

Sector Report

Environment and Water Portugal

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OVERVIEW

The environmental market in Portugal is one of the most dynamic in Europe as the country has been making a strong effort to comply with EU standards. The sector is highly state-controlled and dependent on EU funding. Good access to Ministers and senior officials is therefore a key to the success of business. UKTI through the British Embassy in Lisbon can open doors, facilitate meetings with potential partners and gain access to senior decision-makers in Government and in industry.

The most recent statistics available (INE – Instituto Nacional de Estatística) indicate that environment protection spending by the Portuguese Government totalled approximately €1030 million in 2008. Local Government invested over €613 million accounting for 66% of the total spending. Local Government invested mainly in waste management, while central Government focussed more on bio-diversity and landscape protection. In 2008 industrial businesses investment on technologies for pollution abatement and control reached the amount of €262 million. On the other hand, Portuguese environmental management operators invested approximately €905 on public water supply and sewage and wastewater treatment.

Portugal will benefit from EU funding for the period of 2007-2013 through the investment framework, the National Strategic Framework Programme (QREN - Quadro de Referência Estratégica Nacional), which will total €20,000 million. The environment sector is one of the priority areas within the programme. The amounts foreseen by QREN for investment support in the water and waste management sectors add to a total of €1,130 million. Furthermore the total need for investment in the above sectors, considering the several sector strategic plans rises to €7.630 million in the period of 2007-2013.

Furthermore and following the agreement between the Portuguese Government with the IMF and EU on the terms of the bailout to Portugal there will be a restructuring of the model of state-owned enterprises. This will include both privatisations and the establishment of PPP's and concessions. AdP – Águas de Portugal which is the state holding for in the Water, Wastewater and Environment sectors is part of the companies that will have to re-structure its operations.

OPPORTUNITIES

The projecting, engineering, and construction of new plants are generally contracted to the private sector, with procurement by open tender. Tenders for large EU-funded projects, which represent a large proportion of the total, are published in the EC Official Journal and the Portuguese Official Gazette (*Diário da República*). Bids must normally be submitted in Portuguese and meet a number of specialised criteria; most foreign companies have often found it necessary to make a joint bid with a Portuguese partner.

Overall prospects for UK environmental suppliers within the Portuguese market are good, with the market open to foreign products, ideas and technology, and competition relatively weak. Specific opportunity areas for UK companies are in:

- Soil remediation services and technologies
- Contractors for soil remediation
- Sludge handling and treatment
- Waste handling and treatment, including waste to energy technologies based on anaerobic digestion, combustion, gasification, pyrolysis, etc (urban, industrial, clinical and hazardous)
- Industrial air pollution control (particulates and gas scrubbing)
- Environmental monitoring systems (water, air and waste)

- Municipal wastewater treatment (primary, secondary and tertiary, including small-scale plant)
- Industrial wastewater treatment
- Consultancy (namely for privatisation and concession projects)
- Efficient use of water (including energy efficiency for water systems and buildings)

Portugal as a Platform to other Portuguese Speaking Countries

In the wider context, Portuguese firms may make ideal partners for UK companies in accessing environmental opportunities in Portuguese-speaking markets further afield, principally Brazil, Angola and other parts of Africa.

Privatisation

AdP – Águas de Portugal (AdP) which is the state holding for the Water, Wastewater and Environment sectors is part of the companies that will have to re-structure its operations. Besides reducing its operational costs AdP is looking at the governance model which will include the change of the shareholding structure of its subsidiaries. This will include both privatisations and the establishment of PPP's and concessions. This plan has just commenced and shall be concluded during 2013. This will include the Privatisation of EGF – Empresa Geral de Fomento (sub-holding for the waste sector) and concession of AdP water and wastewater operations. Knowledge of this type of processes is welcomed by the Portuguese water market.

Restructuring of the Environment and Water sector

Prior to the Privatisation AdP – Águas de Portugal (AdP) will restructure by merging its multi-municipal systems (around 40) by both incorporating the wholesale and retail as well as water and wastewater treatment to create new 4 to 5 multi-municipal systems. Besides opportunities for consultancy companies there are investments of €365 million for upgrade of the systems components.

Water and Wastewater

The water and wastewater sector in Portugal will benefit further from funding with an expected expenditure (2007-2013) of €3.8 billion to support accomplishing PEAASAR II (Strategic Plan for Water Supply and Wastewater Treatment) targets of 95% of the population served by water supply and 90% by wastewater services. Current data show that only 92% of the population will have water supply services available while 78% will have wastewater collection.

Upstream investment needed to complete and upgrade existing systems during the forthcoming EU funding allocation is estimated at €1604 million.

