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The International Comparative Legal Guide to:

Oil & Gas Regulation 2016

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A practical cross-border insight into oil and gas regulation work

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Chapter 30

Portugal



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1 Overview of Natural Gas Sector

1.1 A brief outline of your jurisdiction's natural gas sector, including a general description of: natural gas reserves; natural gas production including the extent to which production is associated or non-associated natural gas; import and export of natural gas, including liquefied natural gas (LNG) liquefaction and export facilities, and/or receiving and re-gasification facilities ("LNG facilities"); natural gas pipeline transportation and distribution/transmission network; natural gas storage; and commodity sales and trading.

Portugal is not a natural gas-producing country, and therefore is totally dependent on importations. Natural gas is either imported by gas pipeline (from Algeria and across Spain) or by liquefied natural gas ("LNG") tankers, which call at the Sines LNG terminal. The Sines LNG terminal allows the reception, storage and regasification of LNG. Besides the Sines LNG terminal, there are also underground storage facilities in Carriço (Pombal), where the storage of natural gas (in gaseous form) is made in caverns created inside salt formations.

The Portuguese Natural Gas National System ("SNGN") is currently governed by two main statutes: Decree-Law 30/2006, of 15 February 2006, as amended ("DL 30/2006"); and Decree-Law 140/2006, of 26 July 2006, as amended ("DL 140/2006"), (jointly referred to as the "NG Statutes"). The last amendments to these statutes were made in October 2012 and were aimed at, amongst other things, completing the implementation of Directive 2009/73/EC of the European Parliament and of the Council, of 13 July 2009, concerning common rules for the internal market in natural gas (comprised in the "Third Energy Package") and, consequently, speeding up the liberalisation process of the natural gas sector.

As further detailed below, the exploration and production of petroleum, including natural gas, is mainly governed by Decree-Law 109/94, of 26 April 1994 ("DL 109/94"). However, since Portugal does not produce natural gas or crude oil, this statute has so far essentially governed exploration activities.

Under the NG Statutes, the SNGN comprises the following activities: (i) underground storage of natural gas; (ii) LNG reception, storage and regasification; (iii) natural gas transportation (or transmission); (iv) natural gas distribution; (v) natural gas supply; (vi) operation of organised natural gas markets; and (vii) logistic operation of natural gas suppliers' replacement.

In very generic terms, one may say that the natural gas sector is partially liberalised insofar as while natural gas marketing and the operation of organised market activities are carried out in a free

competition regime (subject to registration/authorisation), yet LNG storage and regasification, and natural gas underground storage, transportation and distribution are subject to concession or licensing regimes.

The main players in the natural gas sector are the General Directorate for Energy and Geology ("DGEG"), which is responsible for the design, promotion and assessment of the policies concerning energy and natural resources, with a view to ensure sustainable development and supply safety. Amongst many other matters, DGEG is also responsible for the issuance of certain gas sector licences and keeping different registrations (including the registration of the free natural gas market suppliers). DGEG reports to the Ministry of Environment, Spatial Planning and Energy ("MAOTE"). As further detailed below, the Energy Services Regulatory Authority ("ERSE"), which oversees the majority of aspects of natural gas activities, is another key entity. The National Entity for the Fuel Market ("ENMC") also plays a key role, which has recently grown to cover upstream activities, as further detailed below. Finally, it is also worth mentioning the Portuguese Securities Market Commission ("CMVM") and the Portuguese Competition Authority ("AdC") for very specific matters, including market regulation and competition, respectively.

1.2 To what extent are your jurisdiction's energy requirements met using natural gas (including LNG)?

The use of natural gas has been increasing and has contributed to the decrease of oil consumption. The most recent consolidated data (dated 2012) shows that natural gas represents 18.4 per cent of the total primary energy consumption.

Also in 2012, in terms of total primary energy consumption:

- (i) oil represented 43.3 per cent;
- (ii) coal represented 13.6 per cent; and
- (iii) renewable energies (produced in Portugal), represented 20.8 per cent.

Approximately 78.4 per cent of the primary energy consumed is imported, 75.2 per cent being represented by fossil fuels.

1.3 To what extent are your jurisdiction's natural gas requirements met through domestic natural gas production?

Portugal is totally dependent on imports of natural gas. The main countries from which natural gas is imported are Algeria and Nigeria. Currently, according to the information disclosed by ERSE, the main supplier of natural gas to Portugal is Sonatrach from the Hassi R'Mel deposit, in Algeria.

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The transport is made through the Maghreb pipeline to Tangier, then through the Strait of Gibraltar to Tarifa, and from the latter to near Badajoz, entering the national territory in Campo Maior. The cross-border pipeline has an interconnection capacity of 122.4 GWh/day (about 420,000 m³/h).

The second main supplier is Nigeria, but in liquefied form (LNG). The LNG arrives through LNG carriers at the terminal of Sines, which has a nominal output capacity to the grid of 192.8 GWh/day (about 675,000 m³/h).

1.4 To what extent is your jurisdiction's natural gas production exported (pipeline or LNG)?

Portugal does not have natural gas deposits and, therefore, is not producing and exporting country.

2 Overview of Oil Sector

2.1 Please provide a brief outline of your jurisdiction's oil sector.

Despite decades of exploration activity, no commercial discoveries of oil have been reported in Portugal. Therefore, the country is dependent on oil imports.

Galp Energia is the most important player in the Portuguese oil market, operating the only two refineries in the country. The larger refinery, located in Sines, has a refining capacity of around 220kb/d, accounting for 70 per cent of the country's total capacity. On the other hand, the smaller refinery, located in Matosinhos, has a capacity of around 110 kb/d.

There is one multiproduct pipeline in Portugal, owned by Companhia Logística de Combustíveis, S.A. ("CLC"), connecting the Sines Refinery to the fuel storage facility located in Aveiras de Cima. There is also a pipeline connecting the fuel storage facility located in Boa Nova to the Matosinhos Refinery. There are eight fuel storage facilities, seven of which are owned by Galp Energia and one is owned by CLC.

The three main operators in the Portuguese retail gasoline market are Galp Energia, Repsol and BP, accounting for over 70 per cent of outlets. Nevertheless, there are also other independent operators, including supermarket chains such as Jumbo (Auchan Group).

The oil & gas industry in Portugal is supervised by the Government and public and independent agencies, such as DGEG and ENMC. Regarding competition matters, the industry is under the supervision of AdC.

It is worth highlighting that ENMC is a fairly recent entity as it was created in December 2013 (by means of Decree-Law 165/2013, of 16 December 2013, hereinafter "DL 165/2013"). ENMC is, on the one hand, the outcome of the restructuring of the former Petroleum Reserves Management Entity. On the other hand, ENMC was vested with powers that traditionally lay with other entities, such as DGEG.

