
Hydrogen and renewable gas incentives

The Regulation for the “Promotion of Renewable Hydrogen and Other Renewable Gases” company incentive system has been approved.

Portugal - Legal Update

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Key aspects

- The total amount allocated for this incentive system is €70 million.
- The maximum financing per beneficiary and per operation is €15 million.
- Entities intending to carry out projects for the production of renewable hydrogen and other renewable gases can benefit from this incentive system.
- Details regarding each financing project will soon be published in each call for tenders.



Regulation for “Promotion of Renewable Hydrogen and Other Renewable Gases” company incentive system

Ordinance 168/2024/1 of June 18 has approved the regulation for the company incentive system, “Promotion of Renewable Hydrogen and Other Renewable Gases—Scaled-up Measure” (the “**Regulation**”) included in Investment RP-C21 i06 of the Portuguese Recovery and Resilience Plan (the “**RRP**”).

The RRP includes the RP-C21-i06 Investment, “Promotion of Renewable Hydrogen and Other Renewable Gases—Scaled-up measure.” This aims to boost Portugal’s capacity to produce renewable hydrogen and other renewable gases, contributing to energy consumption, reducing greenhouse gas emissions, decreasing energy dependence, and enhancing energy supply security. The Regulation aims to implement Investment 21-i06 of the RRP by establishing rules for future calls for tender, with a specific budget allocated to finance select projects.

Therefore, a mechanism has been established for awarding subsidies to incentivize and finance the production of gases from energy generated by facilities that exclusively use renewable energy sources and renewable gases. These include renewable hydrogen, biomethane or methane synthesized using biological carbon, using tried-and-tested technologies with a technology readiness level above 8, in accordance with the terms to be established in future calls for tenders.

Main aspects to consider

Application procedures

- Each support program is announced individually through a call for tenders, each involving a competitive tendering process.
- Applications are selected based on criteria including effectiveness, efficiency, sustainability, innovation, integrated approach, and contribution to public sustainability policies, as detailed in each call for tenders.
- Once financing is approved, the Environmental Fund management entity and the beneficiary will enter a financing contract. This contract will (i) outline the specific financing conditions, (ii) fix investments and grants, (iii) set implementation schedules with milestones and goals, and (iv) establish the beneficiary’s obligations and penalties for noncompliance.



Support amounts

- Support for future applications will be provided as a **non-refundable grant**.
- The maximum co-financing rate for operations is 60%, calculated on total eligible expenses, which cannot exceed the maximum standard Capex cost defined in each call for tenders.
- Support under Ordinance 168/2024/1 cannot be combined with other investment aid for the same eligible expenses.
- The total amount allocated for this incentive system is **€70 million**.
- The maximum financing allocated per beneficiary and per operation is **€15 million**.

Eligibility criteria

- Beneficiaries can be public or private legal entities intending to carry out projects for the production of renewable hydrogen and other renewable gases.
- The **eligibility criteria for candidates** include:
 - having their tax and social security affairs in order;
 - possessing—or being able to secure before the application approval—the technical, physical, financial, and human resources required to carry out the operation;
 - being up to date with their European financing repayments;
 - maintaining a balanced economic and financial situation and demonstrating the ability to finance the operation; and
 - not having submitted another application for the same investments that is pending or has received a favorable decision, except in cases where the application has been withdrawn.
- The **specific eligibility criteria for operations** include:
 - demonstrating that the interventions do not lead to significant environmental impact, ensuring compliance with the principle of “do no significant harm;”
 - demonstrating an adequate level of maturity by submitting (i) the documents that accompanied the application for prior registration for the production of renewable gases, including the time schedule for completion and the budget for the main components of the operation, showing that (a) the technical solutions to be adopted have been consolidated, (b) there is adequate justification for the costs, and (c) the actions to be carried out have been planned; and (ii) a prior



opinion from the Directorate-General for Energy and Geology on how the proposed project fits into the eligible operation types;

- justifying the need and opportunity for the operation, including proof that the investment would not take place or would be on a smaller scale without the financing;
- having the prior licenses and permits for implementing the investments, where applicable; and
- submitting a description of the operation, including the technical characteristics, the basis for the investment costs, and the time schedule for physical and financial implementation.

The following application types are ineligible:

- Applications for operations approved under POSEUR-01-2020-19 notice by the Operational Program for Sustainability and Efficient Use of Resources (POSEUR) for “Support for projects producing renewable gases for self-consumption or injection into the grid”
- Applications for operations approved for investment support under Environmental Fund Notices 01/C14-i01/2021 - Hydrogen and Renewable Gases and 02/C14-i01/2023 - Hydrogen and Renewable Gases (regardless of the promoter’s withdrawal)

For hydrogen production investments, only investments that involve facilities that produce exclusively renewable hydrogen are eligible. In the case of renewable hydrogen projects involving an electrolyzer and one or more renewable energy production units upstream of a single grid network connection point, the electrolyzer capacity must not exceed the combined capacity of the renewable energy production units. Investment aid may also cover renewable hydrogen storage facilities.

Eligible and ineligible expenses

- Eligible expenses include the total investment costs proven to be aimed at and necessary for the production of renewable hydrogen or renewable gases, which will be defined in the calls for tenders.
- Applications may also include ancillary investments in storage and technical systems to support the optimized management of renewable gas production. However, these investment must be strictly related to and essential for the technical or economic viability of the project and are subject to the maximum standard investment cost per technology to be defined in the calls for tenders.



- Eligible costs are based on actual costs and must be justified through paid invoices or other accounting documents of equivalent probative value.
- Non-eligible expenses include:
 - financial charges—including interest or other financial expenses—during the investment period;
 - normal operating costs not foreseen in the contracted investment, as well as maintenance and replacement costs, or costs related to periodic or ongoing activities;
 - real estate purchases, including land; and
 - investments for (i) producing electricity from renewable sources; (ii) connecting to the electricity grid; and (iii) connecting to the gas network to inject the renewable gas produced, including the transportation and distribution infrastructure.

Beneficiaries' obligations

The obligations of beneficiaries selected to receive financing include:

- starting operations within 180 business days from the date the financing contract is signed; and
- not allocating the goods and services acquired for the financed operations to other purposes, or leasing, selling or encumbering them without authorization from the Environmental Fund management entity.

Final recommendations

We recommend that potential participants in these incentive systems:

- monitor the publication of future calls for tenders—which will be launched in the coming weeks—and begin preparing their applications;
- study the selection criteria and other technical aspects that will be specified in the calls for tenders, such as the permitted technologies and ancillary investment costs that constitute an eligible expense;
- start collecting the documentation required for their future applications; and
- analyze in detail the eligibility criteria established in Ordinance 168/2024/1 to determine whether submitting an application is feasible.



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