

ENVIRONMENTAL PERFORMANCE REVIEW OF PORTUGAL

EXECUTIVE SUMMARY

In the 1990s, Portugal's GDP increased by about 25% and its population by 1%. GDP per capita rose by 23%, but is still more than 25% below the OECD average. Particularly after 1993, GDP growth was significantly higher than for the EU as a whole. This growth is associated with structural changes (industrial modernisation, decline in agriculture, rapid urbanisation of coastal areas, development of tourism) and regional disparities.

Pressures on the environment include natural resource use, pollution and the restructuring of land use. Portugal faces the challenge of achieving economic, environmental and social development that is nationally balanced and converges with that of other European countries. In particular, over the last decade, environmental infrastructure (e.g. for water supply, waste water treatment and waste treatment) expanded due to major investments: these efforts must continue for Portugal to achieve the high standards set by EU environmental policies. For this purpose, Portugal has used and will continue to use EU funds to help it converge with other EU members in environmental protection. Significant investments were also made, and positive results achieved, regarding nature conservation. Portugal has further made considerable efforts, which must be pursued, to integrate environmental concerns into the decision making process (e.g. promoting environmental impact assessment of major projects). Land use plans have now been made for the whole country.

This report examines progress made since the previous OECD environmental performance review of Portugal, and the extent to which its environmental domestic objectives and international commitments are being met. 57 recommendations are put forward that could contribute to strengthening the country's environmental performance, and to its progress towards sustainable development.

Implementing more effective and efficient environmental policies

In the 1990s, Portugal made much progress in establishing a revised, modern environmental legislative framework (largely but not solely in response to EU environmental directives), in strengthening its environmental institutions (including establishing a single ministry and related regional bodies in charge of both environmental and land use matters), in developing national environmental planning (e.g. its first national environmental plan, in 1995, and strategic plans concerning water and waste services), in adapting physical plans covering the entire country (e.g. national coastal area protection plans, national nature protection plan, municipal land use plans) and in investing in and programming water- and waste-related infrastructure, particularly in the context of the 1994-99 and 2000-06 EU Community Support Frameworks.

However, much remains to be done to further develop environmental investment (e.g. for water- and waste-related infrastructure and for air pollution abatement and control [PAC] in large energy and industrial facilities), to implement environmental regulations effectively (e.g. by increasing compliance rates through strengthened inspection capacities and more effective administrative and penal sanctions, by verifying progress with respect to voluntary agreements and by promoting implementation of the integrated pollution prevention and control licensing mechanism) and to implement the recent national and municipal physical plans effectively. In the second half of the 1990s Portugal increased its environmental expenditure to about 1.6% of GDP (including PAC expenditure of about 1.1% of GDP), and it should probably expand this financial effort to meet its ambitious environmental targets in the areas of water and waste management. Special attention will have to be given to progress towards fuller implementation of the polluter pays and user pays principles in order to assure a shift of financing from taxpayers to polluters and users of environmental services, and to get ready for a likely reduction in EU financing beyond 2006. The use of economic instruments such as charges, deposit-refund programmes and other market instruments should be expanded in all environmental fields, particularly to accompany the development of cost-effective provision of water- and waste-related services.

* See Annex.

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Towards sustainable development

In the 1990s, Portugal experienced a period of rapid economic growth and structural change, with a substantial increase in public and private investment, including for environmental infrastructure. Many strategic plans, action plans and operational programmes apply to economic, sectoral and regional development as well as to environmental management. A coherent, comprehensive system of spatial planning at national, regional and local levels was established, including special plans for coastal zones and forestry. In this context, institutional integration of environmental concerns has made significant progress at all levels of public decision making: at strategic, planning, programming, policy making and project design levels. Sectoral ministries such as agriculture and transport have begun to take environmental concerns more systematically into account in policy design and implementation, following appointment of environmental auditors directly attached to the minister. The Prime Minister's Office pays close attention to sustainable development issues. Responsibilities for environmental policy and spatial planning have been merged in a single ministry. Efforts are being made to bring small and medium-sized enterprises into compliance with environmental law through adjustment contracts with branch associations. Many programmes provide incentives to speed environmental investment and stimulate environmentally sound management practices.

Despite all these positive developments, Portugal's progress in decoupling pollution pressures from economic growth has been weak. Waste generation, car traffic and the related CO₂ emissions have increased at rates higher than those of GDP. Overall, little progress has been made in improving energy efficiency. Monitoring of the local implementation and enforcement of spatial plans is necessary. Market integration of environmental concerns has only just begun to progress. For instance, the polluter pays and user pays principles are far from being fully implemented in water and waste management. Environmentally related taxes are not used to their full potential in guiding production and consumption towards sustainable practices and patterns. Environmentally damaging subsidies are used in various sectors. Additional steps are still needed to assure proper integration of environmental concerns in energy, industry, transport and agriculture.

International commitments: achievements...

Over the 1990s, Portugal made progress with respect to a number of international environmental issues. The country participates in many multilateral or international environmental agreements, its bilateral environmental relations are quite satisfactory and it has transposed EU environmental directives into its legislation; it has also progressed in its environmental convergence within the EU, most significantly in the area of water- and waste-related infrastructure. Portugal plays a positive role in supporting the progress of a number of Portuguese-speaking countries on international environmental issues.