Due to this recent and radical institutional change, a number of issues were initially uncertain, in particular the exact border between DGEG's and ENMC's powers and authority in respect of the upstream oil sector. However, in the practical implementation of such powers and authority ENMC has taken over the large majority of responsibilities in respect of upstream activities. But ENMC's increase of duties and powers is not limited to upstream activities. Just recently, the Government enacted Decree-Law 244/2015, of 19 October 2015 (the "DL 244/2015"), which embodies the first amendment to Decree-Law 31/2006, of 15 February 2006, which

establishes the organising and functioning rules of the National Petroleum System ("SNP") and the legal framework for downstream activities. Through this statute, supervisory and monitoring powers over the downstream oil sector are granted to ENMC.

DL 109/94 sets forth the legal framework of the activities of survey, exploration, development and production of hydrocarbons.

The conduct of the abovementioned activities requires the execution of concession agreements with the Portuguese government.

2.2 To what extent are your jurisdiction's energy requirements met using oil?

Oil has been the dominant primary energy source in Portugal over the past four decades. In fact, oil and gas represent around 70 per cent of Portugal's total primary energy supply ("TPES") mix. Oil demand in Portugal peaked at 343 kb/d in 2002 and gradually decreased to 271 kb/d in 2009. Moreover, the share of oil in the TPES decreased from 74 per cent in 1973 to 50 per cent in 2009. Although the share of oil is expected to decrease to 46 per cent by 2020, oil will remain the country's largest primary energy source.

2.3 To what extent are your jurisdiction's oil requirements met through domestic oil production?

Not applicable, as Portugal is not an oil-producing country.

2.4 To what extent is your jurisdiction's oil production exported?

Not applicable, as Portugal is not an oil-producing country.

3 Development of Oil and Natural Gas

3.1 Outline broadly the legal/statutory and organisational framework for the exploration and production ("development") of oil and natural gas reserves including: principal legislation; in whom the State's mineral rights to oil and natural gas are vested; Government authority or authorities responsible for the regulation of oil and natural gas development; and current major initiatives or policies of the Government (if any) in relation to oil and natural gas development.

DL 109/94 regulates oil and gas exploration and production activities and is supplemented by the following ancillary statutes:

- (i) Ministerial Order 790/94, of 26 July 1994, setting forth the bases of concession agreements.
- (ii) Order 82/94, of 24 August 1994, setting forth the amount of fees payable for the issuance of preliminary evaluation licences and for the signature of concession agreements.
- (iii) Joint Order A-87/94-XII, of 17 January 1994, setting forth the amount of surface rentals.
- (iv) Notice dated 21 July 1994, identifying the areas where petroleum exploration, development and production operations are permitted, as amended by the Notice dated 12 March 2002.

All mineral resources existing in an area subject to Portuguese sovereignty are deemed an integral part of the public domain. Therefore, the exploration and production of oil and gas deposits may only be pursued under the relevant legal title, i.e., a concession contract. This said, mineral rights are not vested in any State entity. There is no national concessionaire in Portugal.

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The MAOTE defines and co-ordinates the main policies applicable to the energy sector, including hydrocarbons production activities. The relevant Minister is responsible for the main decisions/authorisations regarding these activities, e.g., for organising a public tender to award oil and gas exploration and production rights, deciding to whom the rights shall be granted or executing concession contracts on behalf of the State.

Placed under the MAOTE authority, DGEg is tasked with a supervisory role and participates in the drafting of the oil and gas legal framework.

Finally, ENMC is responsible for, in very generic terms, the creation and management of strategic crude oil and oil products reserves, as well as for planning and monitoring the petroleum sector, including the survey, exploration, development and production of petroleum resources.

In 1994, to attract new investments the Government issued the existing legislation for the oil and gas sector by simplifying the rules and procedures and introducing more favourable fiscal terms. Despite the efforts, over the years Portugal has not been able to attract much upstream activity. Both the offshore and onshore potential are still under-evaluated.

3.2 How are the State's mineral rights to develop oil and natural gas reserves transferred to investors or companies ("participants") (e.g. licence, concession, service contract, contractual rights under Production Sharing Agreement?) and what is the legal status of those rights or interests under domestic law?

A preliminary survey licence can be a starting point for investors to obtain a better understanding of the potential of a specific area. This licence is granted by ENMC, only for a single non-extendable period of six months, and affords the licensee the right to, *inter alia*, study the existing data and collect existing surface and wellbore samples.

With regard to oil and gas exploration and production rights, these are awarded by means of concession contracts, following a public tender or a direct negotiation procedure. The concessionaire is granted with an exclusive right to explore the concession area and, in the event that a relevant discovery is made, to develop and produce crude oil and natural gas, to lift and freely dispose of the production.

As a general rule, the right to carry out petroleum operations is compatible with the prior or subsequent award of rights to carry out activities regarding other mineral resources or other uses for the same area. In case of conflict, the relevant Ministers must jointly decide, pursuant to the national interest and in accordance with the applicable international law rules and principles.

Legally, concession contracts qualify as administrative contracts, i.e., a contract to which the State is a party as a sovereign, rather than as a commercial party.

3.3 If different authorisations are issued in respect of different stages of development (e.g., exploration appraisal or production arrangements), please specify those authorisations and briefly summarise the most important (standard) terms (such as term/duration, scope of rights, expenditure obligations).

Except in case of preliminary survey activities, which may be authorised under a licence, all other upstream activities are carried out under a concession contract that covers all the different stages of development.

The exploration phase has a minimum duration of eight years and is dedicated to prospecting and exploration activities in order to

discover and/or appraise petroleum reserves. During this period, the concessionaire must submit annually to ENMC a work programme, which includes the budget and all the activities that will be carried out in the following year. The approval of the work programme by ENMC does not exempt the concessionaire from seeking ENMC's approval for each specific operation to be carried out, such as geological and geophysical surveys, exploration drilling, etc.

Whenever an economic viable discovery is made, the concessionaire must provisionally demarcate the relevant area and submit to ENMC a general development and production plan of the oil field. The plan must include a technical report on the characteristics of the reservoir, the investment programme, an estimated date for the start of production, a schedule of production over time and a list of the pending or necessary licences and permits to be obtained.

Only upon the approval of the plan by ENMC may a 25-year term be added to the concession contract and production start.

3.4 To what extent, if any, does the State have an ownership interest, or seek to participate, in the development of oil and natural gas reserves (whether as a matter of law or policy)?

The State does not have any ownership interest or participation in the oil and gas activities, which are generally pursued by the private sector.

