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“Session I – theme 2: The role of public and private partnerships in supporting green investments”

- I represent the DG for Economic Activities of the Ministry of Economy in Portugal.
- I would like to thank the Polish Chair for the invitation and the opportunity to speak here today. It is a great pleasure for me to participate in this concluding meeting of the 30th OSCE Economic and Environmental Forum.
- We are living in very difficult times and of great uncertainty. First was the pandemic situation, and the overcome of its economic and social impact, and then the war in Ukraine, and now the energy crisis, the worldwide inflation and the draught, which in Portugal is affecting agriculture and many other economic activities.
- With supply chain disruption caused by the first shocks, identifying the right strategic value chains to direct efforts requires a thorough understanding of the market and sectors, as well as the challenges related to the green and digital transitions.
- The Covid-19 pandemic and Russia's invasion of Ukraine are having important implications for the net-zero goal, green growth, sustainable development, and green investment.
- In the EU, the priority is to build economic growth based on a model that foster the green and digital transitions.
- Portugal is strongly committed to attaining climate goals and fostering sustainability.
- We see the green transition, not only as an environmental obligation, but also as an opportunity to develop a new, competitive and sustainable economy.
- Economies that are better prepared to respond to the new challenges of investments in “green” technology, decarbonization, sustainable solutions, new products, and business models, can significantly improve their productivity levels and competitiveness.

- However, we face a great challenge, since it is a complex process which implies boosting innovation and digitalization, seeking greater efficiency of productive and organizational processes, increase standards of environmental performance, investing in new technologies and in skilled workforce. All this implies large scale investments.
- We also pay attention to SME and their role in the EU economy. It is a huge opportunity as the adoption of low-carbon production processes and services promotes SME innovation with positive impacts in their productivity and competitiveness.
- In this context, national specificities need to be taken into consideration, as the results of the implementation of same public policies can widely differ across countries according to their specialization patterns.
- And this is the only way forward!
- Such strategy has to be developed with the involvement of all stakeholders, namely the private sector.
- The involvement of businesses and social partners to seize the opportunities of the green transition, at all levels, plays a key role in anticipating the necessary future skills needs and supporting the training and development of skills and expertise of the workforce, a key aspect in the process. At national level, Portugal we started long ago with training and focus on the green technologies – but it is a hard and long path.
- The COVID-19 pandemic and, more recently, the geopolitical instability shows us even more that we need to reduce external dependencies and increase the capacity to tackle future crises.
- We have been working with stakeholders at European and national level to pursue these objectives.
- At EU level, an example of this work is **European Industrial Forum**. Portugal has been deeply involved in this Forum that gathers the European Commission, Member States, and stakeholders in view of the implementation of the European Industrial strategy.
- In this context, we are developing **Transition Pathways** for 14 different industrial ecosystems, in which we are designing together the road map for each sector in its transition to a greener and more digital model.
- **Access to finance** is also key. It is important for businesses, particularly for SME, as the lack of finance is considered one of the main challenges that SME face in the green transition.

- Under **European and national budgets**, we are fostering investments namely in infrastructures, research and innovation, digitalization, uptake of new technologies, skills, etc.
- Here I would like to highlight Programmes such as **Invest EU** and **Horizon Europe**, or initiatives such as **NextGeneration EU** and the **National Recovery and Resilience Plans** of each EU Member State, but also the role of the **European Investment Bank**.
- For example, the **Portuguese National Recovery and Resilience Plan** includes measures to increase business innovation, promote industry decarbonization, invest in hydrogen and renewable energy, energy efficiency, etc.
- Portugal's National Recovery and Resilience Plan is a continued effort to gather public and private stakeholders together and it is structured around three pillars: Resilience, Climate Transition and Digital Transition, and **38% of its total allocation is focused on measures that support climate goals**.
- "**Promotion of climate transition**" – we plan for intervention in three areas: 1) **Sustainable Mobility** 2) **Decarbonization and Bioeconomics** and 3) **Energy Efficiency and Renewables**.
- "**Decarbonizing Industry**" – the main goal is a paradigm shift in the use of resources, with the support of low carbon processes and technologies alongside a legal framework conducive to this transition. [As part of the "**Support for The Decarbonization of Industry**" initiative, **242 applications** were **submitted by 29 July 2022**, representing an **investment of more than EUR 1.4 billion**.]
- The **Green Agendas** initiative **should foster the circular economy** and leverage the development of new products, services, and solutions, with high added value and the incorporation of knowledge and technology, to meet the challenge of the green transition towards environmental sustainability and carbon neutrality.
- A brief reference to the importance of the development and implementation of **digital technologies which can help other sectors of the economy to become greener** – construction, transport, industry, and energy.
- **Energy transition** is an area where Portugal has been an early mover, soon investing in renewables, and now also in green hydrogen. In Portugal 60% of electricity is produced using renewable sources.

- As we have recently seen, to further foster the energy transition and contribute to the European effort, we urgently need to reinforce the **interconnections of the Iberian Peninsula** with the rest of the European Union.
- All these investments are done in conjunction with the private sector.
- Regarding **green hydrogen** we also seized the opportunity to participate under hydrogen **Important Projects of Common European Interest (IPCEI)** that are being developed [One has already been approved in July- IPCEI Hy2Tech].
- IPCEI are large projects, involving cooperation of various Members States, which address a market failure or other important systemic failures contributing to strategic EU objectives.
- Finally, I would like to mention that to foster private investment we also **need to promote the right framework** for innovation, but also at the legislative and administrative level.
- This is another area we are pursuing, for example through the EU's Climate Law or by strengthening the Single Market.
- It is also important highlight the role of public and private partnerships in supporting green investments, essentially from the perspective of financing the transition to a circular economy.
- In Portugal, throughout the years, the public sector has developed a set of instruments aimed at enabling green investments by the private sector. The academia is involved as well.
- More widely, the access to financing, specifically for the circular transition is based on a set of European and national programs and other emerging forms of financing, in a logic of generating synergies between the public and private sectors.
- It was estimated that with the transition to the circular economy, the European GDP would increase by about 27% until 2050, while without the existence of this circular transition, GDP growth would only be one of 15%. Furthermore, it was estimated that by 2030 there will be around 700.000 jobs in the EU and around 36.000 direct jobs created in Portugal.
- There is a relationship between trade and investment and environmental sustainability. International trade is singled out as a key policy instrument to support environmental and climate goals and promote more sustainable production and consumption.

- International trade can create negative environmental consequences, through direct effects, such as the increased emissions from the economic activity resulting from free trade (“scale effects”), but also indirect effects, related to the pressure from competition to further reduce production costs at environmental expenses.
- To this end, countries should, when defining policies, improve the analysis of the environmental effects associated with international trade, seeking to ensure greater investment in green products and technologies and the elimination of support that may delay sustainable development goals.
- It is essential to implement targeted policies to attract private investment: funding R&D, simplifying administrative processes, awarding subsidies and setting ambitious national targets for environmental measures (for example for renewable energies) are essential contributions not only to the reduction in energy costs but also to the increase in private investment in green technologies.
- Investment in public infrastructure is a key factor in attracting private investment, namely green investment. Channels for private investment in low-carbon infrastructure and technologies should be facilitated through partnerships, the creation of direct investment capacity and the creation of investment instruments (such as green bonds).
- The public and private partnerships can be a policy tool to promote sustainable economic development.
- Portugal sees cooperation between private and public sector, but also cross-border cooperation, as essential to set the right environment and foster these investments that can be quite large.
- Much remains to be done in supporting green investments, but I believe we are on the right path.

Thank you.