As for downstream investments for 2007-2013, these are estimated at €2.2 billion to be allocated to:

- articulation and interconnection of upstream and downstream systems concerning water supply and municipal reservoir networks, and wastewater drainage networks;
- reduction of leakage in water supply networks;
- eradicate cross-connections in wastewater systems separating rainwater in unitary systems.

Sustainable Construction and urban rehabilitation

There is a need for sustainable construction technologies and systems, there is inevitable demand that follows for sustainable architecture and design solutions. Urban Rehabilitation is seen as the opportunity to revitalizing related economic sectors in order to promote competitiveness and labour. A new Government package focus on three main areas: simplification of processes and tackling barriers to Urban Rehabilitation; mechanism to guarantee of payment of rental contracts; and financing of Urban Rehabilitation. We clearly see an opportunity for UK companies active in Sustainable Architecture, Design and Construction.

Soil Contamination and Rehabilitation of Abandoned Mining Areas

There are around 2,000 contaminated sites to be remediated and regenerated in Portugal, including 175 abandoned mining areas and 3 major industrial sites (Sines, Seixal and Estarreja). This area will be a priority on the Portuguese government's priority lists during 2007-2013. There are a significant number of orphan sites that will have to be 100% financed by the state.

Soil remediation is one of the priorities with a total allocation of €95 million (Cohesion Fund) to remediate the most problematic sites in Portugal that include 5 industrial sites (€50 million) and approximately 20 abandoned mining areas (€45 million).

Waste Management

This will be another area of interest to UK companies, as Portugal is investing in waste management systems including anaerobic digestion and other technologies to valorise the organic fraction of the MSW, including Fuel from Waste. Recently the Minister for Environment mentioned support to deploy up to 23 Solid Waste Valorisation plants (from 8 currently) which include Biogas and other Waste to Energy solutions. In the recent past there has been interest in thermal technologies, ORC and other for the Waste to Energy sector.

Industrial Pollution

Enforcement of the EU Directives on the IPPC; VOCs, Mercury and PCBs. An increasing emphasis on enforcement as a means of correcting the poor standards of pollution control and waste management applying throughout Portuguese industry. Increasing industrial demand for effluent control, waste management and air pollution control, both for products and services, in response to stricter enforcement. Investment in disposal and treatment facilities for municipal, industrial, hospital and hazardous waste and sewage sludge.

The amounts foreseen by QREN for investment support in the water and waste management sectors add to a total of €1,130 million, are distributed as follows:

- Water supply and wastewater management of urban wastewater at a "wholesale" level: €300 million Euros (Cohesion Fund);
- Water supply and wastewater management of urban wastewater through "wholesale and end-users verticalisation": €480 million (Cohesion Fund);
- Water supply and wastewater management of urban wastewater at an "end-users" level: €220 million (FEDER);
- Municipal waste: €130 million (FEDER).

Regarding future investments, it should also be noted that:

- PEAASAR II (Strategic Plan for Water Supply and Wastewater Treatment) estimates that investments in the order of €3.804 million are needed in water supply and wastewater management systems, divided between wholesale (€1.604 million) and retail (€2.200 million);
- ENEAPAI (National Strategy for Agricultural and Agro-industrial Effluents) predicts that approximately €200 million will be needed to cover activities in the area of livestock production and agro-industrial effluents;
- PERSU II, which covers the period 2007-2016, anticipates that investments of €805 million will be needed in municipal waste management systems in the period 2007-2013 (the QREN application period).

In short, the need for investment in the areas mentioned in the above plans rises to €7.630 million in the period of 2007-2013.

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Opportunities portlet on the relevant sector and country pages on the UKTI website. By setting up a profile you can be alerted by email when relevant new opportunities are published. New or updated **alert profiles** can be set in My Account on the website.

CHARACTERISTICS OF MARKET

In 2007 92% of the country's population (approximately 10 million inhabitants) was served with water supply systems and 78% with wastewater treatment systems. The entire population was served with Urban Waste collection and treatment systems.

In 2008 the water and wastewater services operators, billed, about 1.200 million cubic meters of drinking water, and about 835 million cubic meters of wastewater in continental Portugal. In 2008, 4,780 thousand tons of municipal waste were produced in continental Portugal.

The sector of drinking water supply, wastewater management, and municipal waste management has increasingly come to grow to a more business oriented logic, especially since the alteration of the legal framework in 1993.

The water services operators in mainland Portugal, with a business management model, namely concessions and municipal and intermunicipal companies presented in 2008 a turnover of €800 million. Overall, wholesale operators for waste management services presented a turnover of €255 million in 2008.