It should be noted, though, that despite the concessionaire's right to build transportation and storage facilities as required, upon termination of the concession contract all works, equipment, facilities and goods related to the concession which are of a permanent nature must revert to the State.

3.5 How does the State derive value from oil and natural gas development (e.g. royalty, share of production, taxes)?

The concessionaire is subject to the payment of an annual surface rental, established in the concession contract according to the potential of the area and the contractual period. The amount of the annual surface rental must be set within the limits foreseen in Joint Order A-87/94-XII, of 17 January 1994.

Furthermore, DL 109/94 sets forth the application of a royalty levied on production as follows:

- (i) in the case of onshore areas:
 - a. for annual production ranging from 300,000 t to 500,000 t (approximately 6,000 and 10,000 BOPD, respectively), a royalty rate of 6 per cent applies; and
 - b. for annual production exceeding 500,000 t (approximately 10,000 BOPD), a royalty rate of 9 per cent over the production that exceeds such 500,000 t threshold applies; and
- (ii) in respect of shallow offshore areas (water depth of less than 200m), for annual production exceeding 500,000 t a 10 per cent royalty rate applies.

Deep offshore and natural gas production, as well as annual onshore production below 300,000 t, and annual offshore production below 500,000 t, are not subject to royalties.

Oil companies are also subject to corporate income tax, which is levied on their profits.

3.6 Are there any restrictions on the export of production?

As a general rule, the concessionaire is entitled to freely market its production, either by selling it on the domestic market or exporting it.

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3.7 Are there any currency exchange restrictions, or restrictions on the transfer of funds derived from production out of the jurisdiction?

Without prejudice to the legal regime applicable to money laundering, no currency exchange restrictions exist in Portugal. As a full member of the European Union, Portugal has a system of free movement of capital.

3.8 What restrictions (if any) apply to the transfer or disposal of oil and natural gas development rights or interests?

The concessionaire may assign its rights to third parties upon prior authorisation of the supervising Minister. The transfer of shares representing 50 per cent or more of the concessionaire's share capital is deemed as an assignment and is therefore also subject to authorisation.

The assignee will be subject to the same legal requirements lying upon the assignor, which entails that its technical and financial capabilities must be proved.

An assignment fee is due, as per Order 82/94, of 24 August 1994.

3.9 Are participants obliged to provide any security or guarantees in relation to oil and natural gas development?

Upstream concessionaires are required to post a bond to guarantee the payment of penalties or any compensation due for the breach of their obligations or for damages caused by the operations.

During the initial exploration period, the concessionaires must post an annual bond in an amount equal to 50 per cent of the budget submitted to ENMC for the year in question.

3.10 Can rights to develop oil and natural gas reserves granted to a participant be pledged for security, or booked for accounting purposes under domestic law?

Although DL 109/94 does not expressly provide for the creation of security over oil and gas rights, the matter is addressed in other laws of general application, notably the Civil Code.

However, it is important to note that concessions are granted on an *intuitus personae* basis, grounded on the proven technical and financial capacity of the concession holder. It is not indifferent to the State who holds the concession and, therefore, as noted above, the assignment of the concessionaire's rights to third parties is subject to the Minister's prior authorisation.

As the creation of security may result in the transfer of the concession rights to a third party, such charge over the concession rights is also subject to the Minister's prior authorisation.

The foregoing concept is clearly addressed in the Civil Code, which further states that the type of security that may be created over rights arising from the concession of public domain goods is a mortgage. Further, the Civil Code expressly sets forth that the creation of such a mortgage is subject to the observance of the statutory provisions governing the transfer or assignment of the relevant concession rights. It is, however, important to point out a potential difficulty in terms of the creation of such a mortgage. Under Portuguese law, a mortgage is only effectively created upon registration. The problem in the case in hand is that oil and gas concession rights are not subject to any specific registration and therefore it is unclear how one would

be able to fulfil the registration requirement for a mortgage over those rights to be fully effective. A possible solution would be for such mortgage to be registered with the authorities responsible for the management and supervision of petroleum exploration and production operations – either DGEG or the Petroleum Resources Exploration and Production Unit (UPEP) at ENMC.

Pursuant to the Portuguese accounting regulations, there is a general obligation to disclose the existence of a concession contract in a company's annual management report. For accounting purposes, the classification of concession rights as an asset or a liability depends on the evaluation made by an independent entity in accordance with accounting rules.

3.11 In addition to those rights/authorisations required to explore for and produce oil and natural gas, what other principal Government authorisations are required to develop oil and natural gas reserves (e.g. environmental, occupational health and safety) and from whom are these authorisations to be obtained?

Oil and gas concessionaires are required to obtain different permits or licences for their operations. Such permits and licences include, *inter alia*, construction permits, licences for the use of water resources, or licences for oil and gas facilities.

Further, due to the impact that oil and gas activities potentially have on the environment, one of the most relevant procedures to be carried out is an Environmental Impact Assessment ("EIA"). Pursuant to Decree-Law 151-B/2013, of 31 October 2013, prior to the execution of an oil and gas project an EIA must be submitted to the Portuguese Environmental Agency ("APA") with a view to foreseeing and mitigating all possible negative impacts of the project and addressing possible alternatives. As a result of APA's assessment, a favourable (with or without conditions) or unfavourable environmental impact statement must be issued.

3.12 Is there any legislation or framework relating to the abandonment or decommissioning of physical structures used in oil and natural gas development? If so, what are the principal features/requirements of the legislation?

DL 109/94 foresees the possibility of abandonment of an oilfield due to technical or economic reasons. In such cases, a request must be submitted by the concessionaire to ENMC. ENMC shall then present the request for the Minister's decision, together with its own recommendation.

As regards decommissioning, DL 244/2015 requires the licensing of decommissioning activities with ENMC. Although no further regulation has been approved on this matter, it should be noted that the concessionaire is always subject to a general obligation to act in accordance with the best practices of the international petroleum industry, as well as with the general legal provisions and principles applicable to environmental protection and safety.

3.13 Is there any legislation or framework relating to gas storage? If so, what are the principal features/requirements of the legislation?

Gas storage, either in underground storage facilities or an LNG terminal, is one of the activities covered by the SNGN, which is currently governed by the NG Statutes.

As developed below, gas storage activities are carried out under public utility concessions, awarded following a public tender procedure or

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restricted tendering procedure with pre-qualification, by way of a contract executed on behalf of the State by the Government official responsible for the energy sector.

The NG Statutes purport to achieve a transparent, free and competitive market, and for such purpose, concessionaires of a LNG terminal or an underground storage facility are required to ensure their legal independence from companies carrying out gas transport, distribution and sale.

The concessionaire is further required to meet market players' requests for storage on a non-discriminatory and transparent basis, provide market players all necessary information for a safe and efficient functioning of the system, while ensuring the maintenance of storage capacities and managing the gas streams according to requests of market stakeholders.

