funcho systems, with an overall reduction of 15% in the abstracted volume compared to the total abstracted volume in 2023;
 - iii. TURHs issued for surface water abstraction from the Funcho–Arade system, with a 44% reduction in the transferred volume compared to the volumes supplied for agricultural irrigation and golf courses in 2023; and
 - iv. TURHs issued for surface water abstraction in the Odeleite–Beliche system for agricultural irrigation, with a 50% reduction in the volume of water used in the irrigation perimeter compared to the abstracted volumes from the reservoir in 2023.

- c) When revising use permits that establish a maximum monthly volume of 5,000 m³ or more, the means for directly measuring the extracted volumes of water and fortnightly reporting of the abstracted volumes must be included.
- d) The water stored in the Bravura reservoir can only be used for public supply, and TURHs for other uses are suspended.

To implement these measures, **financial support will be allocated** based on the indicative budget allocation of €26.65 million, which will be distributed as follows:

- > Public water supply: €12.4 million
- > Tourism: €10 million
- > Agriculture: €350,000
- > Management, monitoring and inspection of water resources: €2.9 million

Also, 16 municipalities in the Algarve region will receive up to €1.5 million in support in 2024.

The Resolution also introduces an additional tariff for municipal users of the Algarve's multi-municipal water supply and sanitation system who exceed the monthly volume of water for human consumption, limited to 85% of the volume registered in the same period in 2023. The proceeds from this tariff will fund measures to increase water efficiency and reinforce the resilience of public water supply systems in the Algarve region. This additional tariff will be established in an order of the member of government responsible for the environment.

The Resolution took effect on February 8, 2024, and it will apply until the end of the current hydrological year, which ends on September 30, 2024.

Tender to construct desalination plant in Algarve region

In addition to the measures summarized above, other structural measures are already underway to address water scarcity in the Algarve region, including the construction in the region of Portugal's first mainland desalination plant.

On February 16, [Tender Announcement 2530/2024 of February 16](#) was published in the Official Gazette of the Republic of Portugal, launching the international public tender for the "design, construction and operation of the desalination plant in the Algarve region." The contracting authority for this tender is the AdA, and the base price is set at €90 million.

The mixed contract's purpose is:

- > the works for the “design, construction and operation of the desalination plant in the Algarve region,” including preparing all written parts and drawings of the project execution plan;
- > the preparation of the items to be delivered at the project execution environment conformity report (RECAPE) phase, as described in the environmental impact statement (“EIS”) for the desalination plant in the Algarve region, as well as the implementation and observance of the measures contained in the EIS during the construction phase and during the facility’s “start-up” phase until its provisional acceptance; and
- > the operation phase of the desalination plant in the Algarve region.

The contract execution period is 2,210 days, divided into the following periods:

- > Ninety days from the contract signing date to prepare the project execution plan
- > One thousand and twenty-five days to carry out the “works,” starting from the handover date or, if later, the approval date of the health and safety plan until provisional acceptance
- > One thousand and ninety-five days from the provisional acceptance date for the “operation” phase.

The tender will be awarded based on the most economically advantageous proposal, using the “multifactor” method, which considers the following: (i) price (35%), plus (ii) normalized net present value of long-term operation (35%), plus (iii) technical merit (30%).

Tenders may be submitted through the online platform by 6 p.m. on the 66th day from the date the notice was sent for publication, which occurred on February 14, 2024 (i.e., by **April 20, 2024**).

Bidders are required to maintain their bids for 90 days from the end of the period stipulated for their submission.

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