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Analysis of the recovery and resilience plan of Portugal

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) (ST 10149/2021; ST 10149/2021 ADD 1) of 6 July 2021 on the approval of the assessment of the recovery and resilience plan for Portugal

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1. EXECUTIVE SUMMARY

Portugal's substantial post-pandemic economic recovery fuelled by a strong rebound in tourism has slowed. The Portuguese GDP grew strongly in 2021 and 2022 and is expected to continue growing moderately in the medium term. Labour market developments are positive, although youth unemployment remains high and regional disparities persist. Despite limited direct effects, the indirect effects of Russia's invasion of Ukraine are significant, due to Portugal's dependency on imported fossil fuels.

Portugal submitted a modified recovery and resilience plan, which reflects the increase in its final allocation, along with a REPowerEU chapter that contains measures to accelerate the green transition and decrease reliance on fossil fuels. For the modification of its RRP, Portugal relied on four legal bases. First, the modification considers the updated maximum financial contribution published on 30 June 2022 in accordance with Article 18(2) of Regulation (EU) 2021/241 that led to an increase in Portugal's maximum financial contribution from EUR 13.9 billion to EUR 15.5 billion. Second, the modification also relies on a request of additional loans in accordance with Article 14(2) of Regulation (EU) 2021/241. Third, several elements of the modification are built upon the legal basis of Article 21(1) of Regulation (EU) 2021/241, having considered delays due to objective circumstances, and having made a reasoned request to the Commission to make a proposal to amend the Council Implementing Decision. Finally, in accordance with Article 21c of Regulation (EU) 2021/241 to include additional resources from ETS revenues and the Brexit Adjustment Reserve (BAR), Portugal included a REPowerEU chapter in its recovery and resilience plan.

The modifications submitted by Portugal under Article 14(2), Article 18(2) and Article 21(1) of Regulation (EU) 2021/241 affect 17 out of the 20 components of the initial plan. Portugal also requested to rectify some clerical errors. No investment or reform has been removed from the initial recovery and resilience plan. Under Article 18(2) and Article 14(2), Portugal proposes 32 new or scaled up investments and five new reforms. The proposed additional reforms concern the simplification and enhancement of the efficiency of the social protection system and of the tax system, the promotion of circular economy and waste management, and further boosting the digital transition of the public administration. Under Article 21(1), Portugal proposes to modify several investments to factor in the effects of supply chain disruptions and higher costs. Amendments relate notably to the postponement of the timeline for completion of milestone and targets.

The REPowerEU chapter contains measures to help address the key energy challenges that Portugal is currently facing and to increase Portugal's renewable energy potential. The proposed measures comprise six reforms and 16 investments, focussing on energy efficiency in buildings, green industry, renewables and renewable gases, sustainable transport, and the electricity grid. The proposed reforms range from streamlining the permitting of renewables to the adoption of a biomethane action plan and a set of legislative actions which will help the take-up of biomethane and renewable hydrogen in the country. The chapter also includes strategic reforms and investments to decarbonise transport both in the mainland and in the autonomous regions, to improve green skills, to set up a scheme for financing the production of net-zero technologies, to scale up an existing investment in renewable gases, as well as to build storage capacity to increase the flexibility of the energy system. Additional investments in the chapter aim at strengthening energy efficiency in residential, service and public buildings, combined with the development of a one-stop-shop model for energy efficiency interventions. In addition, an observatory for energy poverty will be set up to monitor and help setting policies to aid households in need. Finally, the chapter contains measures aiming at decarbonising industry in Portugal.

The REPowerEU measures will help reduce energy demand and increase renewable energy and gases production, hence contributing to the resilience and sustainability of the Union's energy system and to the diversification of the energy supply of the EU. The Portuguese RRP will support building further flexibilities in the electricity network, increasing the resilience and security of the electricity system of the EU. Investment in the green industry to produce technologies related to renewable energy, decarbonisation, and energy efficiency will also support the security of supply of critical technologies for the green transition of the Union.

Based on the assessment of the submitted modification and the REPowerEU chapter, the Portuguese modified plan receives an A-rating on all criteria, except for costing, where the plan receives a B-rating (unchanged from the original plan assessment).

(1) Balanced Response	(2) CSRs	(3) Growth, jobs…	(4) DNSH	(5) Green target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence	(12) REPowerEU	(13) Cross-border
A	A	A	A	A	A	A	A	B	A	A	A	A

2. OBJECTIVES OF THE MODIFICATION OF THE PLAN

2.1. Main newly emerged challenges

In 2022, Russia's invasion of Ukraine led to a surge in energy and commodity prices in the EU and significantly affected Portugal indirectly via global supply chain disruptions and high commodity prices, constraining growth. Notwithstanding the various support measures adopted by Portugal to cushion the impact of energy price inflation on households and businesses, inflation remained high at +8.1% in 2022. After a peak in the first quarter of 2022, growth rates slowed down in the following quarters due to supply bottlenecks, rising energy and commodity prices, and supply shortages. While Portugal's public finances improved in 2022, the country faces macroeconomic imbalances, which are assessed in the in-depth review[1], related to high level of public, private and external indebtedness. In the context of Portugal's current challenges, the proposed modification of its RRP is twofold: including a REPowerEU chapter in the plan; and modifying existing measures in line with the requirements of the RRF Regulation.

The Portuguese modified recovery and resilience plan adds a new REPowerEU chapter pursuant to Article 21(c) of the RRF Regulation covering measures related to energy efficiency in buildings, green industry, renewables and renewable gases, sustainable transport, and the electricity grid. It includes reforms and investments to deliver on the REPowerEU objectives. This chapter will

[1] In-depth review for Portugal, SWD(2023) 641, 23 May 2023

further enhance Portugal’s renewable energy potential, reduce energy demand and help address the current decarbonisation challenges, in particular those identified in the ‘energy’ recommendation addressed to Portugal in 2022 in the framework of the European Semester.

Pursuant to Article 18(2) of the RRF Regulation, Portugal has requested modifications to its RRP due to the upward revision of its maximum financial contribution, from EUR 13.9 billion to EUR 15.5 billion. The increase is part of the June 2022 update to the RRF allocation key. Portugal has also requested additional EUR 3.2 billion in loans pursuant Article 14(2). To support the investments and reforms in the REPowerEU chapter, Portugal has requested to transfer all its remaining provisional allocation from the resources of the Brexit Adjustment Reserve to the Facility[2] (EUR 81.4 million) and to use the revenue from the emission trading system[3] (EUR 703.4 million). Beyond the REPowerEU chapter, the revised RRP includes 32 new or scaled up investments and six new reforms across several components of the plan and new RRF funding will also cover the cost increases faced by Portugal. Overall, the total estimated costs of the modified plan, including the REPowerEU chapter, amounts to EUR 22.2 billion.

Pursuant to Article 21(1) of the RRF Regulation, Portugal requested to amend existing measures of the plan based on objective circumstances. These include the need to factor in supply chain disruptions and higher costs due to the high inflation experienced in 2022 and 2023.

Overall, Portugal increased by 8.15% the estimated costs of its total initial plan, an increase equal to EUR 1.3 billion. A corresponding amount in loans is requested to cover those higher financial needs. To avoid requesting support for the same measure partly with the financial contribution and partly with loans, Portugal shifted eleven measures (for a total amount of EUR 924 million) of the existing plan from the non-repayable to the loan support; and allocated only EUR 37 million from the additional financial contribution to cover for the resulting difference in costs for the measures supported by the financial contribution.

2.2. Main elements of the modified RRP and REPowerEU chapter

Component 1 National Health Service

Under Article 18(2), Portugal proposes a new investment and the reinforcement of the investment *C01-i01: Primary Health Care with more answers*. The new investment consists in the acquisition of heavy medical equipment for hospitals of the National Health Service. The reinforcement consists in the construction of 24 additional health care units and the renovation of another 21.

[2] Article 4a of Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021 establishing the Brexit Adjustment Reserve (OJ L 357 8.10.2021, p. 1).

[3] Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32–46).

Under Article 21, Portugal proposes to amend five investments. The main amendment refers to diversion of grants scheduled to be used for the acquisition of equipment in the East Lisbon Hospital towards the construction of part of the same hospital.

Component 2 Housing

Under Article 21, Portugal proposes to modify the six investments in this component. The main modifications relate to the reduction of intermediate targets and amending the scope of the investments (e.g., change to the number of dwellings under intervention).

Under Article 14(2), Portugal proposes to scale up the loan financed investment (*C02-i06: Student accommodations at affordable prices*) with 3 000 additional beds and the shift of 3 640 houses under the support for social housing (*C02-i01: Support Programme for Access to Housing*) to loans. Under Article 18(2), Portugal also proposes two additional investments, which consist in the allocation of 145 parcels of land aiming to enable the selected candidates to construct their own houses at affordable prices, and the construction of 126 new social houses, both taking place in the Autonomous Region of the Azores.

Component 3 Social responses

Under Article 21, Portugal asks to modify three investments, delaying some measures. For the investment *C03-04-RAA: Implementing the Regional Strategy for Combatting Poverty and Social Exclusion*, Portugal proposes to decrease the target of Social Integration Income (RSI) families in Azores receiving training from 13 000 families to 4 000 individuals, albeit maintaining the same number of trainings.

Under Article 18(2), Portugal proposes to scale up two investments and add one investment. The first scaled-up investment provides for the creation of additional places in social care centres and additional equipment for Home Support Services in mainland Portugal. The second scaled up investment provides for additional places to the investment *Ageing in Place* in the Autonomous Regions of the Azores. A new investment for the expansion and renovation of elderly care centres in Azores is proposed.

Portugal also includes an additional reform to simplify Portugal's social security system toa enhance its effectiveness and improve the take-up of social benefits.

Component 4 Culture

Under Article 18(2), Portugal proposes to scale up the two investments. The scale up of the first measure, *C04-i01: Cultural Networks and Digital Transition – Digital Archive of Media Bodies* consists in the digitisation of audio-visual material with historical, cultural, social and political relevance and making it publicly available. The scale up of the second measure, *C04-i02: Cultural heritage* consists in (i) the rehabilitation, conservation and restoration of 29 historical and cultural sites, and (ii) the construction of a new building for the National Archive of Sound.

Component 5 Investment and Innovation

Under Article 21, Portugal proposes to modify two investments. The timeline for the targets for the *Banco Portugues de Fomento*'s capitalisation fund (*C05-i06: Capitalisation of companies and financial resilience/Banco Português de Fomento*) is notably modified. Other changes include (i) the reduction of supported farm-restructuring projects from 200 to 178 (*C05-i05-RAA: Economic Recovery of Azorean Agriculture*); and (ii) postponement due to cost increases of the construction/requalification of three slaughterhouses in the Azores (*C05-i05-RAA: Economic Recovery of Azorean Agriculture*).

Under Article 18(2), Portugal proposes to include two new investments): (i) a credit support and guarantee scheme for enterprises in Madeira (*C05-i07-RAM*); and (ii) the 'more digital science' programme (*C05-i08: More Digital Science*), consisting of 6 actions to accelerate the process of digital transformation and digitalisation of the national Science & Technology System.

Portugal also proposes, under Article 18(2) as well as under Article 14(2), to support additional research and innovation agendas ('Mobilising Agendas' and 'Green Agendas') to increase the number of products, processes or services.

Component 6 Qualifications and Skills

Under Article 18(2), Portugal proposes three new investments: (i) *Capacities in science* (*C06-i06*) with two programmes to promote research, knowledge transfer and internationalisation of higher education institutions, (ii) *More digital Impulse* (*C06-i07*) to support the modernisation of agrarian and medical sciences and strengthen digital skills, (iii) and the extension of the Science and Technology Centre building in Madeira (*C06-i08-RAM*).

Under Article 14(2), Portugal proposes to build and renovate primary and secondary schools (*C06-i09: New or renovated schools*).