4 Import / Export of Natural Gas (including LNG)

4.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of natural gas (including LNG).

As a rule, the entities allowed to market natural gas, including LNG, are the ones allowed to import and export natural gas, and such entities are required to comply with the conditions described under section 8 below. In other words, operators of natural gas storage facilities (including LNG storage), and of the transport and distribution network are not allowed to import or export natural gas, including LNG, although they operate the infrastructure used to import and export natural gas.

Free suppliers and retail last resort suppliers are required to create and keep safety reserves to guarantee the supply of their customers.

5 Import / Export of Oil

5.1 Outline any regulatory requirements, or specific terms, limitations or rules applying in respect of cross-border sales or deliveries of oil and oil products.

Reception and expedition of crude oil and oil products from and to the European Union, as well as the import and export of the same, is free, provided that the conditions laid down in DL 244/2015 are met (please refer to question 10.2 below). Compliance with specific tax and customs provisions for cross-border sales is required.

As a rule, any entity introducing oil products in the Portuguese market is required to create and maintain mandatory reserves.

6 Transportation

6.1 Outline broadly the ownership, organisational and regulatory framework in relation to transportation pipelines and associated infrastructure (such as natural gas processing and storage facilities).

As mentioned above, Portugal is not a natural gas-producing country. Therefore, the supply of natural gas to the Portuguese market is made by means of a high-pressure pipeline (the Maghreb-Europe Gas Pipeline, which is connected to the Spanish/European network) or by sea (the gas is shipped to the Port of Sines as LNG).

The organisation of the SNGN is based on the exploitation of the natural gas public network, which comprises the National Network for Transport, Storage Facilities and LNG Terminals ("RNTIAT") and the National Natural Gas Distribution Network ("RNDGN"). The exploitation of the natural gas public network is carried out by public utility concessions or licences.

REN-GASODUTOS, S.A. operates the National Natural Gas Transport Network ("RNTGN"), which receives natural gas at the Spanish border. Once the natural gas leaves the storage facilities (operated by REN-Armazenagem, S.A.), or the regasification terminal (operated by REN-ATLÁNTICO, Terminal de GNL, S.A.), REN-GASODUTOS, S.A. delivers it to distributors or high-pressure end users. REN-GASODUTOS, S.A. holds the concession for the high-pressure transport of natural gas, which includes the overall technical management of the SNGN, through which it co-ordinates the operation of natural gas distribution and transport infrastructure, which in turn guarantees the continuity and security of supply.

REN-ATLÁNTICO, Terminal de GNL, S.A. holds the concession, granted by the Portuguese State by means of a 40-year concession agreement, for the reception, storage and regasification of LNG at the Sines LNG terminal, and REN-Armazenagem, S.A. holds a concession for natural gas underground storage in Carriço, in the Pombal municipality, in central Portugal.

As regards the transport of crude oil and petroleum products by pipeline, it is worth noting that there are no cross-border pipelines. Consequently, almost all imports of crude oil arrive from the Atlantic Ocean, namely via the Port of Sines and the Port of Leixões. Petroleum products are distributed to the rest of the country by means of two pipelines: (i) a multiproduct pipeline, which transports six different products in a sequential way and per cycles, which connects the Sines Refinery to the storage facility of Aveiras de Cima, with a length of 147km; and (ii) a 2km pipeline which connects the Boa Nova Park to the Matosinhos Refinery. Galp Energia is the majority shareholder, with a 65 per cent equity interest in CLC – Companhia Logística de Combustíveis, S.A., the company which owns the multiproduct pipeline.

At an institutional level, DGEG and ENMC are the main authorities in the oil sector, while DGEG and ERSE cover the gas sector.

6.2 What governmental authorisations (including any applicable environmental authorisations) are required to construct and operate oil and natural gas transportation pipelines and associated infrastructure?

The refining, storage, transport and distribution facilities of petroleum products are subject to prior licensing. The approval of urban planning, the issuance of zoning licences, as well as the approval of excavations, construction and expansion or reconstruction of buildings covering the land subject to easement are subject to the prior favourable opinion of DGEG.

As regards the operation of an oil pipeline, please note that this activity does not require independent licensing. However, each downstream activity may only be carried out if the following criteria are met: (i) licensing of the facilities pursuant to the relevant applicable legislation; (ii) the applicant fulfils the criteria set forth in DL 244/2015; and (iii) the applicant undergoes a certification process with ENMC. It is worth noting that the aforementioned certification process aims to assess the participant's compliance with the legal requirements set forth by the new DL 244/2015; in particular, the legal and accounting separation imposed between entities carrying out crude oil or oil product storage and transportation activities and those carrying out oil product refining, pipeline distribution or trading activities.

Activities relating to the transport of natural gas are exercised under a concession regime. The Council of Ministers, following

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a proposal of the Minister responsible for the energy sector, is responsible for approving the concession. REN Gasodutos is the sole concessionaire for the RNTGN, which is exclusive for the entire territory (unlike the concessions for regional distribution, or the licences for local distribution, which must be exclusively exercised for the respective concession area or for a given area).

Also, under the law, all activities capable of causing damage to the environment or to human health (such as the activities in question) are subject to environmental licensing.

6.3 In general, how does an entity obtain the necessary land (or other) rights to construct oil and natural gas transportation pipelines or associated infrastructure? Do Government authorities have any powers of compulsory acquisition to facilitate land access?

The entity/sponsor of the project may seek the creation of an easement (e.g., rights of way) over the relevant plot of land, or the expropriation of the properties included in the land designed for the construction and development of the project, subject to the payment of fair compensation.

Additionally, the Minister responsible for the energy sector and the Ministers responsible for other sectors affected by an oil pipeline, have joint powers to determine the allocation of the land to the public domain, whenever the land is under the administration of the State or of a public law entity.

6.4 How is access to oil and natural gas transportation pipelines and associated infrastructure organised?

Please refer to questions 6.1 and 6.2 above. Additionally, as regards natural gas, all market participants have the right of access to the infrastructure of the public network of natural gas. However, this access must be formalised by means of a written agreement for the use of the LNG terminal, the use of the underground storage of natural gas, the use of the transport network (in case of access to the natural gas pipeline), or the use of the distribution networks. Third party access is regulated and ERSE has approved several relevant Regulations on the subject.

6.5 To what degree are oil and natural gas transportation pipelines integrated or interconnected, and how is co-operation between different transportation systems established and regulated?

Please refer to our comments to question 6.1 above. Crude oil pipelines in Portugal are not an integrated system. Natural gas pipelines are closely interconnected and access thereto is regulated, amongst others, by the Regulations on the Access to Networks, Infrastructure and Interconnections of the Natural Gas Sector ("RARII"), approved by ERSE.