The strategy designed by PEAASAR II (2007-2013) has as its main objective to universally service 95% of the country's population with water supply systems in terms of continuity and quality. In view of the numbers presented in 2007, the objective established by PEAASAR II for 2013 is to supply 90% of the population with a drainage network and a wastewater treatment station.

KEY METHODS OF DOING BUSINESS

Decision-making tends to be rather politicised and bureaucratic and, at a more practical level, English is spoken though not to a great extent. Thus, some form of collaborative relationship with a Portuguese company is likely to be the best means of market entry. For standard, 'off-the-shelf' equipment, a licensing, distributorship or agency agreement may be sufficient, but for larger projects, some form of joint venture will be required. In particular, local consulting engineering practices are very small and are often tied to manufacturers and/or short of capital, and so equity participation or joint ventures are likely to be well received.

Portugal is a family type market where local companies frequently ask for agency agreements on an exclusive basis. This is the most suitable arrangement if the potential agent has a large sales force and covers the whole of Portugal. The other possibility, if a suitable agent is not found, is to appoint a number of distributors throughout the country (e.g. one for Northern Portugal and another one in the South). The appointment of a distributor will only be the first step. It is advisable to maintain a good relationship with them and keep them informed of all developments and modifications of your range of products. The Portuguese invariably prefer personal contacts. Therefore regular visits to the market are as important as continuous support to the agent / distributor.

UK companies should aim to compete in the Portuguese market on price, quality or innovation (in equipment and commodity markets), or on standards of service and the ability to offer integrated, 'packaged' solutions (in service and contracting markets).

In the wider context, Portuguese firms may make ideal partners for UK companies in accessing environmental opportunities in Portuguese-speaking markets further afield, principally Brazil and parts of Africa. The latter will rely on donor funding (from agencies such as the World Bank) but the Brazilian market is growing largely under its own steam.

MORE DETAILED SECTOR REPORTS

Research is critical when considering new markets. UKTI provides [market research](#) services which can help UK companies doing business overseas including:

- **Overseas Market Introduction Service (OMIS).** Bespoke research into potential markets, contacts and support during your visits overseas.
- **Export Marketing Research Scheme.** Advice on market research and help to contact subsidised market research administered by the British Chambers of Commerce on behalf of UKTI.

Contact your local [International Trade Advisor](#) if you are interested in accessing these services, or for general advice in developing your export strategy.

When considering doing business in Portugal, it is essential to obtain legal, financial and taxation advice. A useful contact list of lawyers and other relevant professional bodies as well as further information on the environment sector in the country is available from the British Embassy Lisbon. For further details, please contact:

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PUBLICATIONS

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Frequency: Quarterly
Circulation: 7,500

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EVENTS

September 2010
Inward Mission to RWM

October 2012
T&I Officer to participate at Green Technologies Roadshow

November 2012
Green Deal and Energy Efficiency (Lisbon)

February 2013
Low Carbon Technologies Exhibition in Lisbon

March 2013
Inward Mission to Ecobuild

For relevant exhibitions and trade fairs in Portugal please visit the websites www.fil.pt and www.exponor.pt

You can also learn [more about OMIS and other UKTI services for exporters](#) by visiting the UKTI Portal. Attendance at overseas events offers significant benefits:

- possibilities for business opportunities both at the show and in the future
- a chance to assess new markets and develop useful contacts
- grants are available if you meet the criteria
- UKTI staff overseas will be available to assist delegates

Find out if you are eligible to apply to attend this event, and more about the support UKTI can offer, on the UKTI [Market Entry](#) web page.

Details of TAP events can be found in the **Events** portlet on the Portugal page.

Other **Market Visit Support** may be available via your local International Trade Advisor.

CONTACT LISTS

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(Ministry of the Environment)
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1200-433 Lisboa
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www.maotdr.gov.pt

Agência Portuguesa de Ambiente

(Environment Agency)
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www.apambiente.pt

INAG - Instituto da Água

(Water Institute)
Avenida Almirante Gago Coutinho, 30
1049-066 Lisboa
Tel: +351 21 843 00 00
Fax: +351 21 847 35 71
www.inag.pt

ERSAR – Entidade Reguladora dos Serviços de Águas e Resíduos

(Water and Waste Services Regulation Authority)

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For new and inexperienced exporters, our [Passport to Export](#) process will take you through the mechanics of exporting. An International Trade Adviser will provide professional advice on a range of services, including financial subsidies, export documentation, contacts in overseas markets, overseas visits, translating marketing material, e-commerce, subsidised export training and market research.