Under Article 21, Portugal proposes changes to three existing measures. For *Modernisation of vocational education and training institutions (C06-i01)* Portugal proposes to add the network of tourism schools of Portugal as one of the beneficiaries and reduces the interim target (but not the final one) due to inflation, higher energy prices, and supply-chain issues. Portugal also proposes to amend one investment (*C06-i02: Investment Commitment for sustainable employment*). The measure provides hiring subsidies for permanent contracts and particularly benefits disadvantaged groups. Given the much better than foreseen labour market developments in Portugal, the program will need to be extended by an additional year to reach the same target. For the *Adult Qualification and Lifelong Learning (C06-i05-RAA)*, Portugal proposes to specify further the beneficiaries.

Component 7 Infrastructure

Under Article 21, Portugal asks to modify one road project investment in the Azores by postponing the completion of the work by six months.

Under Article 14(2), Portugal proposes to transfer two investments (*C07-i03: Cross-border links* and *C07-i04: Business Reception Areas — Road accessibility*) to be financed by loans.

Component 8 Forests

Under Article 21, Portugal proposes changes to two investments. In investment *C08-i04: Means of preventing and combating rural fires*, Portugal proposes to reduce the number of helicopters purchased (because smaller helicopters will be substituted by fewer larger helicopters) and to postpone the final target by two quarters for the installation of dual polarisation radars. The delay is attributed to litigation proceedings in the tendering process and supply chain constraints.

In the investment *C08-i05: MAIS Forest Programme*, Portugal proposes to amend a measure to have a unified expenditure target for vehicles and equipment.

Component 9 Water Management

Under Article 21, Portugal proposes to delay measures in all three investments. For two sub-measures of one of the measures (*C9-i01: Algarve Water Efficiency Regional Plan*), due to the prolonged droughts, the design of the measure is also changed.

For the Crato dam investment (*C09-i02: Hydraulic multi-purpose enterprise of Crato*), Portugal proposes to bring forward milestone 9.10 by 7 quarters to Q4 2023 instead of Q3 2025. At the same time, the final milestone 9.11 has been pushed back from Q4 2025 to Q2 2026.

Moreover, Portugal proposes to split the Crato dam investment in two: the planning phase (milestone 9.9) and the construction phase (milestones 9.10 and 9.11). Under Article 14(2), Portugal proposes to transfer the construction phase to be financed by loans.

Component 10 Sea

Under Article 21, Portugal proposes modifications for three investments. For the *Blue Hub, Network of Infrastructure for the Blue* Economy (*C10-i01*), Portugal proposes to change the 'construction of a building' to ‘renovation of a building’. For the *Atlantic defence Operations centre and Naval platform* (*C10-i03*), Portugal proposes a delay along with amendments to the measure description to remove the purchase of the *Remotely Operated Vehicle (ROV)* and the Autonomous unmanned vehicle (AUV) due to the increased in costs of the Multi-naval Platform, as well as the removal of the dual-fuel engine using ammonia due to a lack of market availability. For the investment *C10-i04-RAA: Development of the ‘Cluster do Mar dos Açores’*, Portugal requests the postponement of the three milestones.

Under Article 14(2), Portugal proposes to transfer the investment *C10-i03: Atlantic defence Operations centre and naval platform* to be financed by loans. Portugal also proposes a new investment on *Green Shipping* (*C10-i07*) which includes interventions to accelerate the energy transition of maritime freight and passenger transport.

Under Article 18(2), Portugal proposes to scale up the measure on the *Development of the Cluster do Mar dos Açores* (*C10-i04-RAA*) with the acquisition of two additional modules. Portugal also proposes two new investments. The investment *C10-i05-RAA: Energy transition, digitalisation and reduction of environmental impact in the fisheries and aquaculture sector* will support the financing of projects aimed at innovation, process modernisation, carbon footprint reduction and the circular economy throughout the fisheries and aquaculture sector in the Azores. The investment

C10-i06-RAM: Oceanic technologies addresses infrastructure needs in marine scientific research in Madeira.

Component 11 Decarbonisation of Industry

Under Article 18(2), the investment *C11-i01: Decarbonisation of industry* is scaled-up to support additional projects.

Component 12 Bioeconomy

Portugal proposes a new reform (*C12-r39: Promoting circular economy and more efficient waste management*) to promote the circular economy and to improve the waste management notably through the introduction of legal framework for the establishment of a deposit and refund system for packaging and metals.

Component 14 Hydrogen and Renewables

Under Article 21, Portugal proposes to modify the three investments. For the investment *C14-i01: Hydrogen and renewable gases*, Portugal proposed to postpone the final target because of delays in the delivery of electrolysers. In addition, Portugal proposes to reduce the final target from 264 MW of renewable gases produced to 200 MW, due to inflation. For the investments *C14-i02-RAM: Renewable electricity potentiation in the Madeira Archipelago* and *C14-i03-RAA: Energy transition in the Azores*, Portugal proposes to delay the targets due to supply chain issues.

Component 15 Sustainable Mobility

Under Article 21, Portugal proposes to change four measures. The expansion of the Lisbon metro network (*C15-i01*) includes delays with the final target being pushed back due to injunctions and other technical difficulties. Similarly, the expansion of Porto metro network (*C15-i02*) has milestones postponed due to litigation issues. Concerning the *Light Rail Transit Odivelas – Loures* (*C15-i03*), Portugal proposes a redesign of the measure. The Boavista bus rapid transit in Porto (*C15-i04*) is being delayed by three quarters due to supply chain issues, including the delivery of electrolysers and buses.

Under Article 14(2), Portugal proposes to transfer the investment *C15-i03: Light Rail Transit Odivelas - Loures* to be financed by loans.

Under Article 18(2), Portugal proposes a new investment (*C15-i06: Digitisation of Rail Transport*) to help digitalise rail transport by replacing electronic signalling systems.

Component 16 Enterprises 4.0

Under Article 21, Portugal proposes to modify three measures. In investment *C16-i01: Digital Empowerment of Enterprises*, Portugal proposes to reduce the target of training participants having completed a digital skill training module in the *Portugal Digital Academy* from 800 000 to 125 000 and to also open the program to the general population. Portugal proposes to monitor the creation of 50 MOOC (massive open online course) on digital skills and to monitor the delivery of 500 000 diagnostic of digital skills. For the sub-measure *Employment + Digital* fully online training is added in addition to physical training, maintaining the same level of course requirements. For the measure *Digital transition of enterprises* (*C16-i02*) Portugal requests to delay two targets by one year and to reduce three targets (related to test bed pilot products and services and to SMEs supported by digital commerce accelerators) because of cost increases, need to redesign the actions and lower than expected take ups.

Under Article 18(2), Portugal proposes to scale up the investment *C16-i02: Digital Transition of Enterprises* with the digitalisation of additional shopping areas in the action *Digital commerce neighbourhood*. Portugal also proposed three new investments: (i) an investment to support digital transformation projects (*C16-i04: Industry 4.0*); (ii) a system of incentives to digitalise firms and an investment in two scientific and technological parks in the Azores (*C16-i05-RAA: Digital Capacity and Transformation of Enterprises in the Azores*); (iii) and an investment to support the digital transition of enterprises in Madeira (*C16-i06-RAM: Enterprise 4.0*).

Component 17 Quality and Sustainability of Public Finances

Portugal proposes a new reform of its tax system (*C17-r40: Simplification of the Tax System*). This reform includes the creation of a technical unit (*Unidade Técnica de Avaliação Tributária e Aduaneira*, U-TAX) to monitor and evaluate new and existing tax benefits and to contribute to the design, implementation and impact evaluation of public policies in the area of taxation. The reform also presents measures for the revision of the tax benefits' legal framework to simplify and reduce the number of existing tax benefits.

Under Article 21 Portugal proposes to postpone by 6 months the conclusion of the implementation of the State Accounting Entity (milestone 17.9).

Component 19 Digital Public Administration

Under Article 21, Portugal proposes to modify three investments. For the investment on critical digital infrastructures (*C19-i04: Efficient, secure and shared critical digital infrastructure*), the intermediary milestone 19.12 is postponed by one quarter. For the digital transition of Madeira's public administration (*C19-i05*), Portugal asks to implement a private 5G network instead of a public one. Portugal also proposes to reduce (by around 15%) the number of public employees trained in the investment *C19-i07: Public administration empowered to create public value*.

Under Article 18(2), the revision includes the introduction of a new investment aiming at supporting the implementation of smart territory policies (*C19-i08: Intelligent Territories*). In addition, the revision includes the bolstering of three investments regarding public services in citizen shops (*C19-i01: Redesign of public and consular services*), the digital transition in Azores (*C19-i06-RAA*) and the development of data management and processing solutions in Madeira (*C19-i05-RAM: Digital transition of Madeira's public administration*).

Furthermore, two additional reforms are proposed. They aim at deepening the digital accessibility to public services (*C19-r41: Access to Public Services: harmonise and consolidate-in-person and online access*) and at enhancing the professional development and attractiveness of careers within the public service (*C19-r42: New evaluation system to empower and rejuvenate the public administration workforce*).

Component 20 Digital school

Under Article 21, Portugal proposes to modify two measures. For the measure *Digital transition in education (C20-i01)* Portugal proposes to delay three targets by one year (from 2023 to 2024). For the measure *Digital education in Azores (C20-i02-RAA)* Portugal proposes to substitute some equipment under two targets and remove one requirement due to different needs than what was foreseen at the time of submitting the plan.

Under Article 18(2), Portugal proposes to scale up two investments: (i) *Digital education in Azores (C20-i02-RAA)*, and (ii) Accelerating the digitalisation of the education programme in Madeira (*C20-i03-RAM*). For both investments, the aim is to support private and public educational institutions in their digital transition by investing in digital equipment, digital educational resources, and connectivity.

REPowerEU chapter

Under the REPowerEU chapter and based on Article 21c of Regulation (EU) 2021/241, Portugal has proposed measures amounting to EUR 855 million in total costs using the financial contribution and loans for six new reforms, five upscaled investments and eleven new investments, focusing on energy efficiency in buildings, decarbonisation of industry, renewables and hydrogen, sustainable transport and the electricity grid.

In terms of reforms, the chapter includes a reform to streamline permitting, including the creation of a one-stop-shop for licencing renewables projects and the training of public employees dealing with renewables permitting (*C21-r48: Simplification of the legal and regulatory framework applicable to renewable energy projects*), the adoption a set of actions which will help the take-up of biomethane and renewable hydrogen in the country (*C21-r46: Regulatory framework for renewable hydrogen* and *C21-r47: First auction for sustainable biomethane and bio-methane action plan*), the creation of a new body to monitor and help setting policies to aid households in situation of energy poverty (*C21-r43: National Energy Poverty Observatory*), the development of energy efficiency one-stop shops for citizens (*C21-r44*) and a reform to promote green skills across several categories of workers and unemployed (*C21-r45: Green Skills*).

The chapter includes investments to support and facilitate the development of renewables. Portugal proposes investments in renewables in Madeira and Azores (*C21-i10-RAA: System of incentives for the purchase and installation of renewable energy storage systems in the Azores* and *C21-i11-RAM: System of incentives for the production and storage of energy from renewable sources in Madeira and Porto Santo*), a set of technical studies essential for the development of offshore wind energy (*C21-i07: Technical studies for offshore energy potential*), a digital one-stop-shop platform for permitting and monitoring renewable energy projects (*C21-i09: One-stop-shop for the licensing and monitoring of renewable energy projects*) and a large-scale investment to build storage capacity to increase the flexibility of the energy system (*C21-i08: Network flexibility and storage*).

Portugal also proposes to invest in the decarbonisation of transport, supporting notably the purchase of zero-emission public transport buses in Madeira (*C21-i13-RAM: Decarbonisation of* *transport*) and of zero-emission ferries in Azores (*C21-i15-RAA: Acquisition of two electric ferries*), the installation of recharging/refuelling stations and the construction of a funicular in Nazaré (*C21-i16: Nazaré Funicular*) as well as the construction of a Bus Rapid Transit system in Braga (*C21-i14: Bus Rapid Transit Braga*).