6.6 Outline any third-party access regime/rights in respect of oil and natural gas transportation and associated infrastructure. For example, can the regulator or a new customer wishing to transport oil or natural gas compel or require the operator/owner of an oil or natural gas transportation pipeline or associated infrastructure to grant capacity or expand its facilities in order to accommodate the new customer? If so, how are the costs (including costs of interconnection, capacity reservation or facility expansions) allocated?

As a general rule, under the SNP, the holders of large facilities for storage, transport and distribution by pipeline, whether subject to

a public interest utility regime or not, are required to allow access to those facilities to third parties on a negotiated basis. Such negotiated access shall be subject to non-discriminatory, transparent and objective technical and economic conditions and the applicable access tariffs must be made publicly known. This also applies to the facilities for storage and distribution of Liquefied Petroleum Gas for the purposes of marketing to final customers.

In the event that physical congestion exists to access infrastructures declared of public interest, ENMC may, upon consultation with the National Council for Fuels, determine measures to resolve such congestion in accordance with transparency, proportionality and non-discrimination principles. ENMC shall also take into account the security of supply and the international best practice.

According to the Safety Regulations on the design, construction, operation and maintenance of pipelines for the transport of liquid and liquefied hydrocarbons, the licensing entity may, at any time and upon service of a notice, establish exceptional conditions for the operation of the pipeline for safety purposes, which shall be complied with by the entity responsible for operating such pipeline. These conditions may be applicable for a determined or undetermined period of time, which must be set forth in the relevant notice.

As regards natural gas, the operators of the RNTIAT must provide to interested entities access to their infrastructure, based on tariffs applicable to all clients under the terms of the law (i.e., the RARII and the natural gas Tariff Regulations ("RT")).

As a rule, transport concessionaires are required to prepare periodic plans that, among other matters, cover the development and investment in infrastructure. However, according to the general framework (bases) of transport concessions, for reasons of public interest, including reasons relating to safety, supply regularity and quality, the conceding authority may determine the redesign or the expansion of the concession facilities under the terms provided for in the relevant concession contract.

6.7 Are parties free to agree the terms upon which oil or natural gas is to be transported or are the terms (including costs/tariffs which may be charged) regulated?

With regard to oil, subject to the principles referred to in question 6.6 above, market stakeholders are free to agree on the terms for the use of the transport facilities, which includes the tariffs charged. However, the facilities' holder is under the obligation to inform ENMC of all executed agreements and corresponding terms, within 30 days after the execution of the relevant agreement and, on an annual basis, provide ENMC with the tariff method used, namely the different types of rebate, the system of third party access to the facilities and the annual investment plan.

For natural gas, market stakeholders should execute a contract for the use of the transportation network, which should contain special terms and conditions as regulated in the law, and general conditions approved by ERSE, upon proposal from the infrastructure operator. Infrastructure operators charge their fees for the use of the facilities in accordance with tariffs regulated by ERSE.

7 Gas Transmission / Distribution

7.1 Outline broadly the ownership, organisational and regulatory framework in relation to the natural gas transmission/distribution network.

The activities of natural gas transmission/transport may only be carried out as public utility concessions awarded by means of resolution of

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the Council of Ministers, upon proposal of the Government official responsible for the energy sector. The award is subject to public tender or restricted tendering procedures with pre-qualification (except if, pursuant to public procurement rules and principles, another procedure may be used) and execution of the concession contract by the Government official responsible for the energy sector, on behalf of the State. These concessions are granted under an exclusivity regime for the term of the concession.

The distribution activity is carried out pursuant to public utility local licences or regional concessions. Licences for local distribution are granted under a public utility regime and may only cover areas not included in regional distribution concessions. Licensees and concessionaires may also be entitled to exploit natural gas autonomous units ("UAGs"), where LNG is received, stored and regasified. Such licences are granted by the official of the Government responsible for the energy sector upon request (and under the terms of applicable regulations) and are subject to an exclusivity regime. The distribution concessions are also granted on an exclusive basis and pursuant to the procedure mentioned above for natural gas transmission activities.

In addition to other specific requirements that may be imposed, concessions may only be granted to legal persons incorporated as joint stock companies, with registered office and effective centre of management in Portugal, and whose main corporate purpose is the conduct of the activities included in the relevant concession. Moreover, such companies must provide evidence of their technical capacity for the construction, management and maintenance of the respective infrastructure and facilities, as well as of their economic and financial capacity, consistent with the requirements and liabilities associated with the activity to be carried out under the concession. In particular, applications for new regional distribution concessions must include information and studies evidencing their economic and financial feasibility.

Assets dedicated to concessions are owned by the respective concessionaires until the end of the term of the concession in question (up to 40 years). Upon termination of the concession, the corresponding assets are transferred to the conceding authority under the terms of the law and the concession contracts. The State pays compensation to the concessionaire in an amount equivalent to the book value of the assets owned by the concessionaire and transferred to the State.

Currently and as mentioned above, the transport network is operated by REN, Gasodutos, S.A. and the regional distribution concessions are operated by a number of companies, including Beiragás, LisboaGás, LusitâniaGás, Portgás, Setgás and TagusGás.

7.2 What governmental authorisations (including any applicable environmental authorisations) are required to operate a distribution network?

As mentioned above, the main "authorisations" are the concessions/licences addressed in question 7.1 above. Also, transport and distribution facilities are subject to a number of requirements, including of an environmental, safety and quality nature.

7.3 How is access to the natural gas distribution network organised?

Both transport and distribution concessionaires are required to allow access to the infrastructures to any interested party on a non-discriminatory and transparent basis. However, the concessionaires may refuse access to facilities based on lack of the required capacity or connection, or in case such access adversely affects their public service obligations. The access is granted under the terms of the RARII, which as a rule (there are exceptions) provides for the

mandatory execution of a contract for the use of the infrastructure in question. The general conditions of such contracts must be approved by ERSE and are valid for renewable one-gas-year periods (from 00:00 of 1 October to 00:00 of 30 September).

7.4 Can the regulator require a distributor to grant capacity or expand its system in order to accommodate new customers?

As a rule, concessionaires are required to prepare periodic plans that, among other matters, cover the development and investment in infrastructures. However, according to the general framework (bases) of transport and distribution concessions, for reasons of public interest, including reasons relating to safety, supply regularity and quality, the conceding authority may determine the redesign or the expansion of the concession facilities under the terms provided for in the relevant concession contract.

7.5 What fees are charged for accessing the distribution network, and are these fees regulated?

Concessionaires are entitled to a fee to be paid by the users of their infrastructure. Such fee is a regulated tariff set and payable in accordance with the RT.