The REPowerEU chapter includes additional investments to increase energy renovation in public buildings in Madeira (*C21-i04-RAM: Energy efficiency in public buildings in Madeira*) and to set-up of a scheme for financing the production of net-zero technologies (*C21-i05: Support to the Development of Green Industry*).

Additional funds will also be provided for scaling-up measures aimed at further decarbonising industry processes and production (*C21-i01: Scaled-up measure: Decarbonisation of Industry*) as well as public transport (*C21-i12: Scaled-up measure: Decarbonisation of Public Transport*), at strengthening energy efficiency in residential, service and public buildings (*C21-i02: Scaled-up measure: Energy efficiency in residential buildings* and *C21-i03: Scaled-up measure: Energy efficiency in buildings used by the services sector*) and at increasing the production of renewable gases (*C21-i06 Scaled-up measure: Hydrogen and renewable gases*).

Table 1: New and modified components and associated costs

Component	**Status**	**Costs (EUR million)**
C1 National Health Service	Modified	1,689
C2 Housing	Modified	3,226
C3 Social Responses	Modified	1,045
C4 Culture	Modified	319
C5 Investment and Innovation	Modified	4,912
C6 Qualifications and Skills	Modified	1,959
C7 Infrastructure	Modified	790
C8 Forests	Modified	615
C9 Water Management	Modified	461
C10 Sea	Modified	389
C11 Decarbonisation of Industry	Modified	737
C12 Bioeconomy	Modified	145
C13 Energy Efficiency in Buildings	Unchanged	610
C14 Hydrogen and Renewables	Modified	406
C15 Sustainable Mobility	Modified	1,262
C16 Enterprises 4.0	Modified	763
C17 Quality and Sustainability of Public Finances	Modified	406
C18 Economic Justice and Business Environment	Unchanged	267
C19 Digital Public Administration	Modified	684
C20 Digital School	Modified	674

Component	Status	Costs (EUR million)
REPowerEU	New	855

Other elements not covered by assessment criteria

The description of the plan of the consultation process, security self-assessment for digital investments and the planned communication strategy as reflected in the previous Staff Working Document (SWD) (2021) 146 final remains valid.

Portugal has explained that several measures added in the Recovery and Resilience Plan for Portugal, including the inclusion of the REPowerEU chapter, will have a positive impact on gender equality and equal opportunities for all. This is notably the case in Component 3 (Social Responses) where new measures have been included intended to contribute to ensuring sufficient and effective social protection for all and favour equal participation of women and men in the labour market. Strengthened investment of Component 1 (National Health Service) will further strengthen person-centred and community-based primary health care, contributing to equality between women and men. The additional energy efficiency measures and the new National Energy Poverty Observatory are expected to contribute to equal opportunities for all groups of the population and women in particular, as they are relatively more prone to energy poverty. Measures in the area of sustainable transport are also expected to increase accessibility for persons with disabilities and other mobility restrictions.

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU[4]. When State aid is present and it requires notification, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by Portugal in the recovery and resilience plan cannot be deemed a State aid notification. In as far as Portugal considers that a specific measure contained in the recovery and resilience plan entails de minimis aid or aid exempted from the notification requirement, it is the responsibility of Portugal to ensure full compliance with the applicable rules.

[4] Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 167, 30.6.2023, p. 1–90, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1315.

3. SUMMARY OF THE ASSESSMENT OF THE PLAN

3.1. Comprehensive and adequately balanced response to the economic and social situation

The modified RRP, including the REPowerEU chapter, continues to cover in a comprehensive manner the six pillars structuring the scope of application of the Facility, i.e. (i) green transition, (ii) digital transformation, (iii) smart, sustainable and inclusive growth, (iv) social and territorial cohesion, (v) health and economic, social and institutional resilience, and (vi) policies for the next generation. The modified elements do not affect the assessment of this criterion compared to the original RRP. The coverage of the Portuguese revised plan's components toward the six pillars is summarised in Table 2. For the components 1 to 20, the contribution to the six pillars has not been modified in this table compared to the original RRP. All pillars are covered by at least one component, while a component may contribute to several pillars.

The measures included in the REPowerEU chapter contribute to the following pillars:

Green transition

The RRP revision presents reforms and investments intending to deploy to decarbonise its economy and to strengthen its independence and energy efficiency. The REPowerEU chapter increases the ambition of five investments contained in the initial plan, e.g., for the energy efficiency in service and residential buildings. In addition, it also contains new investments in green industry, renewables and biogas, sustainable transport and the electricity grid. Strategic reforms and investments are directed to the development of green skills in Portugal, the financing the production of net-zero technologies and the building of storage capacity to increase the flexibility of the energy system. Such investments are combined with a set of reforms aimed at streamlining permitting, establishing a one-stop-shop for licensing renewables projects, accelerating the uptake of renewable gas and hydrogen in the country. The combination of reforms and investments of the REPowerEU chapter will advance Portugal's transition to a greener economy.

Smart, sustainable and inclusive growth

The additional and scaled-up measures will also boost the competitiveness of the Portuguese industry. For instance, the revision includes a substantial scale up of research Agendas to foster innovation, notably for the green transition. A new measure aims at supporting the development of the Green Industry in Portugal, for industrial investments in strategic technologies and value chains for the green transition. The REPowerEU chapter also provides increased funding to support industrial SMEs to adopt low carbon processes and technologies and energy efficiency measures. These measures will enhance the productive capacity of the Portuguese economy, while promoting sustainable growth and climate adaptation though research and innovation.

Social and territorial cohesion

Portugal aims at establishing a National Energy Poverty Observatory to monitor and support through targeted policies households in need. Households will also benefit from the services of Citizen Energy Spaces, which will help them implement energy efficiency interventions. These measures are expected to increase social cohesion. In addition, the REPowerEU chapter entails six new investments directed to the outermost regions of Madeira and the Azores. These investments will help the regions to build their energy independence, through the building of renewable energy generation and storage capacity, and to cut their emissions thanks to the improved energy efficiency and the decarbonisation of transport. These investments will favour the economic development of the regions and benefit the local communities.

Table 2: Coverage of the six pillars of the Facility by the RRP components

	Green transition	**Digital transformation**	**Smart, sustainable & inclusive growth**	**Social and territorial cohesion**	**Health, and economic, social and institutional resilience**	**Policies for the next generation**
1 National Health Service	○	●	○	●	●	○
2 Housing	○	○	○	●	●	○
3 Social Responses	○	○	○	●	●	●
4 Culture	○	●	○	●		●
5 Investment and Innovation	○	○	●		○	
6 Qualifications and Skills	○	●	●	●	○	●
7 Infrastructure	○	○	○	○	●	
8 Forests	●	○	○	○	○	
9 Water Management	●		○	○	○	
10 Sea	●	○	○	○		
11 Decarbonisation of Industry	●		○			
12 Bioeconomy	●		○			
13 Energy Efficiency in Buildings	●		○			
14 Hydrogen and Renewables	●		●			
15 Sustainable Mobility	●		○	●		

16 Enterprises 4.0		●	●			
17 Quality and Sustainability of Public Finances		●	●		●	
18 Economic Justice and Business Environment		●	○		●	
19 Digital Public Administration	○	●	○		●	○
20 Digital School		●	●	●		●
21 REPowerEU	●		○	○		

Key: "●" investments and reforms of the component significantly contribute to the pillar; "○" the component partially contributes to the pillar

Taking into consideration all reforms and investments envisaged by Portugal, its modified recovery and resilience plan continues to represent, to a large extent, a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Portugal into account. This would warrant a rating of A under the assessment criterion 2.1 in Annex V of the RRF Regulation.

3.2. Link with country-specific recommendations and the European Semester

The addendum of the plan along with the REPowerEU chapter and the additional loan request, is addressing a significant subset of challenges identified in the European Semester. As the maximum financial allocation for Portugal has been adjusted upwards and as the size of the plan increased following an additional loan request intended to be used not exclusively for REPower objectives, all 2022 and 2023 structural recommendations are considered in the overall assessment. In the 2022 and 2023 Country Specific Recommendations (CSRs), Portugal was recommended to act on four main policy areas. Portugal's tax and social benefit systems requires improvement in their effectiveness, by simplifying both frameworks and strengthening the efficiency of their respective administrations (CSR 1.5 2023; CSR 1.4 2022; CSR 2.2 2020; CSR 2.4 2019). Portugal also would benefit from to strengthening the transition towards a circular economy with particular focus on waste prevention, recycling and reuse (CSR 3 2022 and 2023). CSR 4 2022 and 2023 relates to the reduction in reliance on fossil fuels (CSR 4.1 2022 and 2023), including in the transport sector (CSR 4.2 2022) and the acceleration of deployment of renewables through the upgrade of energy infrastructure and electricity storage (CSR 4.3 2022 and 4.4 2023). Streamlining permitting of renewables (CSR 4.4 2022 and 4.2 2023), strengthening the incentive framework for energy efficiency in buildings (CSR 4.5 2022 and 4.6 2023) and increasing energy connections (CSR 4.6 2022 and 4.3 2023) should also be prioritised.

The modified RRP includes new measures with the objective to improve the effectiveness of the tax and social protection system, also promoting the long-term sustainability of Portugal's public finances (CSR 1.5 2023; CSR 1.4 2022; CSR 1.1, 1.2 and 1.4 2021; CSR 2.4 2019; CSR 2.2 2020). Under Component 17 – Quality and Sustainability of Public Finances, the modified RRP includes a new fiscal-structural reform on the simplification of Portugal's tax system, with a focus on tax benefits. It defines the creation of a permanent technical tax policy unit (*Unidade Técnica de Avaliação Tributária e Aduaneira*, U-TAX) with the mandate to systematically monitor and evaluate tax benefits, and to contribute to the design, implementation and impact evaluation of public policies in the area of taxation. The legal framework of tax benefits is also foreseen to be revised under cost-benefit considerations based on the recommendations formulated by U-TAX. This reform is also expected to contribute to the long-term sustainability of Portugal's public finances. A new reform on Component 3 – Social responses aims at improving the effectiveness of the social protection system, improving its adequacy, coverage and take-up. These objectives are to be achieved via the simplification of the social benefit system, with the creation of a Unique Social Benefit (*Prestação Social Única)* and the revision of its legal framework (*Código das Prestações Sociais*).

A new measure in the modified RRP contributes to the transition towards a circular economy (CSR 3 2022 and 2023). The reform promotes circular economy and more efficient waste management by harmonising the definition for the eco-modulation in financial benefits in integrated systems and the review of the Waste Management Rate (WSR) as well as the legal framework establishing a deposit and refund system for non-reusable plastic bottles, ferrous metals and aluminium.

Various new measures contribute to the reducing the reliance on fossil fuels, including the entire REPowerEU Chapter (CSR 4.1 2022 and 2023). Other additional measures in the addendum targeting the reduction of fossil fuels include the interventions to improve efficiency in fuel consumption and energy of freight and transport vessels, and the interventions in fishing fleet and energy performance of the aquaculture sector in the Azores in Component 10 – the Sea. Additionally, the measures relating to green buses, to the Nazaré funicular and to the BRT in Braga contribute to the reduction in fossil fuels specifically in the transport sector (CSR 4.2 2022). To accelerate the deployment of renewables, upgrading electricity distribution grids is targeted in REPowerEU by the investment on improving the flexibility in the electricity grid, through the installation of battery storage systems on the scale of transmission and distribution networks (CSR 4.3 2022 and 4.4 2023). Together with the incentive systems for the production and storage of renewable energy in Madeira and the Azores, these measures contribute to investing in electricity storage (CSR 4.3 2022 and 4.4 2023). The reform simplifying the legal and regulatory framework for renewable energy projects complemented by the one-stop-shop for the licensing and monitoring of renewable energy projects, contribute to streamlining permitting procedure for renewable energy (CSR 4.4 2022 and 4.2 2023). The scale-up energy efficiency measures in buildings and the energy efficiency interventions in cultural sites within Component 4 – Culture, complemented by reforms on the National Observatory on Energy Poverty and the Citizen Energy Space within REPowerEU, all contribute to strengthening the energy efficiency investments framework (CSR 4.5 2022 and 4.6 2023). The reform on green skills aims to develop a long-term training offer, contributing to the provision and acquisition of skills and competences needed for the green transition (CSR 4.7 2023). No measures in the modified plan aim to address the increase of energy interconnections (CSR 4.6 2022 and 4.3 2023).