7.6 Are there any restrictions or limitations in relation to acquiring an interest in a gas utility, or the transfer of assets forming part of the distribution network (whether directly or indirectly)?

As a rule, the encumbrance or transfer of any assets belonging to the concession or shares representing the concessionaire's share capital is subject to the prior authorisation of the conceding entity, represented by the Government official responsible for the energy sector, in accordance with the law and the terms of the concession contracts. Failure to obtain such authorisation renders the relevant contract null and void.

However, the encumbrance of shares representing the share capital of the concessionaire in favour of entities financing the activity underlying the concession and within the scope of the financing agreements to be entered into by the concessionaires for such purpose is not subject to the foregoing authorisation, provided that the financing entities undertake, under such agreements, to obtain prior authorisation from the conceding authority in case of enforcement of the security and subsequent transfer of the shares to third parties. In any case, the encumbrance of the shares must be notified to the conceding authority within 30 days as of the creation of the encumbrance.

Finally, subject to authorisation from the Government official responsible for the energy sector, local distribution licences may be transferred under the terms provided for in ancillary legislation and provided that the conditions met for the award of the licence are complied with.

8 Natural Gas Trading

8.1 Outline broadly the ownership, organisational and regulatory framework in relation to natural gas trading. Please include details of current major initiatives or policies of the Government or regulator (if any) relating to natural gas trading.

There are two main types of trading activities, subject to different legal requirements: (i) free supply activity; and (ii) (wholesale and retail) last resort supply activity.

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Last resort suppliers are subject to public utility obligations, which in very broad terms means that they must guarantee the supply of natural gas to certain types of customers. The issuance of new last resort supply licences is subject to competitive tender, entailing the launching of pre-contract procedures and the approval of tender documents by the Government.

The supply of natural gas under the free market regime is subject to prior registration with DGEG. Several details need to be included in the application and a number of documents too. Registration is also subject to the payment of a fee.

Upon registration with DGEG, natural gas suppliers are entitled to, namely, supply natural gas by means of bilateral agreements with other players within the natural gas market, participate in organised markets (provided that they comply with the requirements of such markets), have access to infrastructure, networks and interconnections to supply natural gas to their customers, and freely contract the sale of natural gas with their customers by means of supply agreements.

Natural gas supply is subject to, among others, the Regulations on Commercial Relationships in the Natural Gas Sector (“RCR”) and the Regulations on Service Quality (“RSQ”).

The relationship between suppliers and operators of the natural gas network facilities is established by means of contracts entered into under the terms of the RARII. Suppliers wishing to have access to infrastructure must pay a tariff for the use thereof (under the TR) and for any other services that may be provided and must also post the contractual guarantees or bonds set forth in the law.

8.2 What range of natural gas commodities can be traded? For example, can only “bundled” products (i.e., the natural gas commodity and the distribution thereof) be traded?

Natural gas supply business must be separate from any other activity of the natural gas sector. The legal entity that carries out a trading supply activity should not carry out any other natural gas activity (such as natural gas transportation, storage, including reception and regasification of LNG, and distribution of natural gas).

9 Liquefied Natural Gas

9.1 Outline broadly the ownership, organisational and regulatory framework in relation to LNG facilities.

As mentioned above, in Portugal there is only one LNG terminal in Sines (for reception, storage and regasification).

The activities of reception, storage and regasification of LNG may only be carried out under a public utility concession awarded by means of resolution of the Council of Ministers, upon proposal of the Government official responsible for the energy sector. The award is subject to public tender or a restricted tendering procedure with pre-qualification (except if, pursuant to public procurement rules and principles, another procedure may be used) and the execution of a concession contract by the Government official responsible for the energy sector, on behalf of the State. Such concession is granted under an exclusivity regime for the term of the concession.

Similarly to transport and distribution concessions, the LNG terminal concession may only be granted to legal persons incorporated as joint stock companies, with registered office and effective centre of management in Portugal, whose main corporate purpose is the conduct of the activities included in the relevant concession. Moreover, the proposed concessionaires must evidence

their technical capacity for the construction, management and maintenance of the relevant infrastructure and facilities, as well as of their economic and financial capacity consistent with the requirements and liabilities associated with the activity to be carried out under the concession.

Currently, the Sines terminal is operated by REN-Atlântico, Terminal de GNL, S.A.

9.2 What governmental authorisations are required to construct and operate LNG facilities?

The main “authorisation” is the concession addressed in question 9.1 above. Also, the construction and operation of a LNG terminal is subject to a number of requirements, including construction licences and other environmental, safety and quality requirements.

9.3 Is there any regulation of the price or terms of service in the LNG sector?

The concessionaire is entitled to a fee to be paid by the users of its infrastructure as consideration for the provision of services. The relevant tariff is set and payable in accordance with the RT.

9.4 Outline any third-party access regime/rights in respect of LNG facilities.

LNG terminal concessionaires are required to allow access to the infrastructure to any interested party on a non-discriminatory and transparent basis. However, the concessionaires may refuse access to facilities based on lack of the required capacity or connection or in case such access adversely affects their public service obligations. The access is granted under the terms of the RARII, which in very generic terms and as a rule (there are exceptions) provides for the mandatory execution of a contract for the use of the relevant infrastructure. The general conditions of such contracts must be approved by ERSE and are valid for renewable one gas-year periods (from 00:00 of 1 October to 24:00 of 30 September).

10 Downstream Oil

10.1 Outline broadly the regulatory framework in relation to the downstream oil sector.

Downstream activities (as listed under question 2.1) have been liberalised, but the facilities where these activities are carried out need to be licensed. Transportation and distribution of oil and oil products by sea, river, road or train should comply with the requirements on transportation and distribution of hazardous materials.

The main statute governing the downstream sector is DL 244/2015, which sets forth the general framework for the SNP, as well as the general rules applicable to storage, transport, distribution, refining and marketing of crude oil and petroleum products and to the market organisation.

ENMC – which is responsible for the creation and management of oil stocks – is in charge of: (i) the monitoring of the safe supply of the SNP; (ii) the supervision of the country’s supply conditions of crude oil and oil products in respect of future needs; and (iii) the supervision of the development and use of oil products’ refining, storage, transportation, distribution and trading capacities.

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Further, ENMC has been vested by DL 244/2015 with supervising powers over the functioning and the activities carried out within the scope of the SNP, and powers to mediate conflicts between the operators, retailers and clients.