Some new measures contribute at addressing other CSRs, including in areas on healthcare, social protection and labour market. The National health service (SNS) technological modernisation programme aims at addressing the resilience of the healthcare system by improving and modernising its diagnostic and therapeutic technologies (CSR 1.2 2020). Measures targeting effective social safety net include the scale up of affordable student housing and the new measure helping young people with self-construction of their household by providing aid for the preparation of land for construction as part of Component 2 – Housing, and the requalification and expansion of the network of residential structures for older people from Component 3 – Social responses (CSR 2.2 2022, CSR 2.4 2019). The measure relating to sustainable employment commitment in Component 6 - Qualifications and skills contributes to addressing labour market segmentation (CSR 2.1 2019, CSR 2.1 2020) while the new training measures in Component 6 and Component 19 - Digital Public Administration contribute to improve the skills level of the population (CSR 2.2 2019 and CSR 2.3 2020).

Some new measures support companies, especially through the investment to boost firms' competitiveness (CSR 2.4 2020), including the scaling up of mobilising agendas for business innovation in Component 5 – Investment and Innovation, and the training and digital transformation of Azores companies and the Industry 4.0 measure supporting the digital transformation and environmental sustainability of companies from Component 16 – Enterprises 4.0. The measure on the capitalisation instruments for companies aims at helping the liquidity of firms of small and medium-sized enterprises (SMEs) (CSR 3.1 2020). Other measures target investments to further green and digital transformations including, but not limited to, the new green agendas for business innovation from Component 5 – Investment and Innovation and the new measures in REPowerEU relating to regulatory frameworks of renewable energy and the management of hydrogen production, as well as the modified measure on digital business in Component 16 – Enterprises 4.0 and the digitisation of rail transport in Component 15 – Sustainable Mobility (CSR 3.4 2020). The reform for public service on consolidating the use of digital and face-to-face channels in Component 19 – Digital Public Administration, contributes to the reduction of administrative and regulatory burden on businesses through the increased efficiency of public administrative processes (CSR 4.2 2019).

Various measures contribute to addressing investment in research and innovation (CSR 3.1 2019) including the scale-up of the research vessel in the Azores and the new research vessel in Madeira, within Component 10 – the Sea, and the scientific and technological pole of Madeira in Component 6 – Qualifications and skills while the measures on the agendas within REPowerEU and Component 5 – Investment and Innovation also contribute to addressing the CSR (CSR 3.1 2019).

Portugal's modified RRP continues to address all or a significant subset of challenges identified in the relevant country specific recommendations (CSRs). The priorities of the plan are coherent with progress on the relevant country-specific recommendations. As a result of the proposed reforms and investments addressing the most imminent challenges to the Portuguese economy and society, the priorities of the plan focus on the relevant issues and are expected to significantly contribute to the resolution of these challenges.

Taking into consideration the reforms and investments envisaged by Portugal, its modified recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and the modified recovery and resilience plan represents an adequate response to the economic and social situation of Portugal. This would warrant a rating of A under criterion 2.2 in Annex V to the RRF Regulation.

3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence

The modified RRP including the REPowerEU chapter continues to contribute to economic cohesion and to address vulnerabilities of the economy. The main contributions to both growth and employment are expected to come from investments and reforms concerning innovation, education, including digital skills and vocational training, the decarbonisation of industry, the digitalisation of enterprises, the capitalisation of businesses and housing, which are now strengthened. Measures in the REPowerEU chapter are also expected to contribute to sustainable growth. It is the case for instance for the support to the green economy, to green skills and to the development of renewable energy sources.

The modified RRP including the REPowerEU chapter continues to contribute to social cohesion. The revised RRP includes significant strengthened measures to address long-standing social challenges. These cover the responsiveness and accessibility of healthcare and long-term care services, and the access to affordable and social housing. Social vulnerabilities should also be addressed through provision of a wide range of social services focusing on the elderly, people with disabilities, ethnic minorities and migrants, and through integrated programmes to support disadvantaged communities in deprived metropolitan areas. A new reform will simplify the social benefits system to facilitate their coverage. In the REPowerEU chapter, a new National Observatory will also contribute to address energy poverty. Additional investments in sustainable public transport networks are also particularly relevant for disadvantaged commuting workers, and reinforce labour rights, especially for atypical labour contracts linked to the digital economy. These measures will help deliver on the implementation of the European Pillar of Social Rights Action Plan endorsed at the Porto Summit of 7 May 2021 and are expected to contribute to improving the levels of the indicators of the Social Scoreboard.

Measures targeted at children and young people are also reinforced, such as measures to raise the capacity of kindergartens and childcare services. The revised RRP should also foster higher education institutions and the enrolment in tertiary education courses. Additional housing for students is also created. Measures should also further support the integration of digital technologies in the primary and secondary education system with the use of digital resources in classrooms, the digitalisation of educational contents.

The nature and extent of the proposed modifications to Portuguese recovery and resilience plan do not have an impact on the previous assessment (Rating of A) of the plan's impact on the growth *potential, job creation, and economic, social and institutional resilience of the Member State, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union, as reflected in SWD (2021)146.*

3.4. The principle of 'do no significant harm'

Portugal's modified recovery and resilience plan assesses compliance with the 'do no significant harm' (DNSH) principle for each of the six objectives under Article 17 of the taxonomy Regulation. The assessment follows the methodology set out in the Commission's technical guidance on the application of 'do no significant harm' under the RRF Regulation (2021/C 58/01). It covers the six environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852. The environmental impact is assessed per reform or investment. All new and revised reforms and investments in Portugal's revised recovery and resilience plan re reflected in 'do no significant harm' assessments. No measures of the REPowerEU chapter makes use of the targeted exemption for those reforms and investments that contribute to the first REPowerEU objective of improving energy infrastructure and facilities to meet immediate security of supply needs.

Portugal's modified recovery and resilience plan puts a particular focus on energy-efficiency renovations (e.g., in Components 1, 2, 3, 4, 5, 6, 13 and 16). While these have a positive impact on emission reductions, they normally create significant amounts of construction waste. Portugal ensures no significant harm to the circular economy objective by detailing in the plan for each of the measures that at least 70% (by weight) of the non-hazardous construction and demolition waste generated on the construction sites are set to be prepared for reuse, recycling and other material recovery.

The modified plan also includes a number of regulatory reforms, including the simplification of the legal and regulatory framework applicable to renewable energy projects and the reform on mechanisms for the development of biomethane. The DNSH assessment has confirmed that their environmental impacts are rather negligible, ensuring that they do no significant harm to any of the six environmental objectives.

For some measures where calls for projects or calls for interest are necessary to select specific projects in the future, ensuring adherence with the 'do no significant harm' principle will require introducing specific safeguards in the milestones associated with each measure, to monitor the implementation of the measures. For instance, under Component 5 – Investment and Innovation, the additional innovation and green agendas, the new financial instrument supporting companies in Madeira and the more digital science measure will all require further safeguards to ensure that no environmental objective is affected by their implementation. To ensure compliance with the DNSH principle, the eligibility criteria of upcoming calls for projects are set to exclude harmful activities and require that only activities that comply with relevant EU and national environmental legislation can be selected. Another example is Component 10 – the Sea, the Green shipping measure, Portugal was required to specify that none of the vessels renovated would carry fossil fuels and that the fuel used to run the vessels complied with RED II directive.

Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in the modified Portugal's recovery and resilience plan, including the REPowerEU chapter, is expected to do significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'). This would warrant a rating of A under the assessment criterion 2.4 of Annex V to the RRF Regulation.

3.5. Green transition

The modification of the plan increased its contribution to the green transition, with respect to the initial assessment. The modified Recovery and Resilience plan continues to significantly contribute to the green transition, including biodiversity, as well as to the achievement of the Union 2030 climate targets while complying with the objective of EU climate neutrality by 2050.

The new measures introduced, together with the REPowerEU chapter, bring a significant effort to supporting further the green transition of Portugal, while the measures whose ambition was reduced due to increased costs do not impact the green transition ambition of the plan[5].

The main green investments included in the modified plan are: (i) the strengthening of Portugal's scientific and technological capabilities through the deployment of ambitious research and innovation agendas based on business-academia consortia focusing on the green transition; (ii) the implementation of a Bus Rapid Transit (BRT) system in the city of Braga, mostly with decarbonised vehicles; (iii) the modernisation of 75 public educational establishments, promoting the construction and renewal of physical spaces aligned with the objectives of the green and digital transition; (iv) the promotion of energy renovation and resource efficiency through different measures in privately owned residential buildings; and (vi) the introduction of means of flexibility in the public service electricity grid (RESP) to optimise and improve the flexible management of the electricity system. Such measures are expected to have lasting impact for the green transition.

The climate ambition of the revised plan without the REPowerEU chapter increases compared to the initial plan and stands at EUR 8.37 billion or 39.2% of the revised RRF allocation, compared to 37.9% for the original plan.

The green transition contribution of the REPowerEU chapter is deemed ambitious, as all the investments aim at reducing the reliance on fossil fuels, contributing to one or more of the RepowerEU objectives of increasing energy efficiency, fighting energy poverty, incentivising the reduction of energy demand, addressing internal and cross-border bottlenecks and accelerating the retraining of the workforce. The climate contribution of the REPowerEU chapter is of 91,1% of

[5] Annex I presents the detailed application of the climate tagging methodology for all measures and sub-measures with a climate contribution.

the total estimated costs of the measures included in the REPowerEU chapter, above the 37% target set out in the Regulation.

In total, the whole Recovery and Resilience plan (including revised measures and the REPowerEU chapter) contributes for 41,2% (EUR 9,15 billion) of Portugal's total revised allocation to the climate target, above the target of 37% required by the Regulation.

Taking into consideration the assessment of all the measures envisaged, the modified recovery and resilience plan, including its REPowerEU chapter, is expected, to a large extent, to make a significant contribution to the green transition or to address the challenges resulting from it and ensures that at least 37% of its total allocation contribute to the climate target. At least 37% of the total estimated costs of the REPowerEU chapter contribute to the climate target. This would warrant a rating of A under criterion 2.5 of Annex V of the RRF Regulation.

3.6. Digital transition

Overall, the modified plan's (excluding the REPowerEU chapter) contribution toward the digital objectives amounts to 21.1% of the plan's allocation, and as such, the digital target of 20% continues to be met[6].

As was the case in the existing plan, the most important contribution in the modified plan relates to Component 6 – Qualification and Skills, Component 16 – Enterprises 4.0, Component 19 – Digital Public Administration and Component 20 – Digital School. As for the existing plan, other components that contribute significantly to the digital objective are Components 20 – Digital school, Component 1 – National Health Service and the components on the modernisation of public administration (Components 17 to 19). Notably, Component 5 – Investment and innovation received a significantly higher allocation of resources that contribute to the digital transition.

In the original plan 14 out of 20 components contained some measures that contribute to the digital transition. Following the revision, two more components contribute to the digital transition: Component 15 – Sustainable mobility with a measure to digitalise the railways system and Component 21 – REPowerEU with a one-stop-shop digital platform for the permitting and monitoring of renewable energy projects.