10.2 Outline broadly the ownership, organisation and regulatory framework in relation to oil trading.

The trading of oil and oil products is free and does not require licensing, although it is subject to the prior verification of the conditions referred to in question 6.2 above and to customs duties and taxes and licences in special regulated circumstances (which have not yet been approved). Also, oil products traders must be registered with the ENMC, which should keep an updated public record of all market agents. ENMC is also in charge of monitoring the functioning of the oil and oil products' market.

The SNP comprises: (i) wholesalers – being a natural or legal person introducing crude oil for refining purposes or oil products for trading purposes within the national territory, excluding sales to end consumers; and (ii) retailers – being natural or legal persons trading oil products in retail sale facilities, namely automatic sale, with or without delivery service to customers.

Trading activities must be performed taking into account the following requirements: (i) the obligation and regularity of supply; (ii) the provision of information to the relevant authorities; and (iii) the creation of mandatory oil stocks in accordance with the applicable legislation.

11 Competition

11.1 Which governmental authority or authorities are responsible for the regulation of competition aspects, or anti-competitive practices, in the oil and natural gas sector?

AdC is the key body in charge of ensuring compliance with the competition rules in force.

AdC was created in 2003, but its by-laws were very recently reviewed by way of Decree-Law 125/2014, of 18 August 2014, following the enactment of a new Competition Act – Law 19/2012, of 8 May 2012. It is an independent and financially autonomous institution with regulatory, supervisory and disciplinary powers over all sectors of the economy, including regulated sectors, the latter in co-ordination with the relevant sector regulators.

Thus, in the natural gas sector, AdC is assisted by ERSE, which is responsible for regulating the natural gas and electricity sectors. ERSE's main duty is to protect the interests of the consumers with regard to prices, service quality, access to information and security of supply. Its by-laws, enacted by way of Decree-Law 97/2002, of 12 April 2002, as subsequently amended, expressly include the promotion of competition among market players, in cooperation with AdC. Similarly to AdC, ERSE is a public law entity, with administrative and financial autonomy. In practice, ERSE reports anti-competitive conducts to AdC and assists the same in the relevant response.

As mentioned above, ENMC was recently created and now has a wide range of powers in the oil sector, including overseeing the crude oil and petroleum products market functioning. Further, it has an advisory body – the National Council for Fuels – which is in charge of the preparation of annual opinions on the fuels market functioning and semestral opinions on fuels reference prices. However, the precise role of ENMC on petroleum competition matters is for the time being fairly uncertain.

11.2 To what criteria does the regulator have regard in determining whether conduct is anti-competitive?

One should start by pointing out that the Competition Act presently in force was enacted as part of a major structural reform under the memorandum of understanding signed between the Portuguese government and the Troika (European Commission, the International Monetary Fund and the European Central Bank). An overall purpose was to close gaps between domestic competition and European Union laws and jurisprudence.

Thus, the provisions of the Competition Act follow the provisions of Articles 101 and 102 of the Treaty on the Functioning of the European Union (“TFEU”). Accordingly, anti-competitive practices include (i) agreements, concerted practices and decisions of associations of undertakings of an anti-competitive nature (a non-exhaustive list is included in Article 9), and (ii) the abuse of a dominant position (Articles 11 and 12). Moreover, the Competition Act expressly includes a third type of anti-competitive practice, defined as the abuse of economic dependence (Article 12), e.g., the abusive exploitation by one or more undertakings of the economic dependence of a supplier or client due to the fact that there is no available alternative to the products or services provided by those undertakings.

11.3 What power or authority does the regulator have to preclude or take action in relation to anti-competitive practices?

With the coming into force of the Competition Act, AdC is now guided by the principle of opportunity, which means that it can pursue the transactions or complaints that it finds to be more relevant, taking into consideration public interest and the end goal of upholding competition.

With the foregoing in mind, AdC can request information on any transaction and trigger investigations on its own initiative or following a complaint – these can be filed online through AdC's website. During the investigation stage, AdC is allowed to carry out searches and order interim measures to prevent severe damages or regularise competition.

Where it finds that an administrative offence has occurred, by reason of an anti-competitive conduct, AdC holds the powers to assess fines, the amount of which is determined based on the company's previous year's turnover and the remaining criteria set forth in Article 69 of the Competition Act, and accessory sanctions. Moreover, settlement and commitment procedures and a leniency regime are also provided for.

One should also point out that AdC is required to request the opinion of ERSE in the event of any anti-competitive practices in the natural gas sector.

11.4 Does the regulator (or any other Government authority) have the power to approve/disapprove mergers or other changes in control over businesses in the oil and natural gas sector, or proposed acquisitions of development assets, transportation or associated infrastructure or distribution assets? If so, what criteria and procedures are applied? How long does it typically take to obtain a decision approving or disapproving the transaction?

Yes, AdC has control over merger operations, albeit on slightly different terms than those provided under the EU legal framework.

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Pursuant to Article 37 of the Competition Act, mergers or other changes in control over businesses are subject to prior notification to AdC if:

- (i) the merger could result in the creation of, or increase in, a market share equal to or greater than 50 per cent of the domestic market in a specific product or service;
- (ii) as a consequence of the concentration, a market share equal to or greater than 30 per cent but smaller than 50 per cent of the domestic market in a specific product or service is acquired, created or reinforced by at least two of the companies involved whose income is greater than 5 million Euros; and
- (iii) the companies involved in the merger have reached an aggregate income in the previous financial year greater than 100 million Euros, as long as the income in Portugal of at least two of these companies is above 5 million Euros.

Concentrations triggering the above criteria must be notified to AdC after the parties have entered into the relevant agreement and prior to its implementation. The electronic submission of notifications, in the form approved by way of Order 60/2013, of 14 February 2013, can be done through AdC's website at <http://www.concorrencia.pt/vEN/Mergers/Notification/Pages/Notificacao.aspx>.

The assessment of the concentration operation is based on the information provided under Article 41 of the Competition Act and should be completed within a 30-day timeframe. However, this period of time can be extended in the event that AdC requests additional documents or information to review the application. If AdC decides that a more detailed investigation is required, an additional 90-day term, extendable by another 20 business days, will apply. Once this period of time has lapsed, AdC must be deemed to have tacitly approved the operation.

Again, a decision by AdC on a natural gas sector transaction requires ERSE's prior non-binding opinion.

12 Foreign Investment and International Obligations

12.1 Are there any special requirements or limitations on acquisitions of interests in the natural gas sector (whether development, transportation or associated infrastructure, distribution or other) by foreign companies?

As follows from the above (please refer to question 7.6), the requirements on acquisition of interests are applicable to both Portuguese and foreign companies. Foreign companies are not, however, subject to any additional or special requirements.

12.2 To what extent is regulatory policy in respect of the oil and natural gas sector influenced or affected by international treaties or other multinational arrangements?

The applicable EU legislation and international treaties have a considerable impact on the Portuguese energy market.