The measures contributing the most to the increased ambition in the digital transition include: Components 20 – Digital school, with measures to support the transition to digital education in the Autonomous Regions of Azores and Madeira; Component 16 – Enterprises 4.0, with additional measures to foster the digitalisation of businesses, in particular with the adoption of Industry 4.0 technologies in the mainland and in the Autonomous Regions of Azores and Madeira; Component 19 – Digital public administration with additional measures to manage and process data from different sources and to adopt data-driven public policies; Component 5 – Investment and innovation with additional measures to develop research and innovation agendas with a focus on

[6] Annex I presents the detailed application of the digital tagging methodology for all measures and sub-measures with a digital contribution.

the digital field, as well as to increase the digitalisation of scientific and technological research; Component 6 – Qualification and Skills with additional measures to provide computer services and applications for digital skills and inclusion in schools, to support R&I activities related to digitalisation, and to support the development of digital skills of persons already in employment.

The measures in the modified Portuguese plan continue contributing to the digital transition or helping to address the related challenges and are aligned, at national level, with the Portugal 2030 strategy. The modified plan continues to significantly address the digital transition challenges faced by Portugal in the areas of human capital and digital skills, digitalisation of businesses, adoption of advanced digital technology, digital related innovation, digital public services.

Taking into consideration the assessment of all the measures envisaged, the modified Recovery and Resilience plan is expected, to a large extent, to make a significant contribution to the digital transition or to address the challenges resulting from it and ensures that at least 20% of its total allocation (excluding the measures in the REPowerEU chapter) contribute to support digital objectives. This would warrant a rating of A under criterion 2.6 of Annex V of the RRF Regulation.

3.7. Lasting impact of the plan

The modified recovery and resilience plan includes new measures that are expected to have lasting positive effects on the Portuguese economy, increasing the ambition of the initial plan as a whole. The modified plan takes into account the increased grant allocation, the impact of the COVID-19 crisis, inflation and supply chain disruptions, and includes a new REPowerEU chapter which, in addition to the existing measures, is also expected to have lasting positive effects on the Portuguese economy and further boost its green transition.

New or upscaled investments and reforms included in the revised plan are complementary to the existing ones, are in line with the country-specific recommendations and can be expected to have a lasting impact. They address the root causes of the challenges identified and not just the symptomatic issues. New reforms aim at simplifying the social and tax benefit systems, promoting the circular economy and more efficient waste management, and reforming the public service to make it more efficient. New investments will, among other things, support the purchase of medical equipment which will increase the quality of diagnoses and treatments, and introduce technical innovation in the national healthcare system. They will also increase the domestic supply of affordable student accommodation, thereby enabling better access to higher education. The support will be channelled also to public authorities to create a new, data-driven system for planning and managing cities and territories. In addition, comprehensive support will be dedicated to companies for their digital transition and environmental sustainability.

The impact of the COVID-19 crisis, inflation and supply chain disruptions is reflected in the modifications of existing measures. Inflation-driven cost increases have impacted the ambition of some of the pre-existing measures, without however affecting the long-lasting effects of the Plan.

In particular, the REPowerEU measures are expected to contribute to the green transition by supporting the enhancement of energy efficiency (e.g., through the “energy efficiency in buildings” measure), combatting energy poverty (among others, by developing and implementing a citizen energy space model as well as a national energy poverty observatory), incentivising the reduction of energy demand (e.g., measures on the decarbonisation of transports and on the decarbonisation of industry), addressing internal and cross-border bottlenecks (through measures such as the “green mobilising agendas” and the implementation of a low-emission Bus Rapid Transit in Braga), and accelerating the retraining of the workforce (e.g., measure on the support of the development of the green industry). All of these measures combined will have a lasting impact on the economy and society as a whole.

The nature and extent of the proposed modifications to Portugal’s recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the lasting impact of the measures proposed by Portugal, as reflected in SWD (2021)146.

3.8. Milestones, targets, monitoring and implementation

The task force *Recuperar Portugal* remains the structure tasked by Portugal with the implementation, monitoring and reporting of the RRP. The task force has been granted greater decision-making autonomy with the Council Regulation no. 93/2022 of 18 October. In addition, the Decree-Law no. 61/2023 of 24 July aims at revising the composition and powers of the political coordination, monitoring and audit and control bodies of the governance model of the RRP, in order to clarify the levels of intervention of each of those bodies and to ensure that their respective competences are effectively exercised. The above-mentioned decree-law broadens notably the tasks of the National Monitoring Commission and the Audit and Control Committee to strengthen the mechanisms for monitoring and better prevent duplication of financing, risks of conflicts of interest, corruption and fraud.

The milestones and targets of the modified Portuguese recovery and resilience plan enable an adequate monitoring of the plan’s implementation. The performance of new reforms, new and scaled-up investments, as well as the investments included in the REPowerEU Chapter, will be captured by the achievement of milestone and targets monitored by each entity in charge of implementing the measures. The milestones and targets chosen – some of which build on existing targets for upscaled measures – are consistent with the objectives, cost estimates and implementation schedule of each measure and are reflected in specific qualitative or quantitative indicators.

For reforms taking the form of a legislative act, the milestone is the publication on the Official Gazette (*Diario da Republica*), as in the case of establishment of Umer 2030 (RP-C14-r48), or the entry into force of the new piece of legislation, as in the case of the revision of competency profiles associated with performance assessments (TD-C19-r47). Such type of milestone allows to capture the actual implementation of new provisions. Other milestones for reforms are based on the achievement of decisive steps in the implementation process, such as the approval by the Council of Ministers of the report on the creation of a Social Benefits Code (RE-C03-r48) or the publication of the ‘Biomethane action plan’ (RP-C14-r47). These milestones are clear and realistic as they reflect decisive steps towards the complete implementation of each reform.

The REPowerEU chapter includes a set of 43 new milestones and targets (reforms will be monitored by 11 milestones and 4 targets, investments by 12 milestones and 16 targets).

Aside from the changes relating to the REPowerEU chapter and new reforms and investments, the adjustments made to the plan's 341 original milestones and targets do not affect the relevance, acceptability and robustness of the existing milestones and targets. In some cases, the amendments correct clerical errors and help to align the intent of the original plan and the description of investment and reforms with the content of milestones and targets to better assess the achievement of measures. The totality of milestones and targets for the revised plan sums up to 463, of which 202 milestones and 261 targets.

The arrangements proposed by Portugal in its modified recovery and resilience plan are expected to be adequate to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators. This would warrant a rating of A under the assessment criterion 2.8 of Annex V of the RRF Regulation.

3.9. Costing

Reasonable costs

Portugal claimed cost increases for 69 measures or sub-measures. For these measures and sub-measures, the ambition of the final targets has been preserved in almost all cases, but a request was made to cover the increased costs with additional non-repayable support or loans.

For 67 out of 69 measures Portugal justified the cost increases based on Eurostat official inflation data (three different indexes, for the years 2021 and 2022) and the European Commission inflation forecast.

For 42 measures (40 in full and two partially), related to the construction of new buildings and or renovations across several components of the existing RRP, Portugal claims that the original milestones and targets are no longer attainable due to the widespread cost increases and shortage of raw materials experienced in the construction sector. For these investments, the Eurostat construction price index is used as a conservative proxy to estimate the expected cost increases and the corresponding need for additional resources.

For 14 measures (13 in full and one partly), related to purchase of equipment or electric vehicles in the areas of healthcare, social services, education, among others, Portugal claims that the original milestones and targets are no longer attainable due to the widespread cost increases and shortages in the procurement of the planned equipment. For these investments, the Eurostat producer price index is used as a conservative proxy to estimate the expected cost increases and the corresponding need for additional resources.

For another 12 measures (11 in full and one partly), related to measures in healthcare, social services, housing, education, skills – among others – Portugal claims that the original milestones and targets are no longer attainable due to the widespread cost increases reflected in the general increase of prices and wages. For these investments, the Eurostat harmonised consumer price index is used as a conservative proxy to estimate the expected cost increases and the corresponding need for additional resources.

Overall, the evidence provided by Portugal for the 67 measures in the first case supports the existence of objective circumstances that made the existing measures and their related milestones and targets no longer attainable. Once the objective circumstances were established, the methodology proposed by Portugal to estimate the related cost increases is assessed to be reasonable. Based on official inflation statistics and forecasts, they are correctly applied to the updated estimated cost profile, taking into account the initial inflation forecast assumed in the existing plan as well.

For the other two measures, the metro in Odivelas-Loures and the naval platform, it is considered that Portugal provided a credible explanation of the objective circumstances that made the existing measures and their related milestones and targets no longer attainable. For both measures the cost increase computations proposed by Portugal are also considered reasonable as they are based on specific independent studies that document the extent of the increased costs.

Regarding the new and scaled up investments, including those in the REPowerEU chapter, the cost estimates are deemed to be largely reasonable. Portugal provided an extensive list of documents to justify and explain the amounts proposed as new investments and gave explanations on how those amounts were computed. For the scaling up of some existing measures, estimates and evidence were based on the 2021 cost estimates where unit costs are the same.

Plausible costs

Concerning the request for modifications under Article 21, the cost increase claims made by Portugal and the related cost increase calculations are assessed to be plausible, as they are based on third party indexes and studies.

For the new and scaled up investments, including those in the REPowerEU chapter, the cost estimates have been deemed, to a medium extent, as plausible. Some investments lacked a clear explanation as to how the past projects presented as the basis for the estimates were used or adjusted to determine the cost estimate.

No double Union financing

Portugal has indicated that new and modified measures, including those in the REPowerEU chapter, funded under the RRF will not be financed by other Union funding. Furthermore, the systems set up to prevent, detect and correct double funding from the Facility and other Union programmes, as described in the previous Staff Working Document (SWD) (2021) 146, remain valid.

Commensurate and cost-efficient costs

The total cost of the modified RRP is commensurate to the expected social and economic impact of the envisaged measures. The new and modified measures are expected to help effectively address a significant subset of challenges identified in the country specific recommendations (CSRs) in accordance with the initial plan. In addition, new measures, including the REPowerEU chapter are also expected to address challenges identified in climate and energy relevant CSRs. Furthermore, the modified plan is expected to strengthen social cohesion and social protection and the implementation of the European Pillar of Social Rights in line with the initial plan, while the new measures aim to bolster the green transition. Therefore, the modified RRP is assessed as being in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

The justification provided by Portugal on the amount of the estimated total costs of the modified recovery and resilience plan is to a medium extent reasonable, plausible, in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact. Portugal provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the modified recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing. This would warrant a rating of B under the assessment criterion 2.9 of Annex V to the RRF Regulation.

3.10. Controls and audit

In the context of the modification of the Portuguese Recovery and Resilience Plan (RRP), its audit and control system needs to be reassessed on the basis of criteria 2.10 of Annex V of the RRF Regulation. Since the original assessment, which was established on the proposed audit and control system, the Commission has had access to information on its actual implementation. This includes the preliminary findings of the audit on the protection of the financial interests of the Union (PFIU) and the findings of the combined system audit on milestones and targets and audit on milestones and targets performed by the Commission in Portugal.

In light of this information, the Commission considers that the internal control system of the Portuguese RRP is overall adequate, but it has some deficiencies that must be addressed through dedicated audit and control milestones. These relate to the lack of a fraud risk assessment and the subsequent action plan at the level of all Portuguese implementing bodies and the insufficient arrangements to cross-check the information related to the receipt of funds in order to avoid and detect double funding.

Robustness of internal control system and distribution of roles and responsibilities

The governance model of the Portuguese RRP was created by the Decree-law 29-B/2021, which defined the four levels of coordination of the RRP governance model, as follows:

- Strategic level of political coordination, ensured by the Interministerial Commission for the RRP;
- Monitoring level, ensured by the National Monitoring Commission;

- Technical coordination and monitoring level, carried out by the task force "*Recuperar Portugal*" (EMRP)[7], the Development and Cohesion Agency, I. P. (Agency, I.P.), and the Planning, Strategy, Evaluation and International Relations Office of the Ministry of Finance;
- Audit and control level, ensured by an Audit and Control Committee (CAC).

On 24 July 2023, the Decree-law 61/2023, altered the composition and competences of the political coordination, monitoring and audit and control bodies of the RRP, in order to clarify the levels of intervention of each of these bodies and ensure the effective fulfilment of their respective competences. In addition, and in the context of the reprogramming and reinforcement of the RRP's ambition, it extended the powers of the National Monitoring Committee and the Audit and Control Committee. Finally, it clarified some rules applicable on double funding, established the system for recovering funding and clarified the procedure for the payment of the amount equivalent to the value added tax on projects financed by the RRP.

The national management of the recovery and resilience plan is centralised in the task force *Recuperar Portugal*, Coordinating Body, and its execution is entrusted to a set of public entities, which assumes responsibilities for the management and implementation of investments at a decentralised level. These are denominated direct or indirect beneficiaries.

Considering the recommendations issued by the Inspectorate General of Finance - Audit Authority (IGF-AA), the Portuguese Court of Auditors and the opinions of the Audit and Control Committee (CAC), the task force *Recuperar Portugal* reviewed and updated its control measures and instruments. This includes the publication of the Code of ethics and conduct, Anti-Fraud Policy Statement, Technical Orientation n. 7, Whistleblower Procedure and the update of the Description of the Internal Control Management System, Management Plan for Risks of Corruption and Related Infringements, Risk Management Manual, Manual of Procedures (latest version January 2023) and of the Declaration of Absence of Conflict of Interest. It should also be highlighted the publication of the Technical Orientations n. 8, 9, 10, 11, 12 and 13 after the communication of the preliminary findings of the two audit reports issued by the Commission mentioned above. These documents are available on EMRP's website[8].

Adequacy of control systems and other relevant arrangements

In order to mitigate and prevent situations of conflict of interest and with a view to strengthening the internal control system, according to the revised plan, the EMRP adopted the data mining tool Arachne, developed and made available by the Commission. In this sense, EMRP has updated the terms of the Declaration of Absence of Conflict of Interest to include the collection of personal data at the level of the date of birth of the beneficiaries and to mention that these personal data can be used in order to identify on the basis of a set of risk indicators the projects, beneficiaries,

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[7] Estrutura de Missao Recuperar Portugal. Created by the RCM 46-B/2021 and amended by RCM 93/2022.
[8] https://recuperarportugal.gov.pt/sistema-de-controlo-interno/ and https://recuperarportugal.gov.pt/orientacoes-tecnicas/

contracts and contractors likely to entail risks of fraud, conflict of interest, double funding or irregularities.

Other initiatives foreseen in the revised plan, are the collaboration protocols signed between EMRP and the European Public Prosecutor's Office (EPPO) and between EMRP and Central Department for Investigation and Prosecution (DCIAP), and a think tank initiative with the same organisation (DCIAP) with a view to developing strategies to prevent and combat fraud with European funds.

At the level of the beneficiaries, protocols were established with the Professional Associations of Auditors (OROC) and Certified Accountants (OCC), with a view to ensuring their contribution to the monitoring and supervision of contracted investments, including the internal control systems of the RRP beneficiaries. Currently, the Commission is informed that 37 out of 68 beneficiaries have requested access to the Arachne tool.

As per Article 22(1) of the RRF Regulation and Article 11(1)(a) and (b) of the Financing Agreement, in order to protect the financial interests of the Union, Portugal is under the obligation to regularly check that the financing provided has been properly used in accordance with all applicable rules, and that any measure for the implementation of reforms and investment projects under the RRP has been properly implemented in accordance with all applicable rules in particular regarding the prevention, detection and correction of fraud, corruption and conflicts of interests, and double funding. They are also obliged to take appropriate measures to prevent, detect and correct fraud, corruption, and conflicts of interests, and double funding affecting the financial interests of the Union.

As previously mentioned, during the PFIU audit performed by the Commission, it was noted as a systemic issue the lack of a fraud risk assessment for all the beneficiaries of the RRP. Corrective action is needed to address this significant weakness in key controls, affecting the reliability of a significant part of the internal control system to protect the financial interests of the Union.

Adequacy of arrangements to avoid double EU funding

On 28 July 2023, EMRP issued a new Technical Guidance number 11 "Mitigating the risk of double funding - RRP beneficiaries" considering the note on "Double funding under the Recovery and Resilience Facility", issued by the Commission on 06.02.2023. This Guidance states that the risk of double funding is mitigated by combining three levels of checks:

> 1st level - Systematic analyses of European funding from Portugal 2020 and Portugal 2030, carried out by the Agency, I.P.;
>
> 2nd level - Beneficiary declarations, based on the Questionnaire/Declaration of Commitment collected by the EMRP from the beneficiaries of the RRP; This questionnaire must be fill in at least annually (self-declaration).
>
> 3rd level - Monitoring actions and control actions on operations, including the issue of double funding, reflected through follow-up actions following systematic analyses by the

Agency, I.P. and specific control actions included in the Recovering Portugal Control Action Plan (PACRP).

The revised plan also states that a Transparency Portal, which was foreseen in the original plan, was set up centralising information on European funds by integrating all systems and schemes implemented in Portugal and covering the recovery and resilience plan.

Following the audit performed by the Commission, it was identified that there are no cross-checks in place to verify the information provided by the beneficiaries in reply to the questionnaire and it is not clear how this information is used to effectively detect double funding. In this sense, the arrangements described in the revised RRP to avoid double funding from the Facility and other Union programmes are in place, but some elements are still missing.

Legal empowerment and administrative capacity of control function

The legal empowerment of EMRP and of the actors responsible for controls (IGF-CAC) are provided in Article 3(c)(d), Article 6(f)(g) and Article 7 of DL 29-B/2021, point 3 (h)(i)(j) of RCM 46-B/2021 and RCM 93/2022.

The administrative capacity of both the EMRP and the Audit Authority (IGF-CAC) are ensured. As per request of DG ECFIN's R4 unit, the EMRP provided a list of staff on 16.05.2023 where it had 59 staff members with the necessary expertise and years of experience and 5 members to be recruited. According to page 8 of their Audit Strategy of 6 June 2022, the administrative capacity of the audit authority will be ensured either through an internal allocation, or through recourse to external auditors or experts hired.

Conclusion

The chapter on audit and control and the additional information provided gives a rather complete description of the arrangements for the implementation and control of the Plan in Portugal. The chapter provides the details for all the entities and gives reasonable assurance that there is a sound structure in place to monitor, implement and control the allocated funds from the RRF.

However, two new milestones will be introduced to address the missing elements. The first milestone requires an amendment in the financing contracts between the Coordinating Body and the implementing bodies to add a legal obligation to perform a fraud risk assessment and, where the fraud risk assessment identifies risks that are not addressed by the existing controls, to develop a subsequent action plan. The second milestone requires the introduction of effective systematic cross-checks on applications for potential funding within the RRF and between the RRF and other Union programmes.

The arrangements proposed by Portugal in the modified recovery and resilience plan to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under the Facility, including the arrangements aimed to avoid double funding from the Facility and other

Union programmes, are assessed to be sufficient. This would warrant a rating of A under the assessment criterion 2.10 of Annex V to the RRF Regulation.

3.11. Coherence

The modifications to the RRP display coherence within each component and show thematic interlinkages and synergies between the different components. The modified recovery and resilience plan presented by Portugal is structured as 21 coherent components, which support the common objectives of stimulating the recovery of the Portuguese economy, contributing to the twin transition and increasing Portugal's resilience to meet the challenges of the twenty-first century on the path of sustainable and inclusive growth. The modification of the plan amends eighteen out of twenty existing components, and brings an additional component, the REPowerEU chapter.

Mutually reinforcing measures

The modifications to the RRP do not negatively alter the components' coherence, nor the coherence of the plan as a whole. They do not alter the way they are mutually-reinforcing. Reforms newly included in the plan enable and underpin the planned investments, while investments aim at operationalising the reforms. For example, the new investment *C05-i08 - More Digital Science*, under component 5, supports other investments in this component by reinforcing the bridge between academia and business as regards innovation.

The additional REPowerEU chapter is fully in line with the measures deployed under the initial RRP to support the green transition and further reinforces the ambition of some of them, for example the decarbonisation of public transport, the energy renovation of public buildings, the production of renewable gases. The REPowerEU chapter is built around a consistent package of both reforms and investments that are mutually reinforcing to contribute for a decrease of energy demand, an increase in energy efficiency and support the clean energy transition.

Complementarity of measures

The modifications made to the eighteen existing components of the RRP do not negatively alter the way these components are complementary. For example, the new investment, *C21-i05 – Support to the development of the Green Industry*, under the REPowerEU chapter, complements the investments related to the clean energy transition in components 11, 13 and 14. At the level of the modified plan, all components pursue complementary aims – with no contradictory aims.

Taking into consideration the qualitative assessment of all components of Portugal's modified recovery and resilience plan, their individual weight (importance, relevance, financial allocation) and their interactions, the plan contains measures for the implementation of reforms and public investments which, to a high extent, represent coherent actions. This would warrant a rating of A under the assessment criterion 2.11 of Annex V to the RRF Regulation.

3.12. REPowerEU

Portugal's REPowerEU chapter contributes to objective 21c(3)(b), through a set of reforms and investments aimed at increasing Portugal's renewable energy potential. These include: (i) a reform to streamline permitting combined with the creation of a one-stop-shop for licencing renewables projects and the training of public servants dealing with renewables permitting; (ii) the implementation of an action plan for the development of biomethane; as well as (iii) a set of legislative actions to help the take-up of biomethane and renewable hydrogen in the country. Portugal also plans to invest in energy efficiency in residential, service and public buildings, set-up a national observatory on energy poverty and develop a one-stop-shop model to facilitate the implementation of energy efficiency interventions. The chapter also includes: (i) strategic reform to support the development of green skills in Portugal; (ii) the creation of a scheme for financing the production of net-zero technologies; (iii) the scale-up of an existing investment in renewable gases, and (iv) building storage capacity to increase the flexibility of the energy system.

Energy poverty, under objective 21c(3)(c), is addressed through two new reforms and the upscaling of energy efficiency in residential buildings. Portugal will establish a National Energy Poverty Observatory to monitor and support through targeted policies households in need. It will also develop and implement a Citizen Energy Space model – which consists of a one-stop-shop model for energy efficiency interventions – combined with a scaled-up investment to boost energy efficiency in residential buildings, helping households improve the energy class of their dwellings and save on their energy bills.

Several investments will contribute to objective 21c(3)(d) reducing Portugal's energy demand. In particular, the chapter includes upscaling of the "Decarbonisation of Industry" investment, aiming at financially supporting industrial SMEs to decarbonise their processes, improve their energy efficiency, and adopt renewable energy. It also includes a new investment to support to the development of green industry, through the set-up of a scheme for financing the production of net-zero technologies and related infrastructure that can help reduce energy demand, such as electric wiring, specialised operating and maintenance equipment and heat pumps.

Portugal also invests in improving electricity storage and decarbonising transport, contributing to objective 21c(3)(e). The REPowerEU chapter includes the investment in storage capacity to enable the optimisation and flexible management of the electricity system, especially in view of the electrification of the industry and transport, coupled with the development of the renewable hydrogen sector and the associated renewable electricity generation capacity. Portugal is also investing in the decarbonisation of transport, supporting the purchase of zero-emission public transport buses, the installation of recharging/refuelling stations, as well as the construction of new infrastructure for zero-emission transportation.