Portugal is a member of the International Energy Agency ("IEA") and is also a signatory of the Energy Charter Treaty ("ECT").

The IEA's main areas of focus are energy security, economic development, environmental awareness and engagement worldwide and ECT is a legally binding multilateral instrument that aims at strengthening the rule of law on energy issues in relation to commercial activities, such as cross-border trade, transit and investment.

"The Plan for the Harmonisation of the Energy Sector Regulation between Spain and Portugal" was executed by Portugal and Spain in

2007, which aims to integrate the Iberian natural gas market. Under such plan, the parties agreed to create the Iberian natural gas market (MIBGAS), which is not fully implemented yet.

13 Dispute Resolution

13.1 Provide a brief overview of compulsory dispute resolution procedures (statutory or otherwise) applying to the oil and natural gas sector (if any), including procedures applying in the context of disputes between the applicable Government authority/regulator and: participants in relation to oil and natural gas development; transportation pipeline and associated infrastructure owners or users in relation to the transportation, processing or storage of natural gas; downstream oil infrastructure owners or users; and distribution network owners or users in relation to the distribution/transmission of natural gas.

The oil and the gas sectors are regulated by several laws and regulations, some of which provide for certain compulsory procedures for the resolution of disputes, notably mandatory arbitration.

With regard to oil and gas upstream concessions, under DL 109/94 disputes which may arise between the State and the concessionaire concerning the interpretation or application of the legal and contractual terms which rule the relationship between the parties as contracting parties will be solved by arbitration, seated in Lisbon, under the terms of Portuguese legislation. Arbitral awards rendered in such arbitrations are subject to appeal under the law. In respect of the natural gas downstream sector, consumer disputes within essential public services, notably gas supply, are subject to mandatory arbitration provided that individual consumers (not legal persons) expressly refer the dispute to an arbitral tribunal of a duly authorised arbitration centre for consumer disputes.

Certain specific regimes, such as the general terms and conditions of the contract to be entered into by market players when adhering to the natural gas national system, do not foresee mandatory arbitration but establish compulsory procedures should the parties resort to voluntary arbitration, notably regarding the number of arbitrators and their appointment, the seat of arbitration, the exclusion of the right to appeal against the arbitral award and the time limit for the latter to be rendered. Other regimes, such as the one that sets forth the general terms and conditions for contracts for the use of distribution networks and transport of natural gas, establish that disputes arising from the contract will be resolved by voluntary arbitration, as long as such procedure is proposed by any of the parties.

13.2 Is your jurisdiction a signatory to, and has it duly ratified into domestic legislation: the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards; and/or the Convention on the Settlement of Investment Disputes between States and Nationals of Other States ("ICSID")?

Portugal became a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in January 1995, on the basis of the reciprocity reservation. The New York Convention has been continuously in force since 16 January 1995.

Portugal signed the 1965 Washington Convention on the Settlement of Investment Disputes between States and Nationals in August 1983 and it has been continuously in force since 1 August 1984.

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13.3 Is there any special difficulty (whether as a matter of law or practice) in litigating, or seeking to enforce judgments or awards, against Government authorities or State organs (including any immunity)?

No, there are no particular difficulties in litigating against the State or in seeking enforcement of judgments or awards against Government authorities or State organs. However, there are certain limitations when seeking to enforce judgments or awards against the State or other State bodies. Indeed, assets belonging to the public domain of the State or other State bodies may not be seized within enforcement proceedings. On the other hand, assets belonging to the private domain of the State or other State bodies may only be seized if they are not tied to the pursuit of public use purposes.

13.4 Have there been instances in the oil and natural gas sector when foreign corporations have successfully obtained judgments or awards against Government authorities or State organs pursuant to litigation before domestic courts?

To date, and to the best of our knowledge, no such situations have occurred. However, there is also not a history or record of any such litigation.

14 Updates

14.1 Please provide, in no more than 300 words, a summary of any new cases, trends and developments in Oil and Gas Regulation Law in your jurisdiction.

As part of the reorganisation strategy for the energy sector that has been carried out by the Portuguese Government since 2012, one

could point out that the most recent developments and key pieces of legislation approved during the current year are the following:

Decree-Law 244/2015, of 19 October, which implements the long-awaited reform of the SNP by amending some of its grounding organisation and functioning rules to be wider, providing further regulation on downstream activities and vesting ENMC with authority and monitoring and supervising powers in the downstream oil sector.

The amendments brought by DL 244/2015 aim to enhance the functioning of the Portuguese oil market, promote a free and competitive regime ensuring benefits to consumers and a proper satisfaction of public utility obligations and, ultimately, to align the domestic legal framework with the European Union one, so that a broader market can be reached and more players are able to participate. In this sense, the Portuguese Government has also recently, by means of Decree-Law 214-AE/2015, of 30 September 2015, implemented the EU Directive No. 2014/77/2EU and changed the technical specifications applicable to liquefied petroleum gases, the quality of gasoline and fuel for diesel engines as an effort to eliminate technical barriers between EU operators and foster competition in this sector. Pursuant to said statute, ENMC is in charge of the implementation of a fuel quality control programme and the public disclosure of the results.

In the gas sector, one should highlight Decree-Law 15/2015, of 30 January 2015, which preserves, until a date to be defined by the Government, transitional tariffs applicable to natural gas final customers with an annual consumption lower than or equal to 10,000 m³ who have not yet shifted to the liberalised market options. Such tariffs are set by ERSE in accordance with the principles foreseen in this statute, incorporating now an aggravating element as an effort to encourage final customers to move to a liberalised market supplier.

Finally, the ERSE internal structure has been re-shaped by Ministerial Order 62-A, of 3 March 2015, and now comprises several Directorates whose roles and duties are laid down in this statute.

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MIRANDA & ASSOCIADOS ("Miranda") is a full-service Portuguese law firm, head-quartered in Lisbon and with a branch office in Porto, in Portugal. Over the years Miranda has built a reputation as one of the preeminent and most internationally oriented Portuguese law firms. Miranda's practice is very diverse and covers a vast number of industries and fields of law. Through over 25 years of experience, the firm has become a reference in the oil & gas services market.

Miranda has been ranked as Band 1 in the "Energy and Natural Resources (International)" category by "Chambers and Partners: Chambers Europe". In addition, in 2013 Miranda was nominated "European Law Firm of the Year" by Legal Week, "Most Innovative Firm in International Strategy" by the Financial Times, and "International Law Firm of the Year" in the African Legal Awards. Miranda is also a "Recommended Firm" in the categories of "Projects & Energy" in the 2008 to 2013 editions of "Chambers and Partners: Chambers Global" for the African continent, alongside some of the world's largest international law firms.

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