The retraining of the workforce for the green transition, under objective 21.3(f), is addressed through a new reform and a set of new and upscaled investments. Portugal proposed a reform for Green Skills, which aims to create a vocational training offer for the development of green skills. The investments for the development of the Citizen Energy Space model and the creation of a one-stop-shop for licencing renewables projects will entail the training of public servants. In addition, the investment to support Green Industry and the upscaling of investments in renewable gases will further enhance green competences of workers in the private sectors.

Moreover, the REPowerEU measures will have a long-term effect as they are part of Portugal's wider efforts to cut emissions in view of the EU's 55% 2030 climate reduction target and to achieve carbon neutrality by 2045, as Portugal pledged at COP 27 in Sharm el Sheik in November 2022. The new measures are fully aligned with Portugal's National Energy and Climate Plan 2030 (NECP) – which aims to achieve 80 % of renewable sources in electricity generation; as well as with the Carbon Neutrality Roadmap 2050 (RNC 2050) and the Basic Climate Law – which set a mandatory target of at least a 90 % reduction in greenhouse gases by 2050 compared to 2005 and the achievement of carbon neutrality. Moreover, the investments to decarbonise industry, improve energy efficiency in buildings as well as boost the national renewable energy production capacity contribute to the objectives of the European Green Deal and the Net Zero Industry Act. Portugal's investment in renewable hydrogen will also contribute to meet the European target for 10 million tonnes of renewable hydrogen to be domestically produced.

Consultations were held with stakeholders in the drafting of this chapter. The Portuguese government ensured broad participation by consulting civil society stakeholders, including: the Standing Committee for Social Dialogue; the Economic and Social Council; the Coordination and Regional Development Committees and the National Association of Municipalities. Thematic discussions were held with relevant actors in their fields, also collecting inputs from the National Monitoring Commission and political parties. Around 150 organisations and individuals submitted written contributions, which were considered in the design of the REPowerEU chapter.

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the chapter is expected, to a large extent, to contribute effectively to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and energy efficient, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030. This would warrant a rating of A under criterion 2.12 of Annex V of the RRF Regulation.

3.13. Cross-border or multi-country dimension or effect

The majority of the measures included in Portugal's REPowerEU chapter have a multi-country or cross-border dimension. The investments related to the production and storage of renewable energy are aimed at reducing the dependency of Portugal from fossil fuels and at increasing the potential of exports of clean energy to Europe. The scale-up of the production of renewable hydrogen will also put Portugal in a position to contribute to the country and the continent's decarbonisation. In addition, by scaling-up measures for energy renovations in public and service buildings, the plan contributes to reducing dependency on fossil fuels and reducing energy demand. These measures are complemented by the measure on the development of green industry and the scale-up of the measure aiming at decarbonising companies, which also aim to reduce both dependency on fossil fuels and energy demand in the industry sector.

The total costs of these measures account for a total of 608,9 million euros, representing 71% of the estimated costs of the REPowerEU chapter, far above the indicative target of 30%.

REPowerEU measure	**Costs (EUR million)**	**Contribution to the target in %**
C21-i01: Scaled-up: Decarbonisation of Industry	100	11,7%
C21-i02: Scaled-up: Energy efficiency in residential buildings	120	14,0%
C21-i03: Scaled-up: Energy efficiency in buildings used by the services sector	80	9,4%
C21-i04-RAM: Energy efficiency in public buildings in Madeira	14	1,6%
C21-i05: Support to the Development of Green Industry	50	5,8%
C21-i06: Scaled-up: Hydrogen and renewable gases	70	8,2%
C21-i07: Technical studies for offshore energy potential	50	5,8%
C21-i08: Network flexibility and storage	100	11,7%
C21-i10: System of incentives for the purchase and installation of renewable energy storage systems in the Azores	6	0,7%
C21-i11-RAM: System of incentives for the production and storage of energy from renewable sources in Madeira and Porto Santo	18,9	2,2%
TOTAL	608,9	71,2%

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the measures in the chapter are expected, to a large extent, to have a cross-border of multi-country dimension or effect. This would warrant a rating of A under criterion 2.13 of Annex V of the RRF Regulation.

ANNEX I: Climate tracking and digital tagging

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C01]-I[i01.1]	Primary health care with more answers — Construction of new energy efficient buildings	243	025ter	40%		
C[C01]-I[i01.2]	Primary health care with more answers — Medium-depth energy efficiency renovation	13	026bis	100%		
C[C01]-I[i01.3]	Primary health care with more answers — Energy efficiency renovation	171	026	40%		
C[C01]-I[i01.6]	Primary health care with more answers — Purchase of electric cars associated with the provision of health care	29	074	100%		
C[C01]-I[i01.7]	Primary health care with more answers — Tele-medicine/telehealth care	7			095	100%
C[C01]-I[i02.1]	National Network of Integrated Continued Care and National Network of Palliative Care — Strengthening the response capacity of the national networks of integrated continued care and palliative care services in inpatient and outpatient care	227	025ter	40%		
C[C01]-I[i03.2]	Completion of the mental health reform and implementation of the dementia strategy — Medium-depth energy efficiency renovation	59	026bis	100%		
C[C01]-I[i04.2]	Construction of East Lisbon Hospital and equipment for hospitals in Lisbon and Vale do Tejo - Construction of the East Lisbon Hospital	100	025ter	40%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C01]-I[i05-RAM.1]	Strengthening Madeira's Regional Health Service — Increase in the number of places in integrated continued care services in Madeira's Regional Health Service	52	025ter	40%		
C[C01]-I[i05-RAM.2]	Strengthening Madeira's Regional Health Service — Energy renovation of health facilities in Madeira's Regional Health Service	27	026	40%		
C[C01]-I[i06]	Digital Health Transition	300			095	100%
C[C01]-I[i07-RAM]	Digitalisation of Madeira's Regional Health Service	15			095	100%
C[C01]-I[i08-RAA]	Digital Hospital in the Azores	35			095	100%
C[C02]-I[i01.1]	Support Programme for Access to Housing - Renovations	420	025	40%		
C[C02]-I[i01.2]	Support Programme for Access to Housing - Construction - green	598	025ter	40%		
C[C02]-I[i02.1]	National Emergency and Temporary Accommodation Grant - Constructions green I	166	025ter	40%		
C[C02]-I[i02.3]	National Emergency and Temporary Accommodation Grant - Renovations	21	025	40%		
C[C02]-I[i03-RAM.1]	Strengthening of the supply of social housing in the Autonomous Region of Madeira - Constructions	129	025ter	40%		
C[C02]-I[i03-RAM.2]	Strengthening of the supply of social housing in the Autonomous Region of Madeira - Renovations	6	025	40%		
C[C02]-I[i03-RAM.3]	Strengthening of the supply of social housing in the Autonomous Region of Madeira - Information technology	2			11	100%

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C02]-I[i04-RAA.1]	Increasing housing conditions in the housing stock of the Autonomous Region of the Azores - Constructions	17	025ter	40%		
C[C02]-I[i04-RAA.2]	Increasing housing conditions in the housing stock of the Autonomous Region of the Azores - Renovations	27	025bis	100%		
C[C02]-I[i05.1]	Affordable public housing stock - Renovations	296	025	40%		
C[C02]-I[i05.2]	Affordable public housing stock - Constructions	604	025ter	40%		
C[C02]-I[i06.1]	Student accommodations at affordable prices - Renovations	356	025bis	100%		
C[C02]-I[i06.2]	Student accommodations at affordable prices - Constructions	159	025ter	40%		
C[C02]-I[i06]	Student accommodations at affordable prices	0	025ter	40%		
C[C02]-I[i08-RAA]	Reinforcement of the social housing stock	16	025ter	40%		
C[C02]-I[i09.1]	Support Programme for Access to Housing (loans) - Renovations	76	025ter	40%		
C[C02]-I[i09.2]	Support Programme for Access to Housing (loans) - Construction - green	120	025ter	40%		
C[C03]-I[i01.1]	New generation of equipment and social responses - Construction of social equipment	261	025ter	40%		
C[C03]-I[i01.2]	New generation of equipment and social responses - Renewal of social equipment	143	026	40%		
C[C03]-I[i01.4]	New generation of equipment and social responses - Electric Cars to provide social community support services	77	074	100%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C03]-I[i01.5]	New generation of equipment and social responses - IT equipment needed to provide social community support services	22			013	100%
C[C03]-I[i03-RAM.1]	Strengthening social responses in the Autonomous Region of Madeira (ARM) - Construction of social facilities	41	025ter	40%	-	
C[C03]-I[i03-RAM.2]	Strengthening social responses in the Autonomous Region of Madeira (ARM) - Renovation of social facilities	50	026	40%	-	
C[C03]-I[i04-RAA.2]	Implementing the Regional Strategy for Combating Poverty and Social Exclusion — Social Support Networks (ARA) - Electric Cars for the provision of community support social services	4	074	100%	-	
C[C03]-I[i04-RAA.3]	Implementing the Regional Strategy for Combating Poverty and Social Exclusion — Social Support Networks (ARA) - Construction of social facilities	10	025ter	40%	-	
C[C03]-I[i04-RAA.4]	Implementing the Regional Strategy for Combating Poverty and Social Exclusion — Social Support Networks (ARA) - Renewal of social facilities	5	026	40%	-	
C[C03]-I[i05]	Platform + Access	3			011	100%
C[C03]-I[i07-RAA.01]	Upgrading and expanding the network of residential care homes for the elderly (ERPIs) - Construction	8	025ter	40%		
C[C03]-I[i07-RAA.02]	Upgrading and expanding the network of residential care homes for the elderly (ERPIs) - Renovation	4	026	40%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C04]-I[i01.1]	Cultural Networks and Digital Transition - 1	89	129	0%	011	100%
C[C04]-I[i01.2]	Cultural Networks and Digital Transition - 2	4	129	0%	011	100%
C[C04]-I[i01.3]	Cultural Networks and Digital Transition - 3	10	129	0%	011	100%
C[C04]-I[i02.1]	Cultural Heritage - Renovation of cultural installations	210	26	40%		
C[C04]-I[i02.2]	Cultural Heritage — Saber Fazer	2	047	40%		
C[C04]-I[i02.3]	Cultural Heritage - National Archive of Sound	5	025ter	40%		
C[C05]-I[i01.02]	Green Agendas/Alliances for business innovation	372	022	100%		
C[C05]-I[i02.1]	Interface mission — renewal of the scientific and technological support network and guidance for productive fabric - Green	82	022	100%		
C[C05]-I[i02.2]	Interface mission — renewal of the scientific and technological support network and guidance for productive fabric - Digital	104			021	40%
C[C05]-I[i03.1]	Research and innovation agenda for sustainable agriculture, food and agro-industry [Innovation Agenda for Agriculture 20 30] - Green projects	45	022	100%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C05]-I[i03.2]	Research and innovation agenda for sustainable agriculture, food and agro-industry [Innovation Agenda for Agriculture 20 30] - Digital projects	36	050	40%		
C[C05]-I[i03.3]	Research and innovation agenda for sustainable agriculture, food and agro-industry [Innovation Agenda for Agriculture 20 30] - Renovation of hubs	12			009	100%
C[C05]-I[i05-RAA.1]	Economic Recovery of Azorean Agriculture - projects	20	047	40%		
C[C05]-I[i08.01]	More Digital Science - Campus Science XXI	4			009	100%
C[C05]-I[i08.02]	More Digital Science - Science Desk	2			009	100%
C[C05]-I[i08.03]	More Digital Science - National Advanced Computing Centre (CNCA)	22			055	100%
C[C05]-I[i08.04]	More Digital Science - R&D programme in public administration	9			009	100%
C[C05]-I[i08.05]	More Digital Science - National Platform for Mass Online Courses (NAU)	3	021	0%	021	100%
C[C05]-I[i08.06]	More Digital Science - National Open Science and Research Data Programme (PNCADAI)	9			055	100%
C[C05]-I[i10]	Green Agendas/Alliances for business innovation (2)	319	022	100%	0	0%
C[C05]-I[i11.01]	Mobilising Agendas/Alliances for Business Innovation (Loans) - Digital Innovation	649	008	0%	008	40%
C[C05]-I[i12]	Green Agendas/Alliances for business innovation (Loans)	533	022	100%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C06]-I[i01.1]	Modernisation of supply and vocational education and training institutions — Construction of vocational training centres	26	025ter	40%		
C[C06]-I[i01.2]	Modernisation of supply and vocational education and training institutions— Renewal of vocational training centres	127	026bis	100%		
C[C06]-I[i01.3]	Modernisation of supply and vocational education and training institutions— Equipment for digital skills	521			108	100%
C[C06]-I[i01.4]	Modernisation of supply and vocational education and training institutions— Skills for the green economy	36	01	100%		
C[C06]-I[i04]	Youth impulse – STEAM	147			108	100%
C[C06]-I[i05-RAA.2]	Adult Qualification and Lifelong Learning (ARA) - Digital skills	14			108	100%
C[C06]-I[i05-RAA.4]	Adult Qualification and Lifelong Learning (ARA) - Requalification of the professional schools network	8	026bis	100%		
C[C06]-I[i07.01]	More digital impulse - Technological and digital modernisation of agrarian sciences	15	009	0%	016	40%
C[C06]-I[i07.02]	More digital impulse - Modernisation of medicine	30	009	0%	095	100%
C[C06]-I[i07.03]	More digital impulse - Strengthening digital skills	20			108	100%
C[C06]-I[i07.05]	More digital impulse - Innovation and pedagogical modernisation in higher education (ICT)	20	009	0%	012	100%
C[C06]-I[i08-RAM]	Extension of the CITMA building	18	025ter	40%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C06]-I[i09.01]	New or renovated schools - Construction	45	025ter	40%		
C[C06]-I[i09.02]	New or renovated schools - Renovation	383	026bis	100%		
C[C06]-I[i09.03]	New or renovated schools - IT	23			012	100%
C[C07]-I[i01.1]	Business Reception Areas — Renewable energy production and storage systems (solar energy)	36	029	100%		
C[C07]-I[i01.2]	Business Reception Areas — Renewable energy production and smart storage (energy systems);	38	033	100%	033	40%
C[C07]-I[i01.3]	Business Reception Areas — Pilot interventions to improve energy stability	15	024	40%		
C[C07]-I[i01.4]	Business Reception Areas — Sustainable mobility	7	077	100%		
C[C07]-I[i01.5]	Business Reception Areas — Strengthening coverage with 5G	10			051	100%
C[C07]-I[i01.6]	Business Reception Areas — Active fire prevention and protection	3	036	100%		
C[C08]-I[i01]	Landscape Transformation in Vulnerable Forest Areas - Investment	270	036	100%		
C[C08]-I[i02]	Rural property registry and Land Cover Monitoring System	86	036	100%	011	100%
C[C08]-I[i03]	Fuel management breaks — primary network	120	036	100%		
C[C08]-I[i04]	Means to prevent and combat rural fires	89	036	100%		
C[C08]-I[i05]	More Forest Programme	50	036	100%		
C[C09]-I[i01]	Algarve Water Efficiency Regional Plan	237	040	40%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C09]-I[i03-RAM]	Plan for water efficiency and strengthening of supply and irrigation systems of Madeira	82	040	40%		
C[C09]-I[i04.1]	Hydraulic multi-purpose enterprise of Crato, construction phase - Dam construction work	51	040	40%		
C[C09]-I[i04.2]	Hydraulic multi-purpose enterprise of Crato, construction phase - Construction of mini hydro	2	032	100%		
C[C09]-I[i04.3]	Hydraulic multi-purpose enterprise of Crato, construction phase - Dam inflow enhancement system	17	040	40%		
C[C09]-I[i04.4]	Hydraulic multi-purpose enterprise of Crato, construction phase - Irrigation block infrastructure and monitoring	55	040	40%		
C[C09]-I[i04.5]	Hydraulic multi-purpose enterprise of Crato, construction phase - Strengthening supply of Povoa and Meadas dam	6	040	40%		
C[C09]-I[i04.6]	Hydraulic multi-purpose enterprise of Crato, construction phase - Environmental expropriation and compensation	9	040	40%		
C[C10]-I[i01.1]	Blue Hub, Network of Infrastructure for the Blue Economy — Digital infrastructure and equipment	2	008	0%	055	100%
C[C10]-I[i01.2]	Blue Hub, Network of Infrastructure for the Blue Economy — Skills for the Green Transition	5	01	100%		
C[C10]-I[i01.3]	Blue Hub, Network of Infrastructure for the Blue Economy — Protection of nature and biodiversity	39	050	40%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C10]-I[i01.4]	Blue Hub, Network of Infrastructure for the Blue Economy — Construction of buildings	43	025ter	40%		
C[C10]-I[i01.5]	Blue Hub, Network of Infrastructure for the Blue Economy — Building renovation	4	026bis	100%		
C[C10]-I[i01.6]	Blue Hub, Network of Infrastructure for the Blue Economy — Adaptation measures to climate change	7	037	100%		
C[C10]-I[i02]	Green and Digital Transition and Security in Fisheries	21	024	40%		
C[C10]-I[i03.1]	Atlantic Defence Operations Centre and naval platform — Nature and biodiversity protection	148	050	40%		
C[C10]-I[i03.2]	Atlantic Defence Operations Centre and naval platform — Skills for the green transition	2	01	100%		
C[C10]-I[i04-RAA.1]	Development of the 'Cluster do Mar dos Açores' — Protection of nature and biodiversity	23	050	40%		
C[C10]-I[i04-RAA.2]	Development of the 'Cluster do Mar dos Açores' — Construction of buildings	16	025ter	40%		
C[C10]-I[i04-RAA.3]	Development of the 'Cluster do Mar dos Açores' — Research Vessel Modules	6	050	40%		
C[C10]-I[i05-RAA]	Energy transition, digitalisation and reduction of environmental impact in the fisheries and aquaculture sector	5	024	40%		
C[C10]-I[i07.02]	Green Shipping - Information system	1	084bis	40%	084bis	100%
C[C11]-I[i01]	Decarbonisation of Industry	737	024ter	100%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C12]-I[i01.1]	Bioeconomy - Research and Innovation	120	022	100%		
C[C12]-I[i01.2]	Bioeconomy - Training and Awareness Raising	3	01	100%		
C[C12]-I[i01.4]	Bioeconomy - Forest Management	16	036	100%		
C[C13]-I[i01]	Energy efficiency in residential buildings	300	025bis	100%		
C[C13]-I[i02]	Energy efficiency in central government buildings	240	026bis	100%		
C[C13]-I[i03]	Energy efficiency in buildings used by the services sector	70	024ter	100%		
C[C14]-I[i01]	Hydrogen and renewable gases	185	032	100%		
C[C14]-I[i02-RAM]	Renewable electricity potentiation in the Madeira Archipelago	84	032	100%		
C[C14]-I[i03-RAA]	Energy transition in the Azores	137	032	100%		
C[C15]-I[i01]	Expansion of the Lisbon Metro Network — Red Line to Alcântara	358	073	100%		
C[C15]-I[i02]	Expansion of the Porto Metro Network — Casa da Música-Santo Ovídio	352	073	100%		
C[C15]-I[i03]	Light Rail Transit Odivelas - Loures	390	073	100%		
C[C15]-I[i04]	Bus Rapid Transit Boavista – Império	66	073	100%		
C[C15]-I[i05]	Decarbonisation of public transport	48	074	100%		
C[C15]-I[i06]	Digitalisation of rail transport	49	070	40%	070	100%
C[C16]-I[i01]	Digital Empowerment of Enterprises	100			108	100%
C[C16]-I[i02]	Digital Transition of Enterprises	475			010	100%
C[C16]-I[i03]	Catalyst for the Digital Transition of Enterprises	100			010	100%
C[C16]-I[i04]	Industry 4.0	60			010	100%

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C16]-I[i05.01-RAA]	Digital Capacity and Transformation of Enterprises in the Azores - System of incentives for the digital transition of enterprises	20			010	100%
C[C16]-I[i05.02-RAA]	Digital Capacity and Transformation of Enterprises in the Azores - Amplification of the Science and Technology Park TERINOV	2	025ter	40%		
C[C16]-I[i05-RAA]	Digital Capacity and Transformation of Enterprises in the Azores	0			010	100%
C[C16]-I[i06-RAM]	Enterprise 4.0	6			010	100%
C[C17]-I[i01]	Public Financial Management Information Systems	163			011	100%
C[C17]-I[i02]	Modernisation of the information systems of the Tax and Customs Authority for rural property taxation	43			011	100%
C[C17]-I[i03]	Digital transition of Social Security services	200			011	100%
C[C18]-I[i01]	Economic justice and business environment - Investment	267			011	100%
C[C19]-I[i01.1]	Redesign of public and consular services- Services recorded and available in the enhanced Entity and Services Catalogue	182			011	100%
C[C19]-I[i01.2]	Redesign of public and consular services - New consular management model	26	025ter	40%		
C[C19]-I[i01.3]	Redesign of public and consular services - Increasing Citizen Spaces and Shops (Lojas e Espaço Cidadão)	15			011	100%
C[C19]-I[i02]	Sustainable electronic services	70			011	100%

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C19]-I[i03]	Strengthening the overall cybersecurity framework	52			011	100%
C[C19]-I[i04]	Efficient, secure and shared digital critical infrastructures	83			011	100%
C[C19]-I[i05-RAM]	Digital transition of Madeira's public administration	81			011	100%
C[C19]-I[i06-RAA]	Digital transition of the public administration in Azores	33			011	100%
C[C19]-I[i07]	Public administration empowered to create public value	83			016	40%
C[C19]-I[i08.1]	Intelligent Territories	54			011	100%
C[C19]-I[i08.2]	Intelligent Territories	6			108	100%
C[C19]-I[i08]	Intelligent Territories	0			011	100%
C[C20]-I[i01]	Digital transition in education	609			012	100%
C[C20]-I[i02-RAA]	Digital education (Azores)	43			012	100%
C[C20]-I[i03-RAM]	Accelerating the digitalisation of ARM education	22			012	100%
C[C21]-I[01]	Scaled-up measure: Decarbonisation of Industry	100	024ter	100%		
C[C21]-I[02]	Scaled-up measure: Energy efficiency in residential buildings	120	025bis	100%		
C[C21]-I[03]	Scaled-up measure: Energy efficiency in buildings used by the services sector	80	024ter	100%		
C[C21]-I[04]-RAM	Energy efficiency in public buildings in Madeira	14	026bis	100%		
C[C21]-I[05]	Support to the Development of Green Industry	50	027	100%		
C[C21]-I[07]	Technical studies for offshore energy potential	50	027	100%		
C[C21]-I[08]	Network flexibility and storage	100	033	100%		

Measure/ Sub-Measure ID	Measure/Sub-Measure Name	Budget (EUR m)	Climate		Digital	
			Int. Field	Coeff. %	Int. Field	Coeff. %
C[C21]-I[09]	One-stop-shop for the licensing and monitoring of renewable energy projects	10	011bis	40%	011bis	100%
C[C21]-I[10-RAA]	System of incentives for the purchase and installation of renewable energy storage systems in the Azores	6	033	100%	033	40%
C[C21]-I[11-RAM]	System of incentives for the production and storage of energy from renewable sources in Madeira and Porto Santo	19	033	100%	033	40%
C[C21]-I[12]	Scaled-up measure: Decarbonisation of public transport	90	074	100%		
C[C21]-I[13-RAM]	Decarbonisation of transport	12	074	100%		
C[C21]-I[14]	Bus Rapid Transit Braga	100	073	100%		
C[C21]-I[15-RAA]	Acquisition of two electric ferries	25	074	100%		
C[C21]-I[16]	Nazaré Funicular	10	073	100%		