Concerning marine issues, Portugal was very active in multilateral forums in the 1990s. It ratified the OSPAR Convention on the prevention of marine pollution, and after Annex 5 on the protection of marine ecosystems was adopted in 1998 in Sintra, it created 2 marine parks. Concerning LMOs and nature protection, Portugal worked very actively towards adoption of the Cartagena Protocol to the Convention on Biodiversity so as to encourage better monitoring of trade in LMOs. It has ratified the Eurobats and ACCOBAMS agreements to the Bonn Convention: protection measures have been taken for bats and will be taken for cetaceans. Portugal ratified the Convention to Combat Desertification and published a national action programme. Concerning toxics, Portugal signed the 1998 Rotterdam Convention on prior informed consent, a step towards committing itself to better control of exports of hazardous chemicals and pesticides to developing countries; it has already achieved the objectives of the Aarhus protocols for several heavy metals and persistent organic pollutants (e.g. cadmium, lead, mercury, dioxins and furans). The Framework Law on the Environment provides for compulsory insurance of activities posing high environmental risk.

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... and progress to be made.

Portugal is using EU funds effectively, particularly for water supply and sanitation infrastructure. However, some European directives have proved difficult to implement (e.g. in the fields of water quality, nature conservation and EIA), and Portugal has not yet prepared contingency plans for hazardous installations. Co-operation with Spain has been reinforced through the signature in 1998 of a convention on water management that significantly widens the scope of previous bilateral agreements and will aid in implementing river basin management, in line with requirements of the 2000 EU water framework directive; bilateral co-operation has also progressed on nature conservation (e.g. creation of the Gerês-Xurés transboundary park). Portugal has become a donor country, with ODA that has stayed around 0.25% of GNP, reflecting instability in most Portuguese-speaking African countries; however, the share of its ODA devoted to environmental projects is relatively low. Portugal also contributes to the GEF.

Concerning marine issues, Portugal needs to protect itself from the dangers associated with the considerable maritime traffic off its coasts. There have been positive developments as regards preventing marine pollution from ships, but Portugal has not yet signed the OPRC and the Salvage convention. Despite efforts made by Portugal, the 1990 Lisbon Co-operation Agreement has not entered into force, pending expected ratification by some other countries. As a result, the International Centre to Combat Oil Pollution in the North-eastern Atlantic (CILPAN) has had to operate with limited capacity. Portugal has not signed several agreements related to compensation in the event of oil spill accident or damage by hazardous or noxious substances along its coasts. Nor has it signed the London Protocol to the London Dumping Convention further restricting waste dumping at sea.

Concerning climate change, Portugal has signed the Kyoto Protocol and in 2001 adopted a national strategy to achieve its targets. Meanwhile, its total GHG emissions increased by 18% between 1990 and 1998 and are likely to further increase by 2010, far above its commitments of 27% growth, if the strategy is not fully implemented and effective. More should be done to improve the energy efficiency of the Portuguese economy and to capture related multiple benefits: reduced GHG emissions, reduced emissions of conventional pollutants, economic benefits from more efficient energy use and reduced fuel import dependence. Concerning ozone depletion, Portugal has made progress towards phasing out ozone depleting substances, but still imports CFCs from existing stocks in other EU countries. Under the Convention on Biological Diversity, Portugal has published a draft of its national biodiversity conservation strategy. While Portugal has not signed or ratified the Helsinki, Sofia, Geneva and Oslo protocols to the Convention on Long-range Transboundary Air Pollution, it did sign the more recent Gothenburg Protocol, with stringent, SO₂, NO_x and VOC emission reduction objectives, and is considering ratification.

Annex: 57 Recommendations*

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| Environmental Management | <ul style="list-style-type: none"> ▪ continue implementing the various national plans and investment programmes and review and revise the <u>National Environment Plan</u>; ▪ strengthen the financial and human resources devoted to national environmental inspection to support progress in <u>compliance with and enforcement of environmental regulations</u>; ▪ strengthen financial and human resources to continue support progress in <u>compliance with and enforcement of land use regulations</u> in the context of national and municipal land use planning; ▪ ensure that <u>voluntary agreements</u> become more effective and efficient (e.g. with clear targets, reliable monitoring, improved transparency and third party participation); ▪ continue to strengthen implementation of <u>integrated pollution prevention and control</u> licensing mechanisms; ▪ develop the use of <u>economic instruments</u> and full cost recovery in the provision of environmental services, and progress towards full adherence to the polluter pays and user pays principles; ▪ significantly increase <u>economic analyses</u> of environmental policy measures. |
| Air | <ul style="list-style-type: none"> ▪ implement further measures to reduce <u>SO_x, NO_x and CO₂</u> emissions in order to fulfil domestic and international commitments cost-effectively; continue to design and implement measures to reduce emissions of ozone precursors; ▪ foster the implementation of the <u>new integrated environmental licensing</u> for industrial installations and strengthen related enforcement; ▪ develop <u>energy efficiency</u> programmes in the transport, residential and industry sectors (e.g. for small and medium-sized industries) so as to derive multiple benefits: more efficient energy use, lower fuel import dependence and reduced emissions of both conventional air pollutants and CO₂; implement <u>fuel quality</u> improvement plans fully; ▪ strengthen the guidance function of <u>environmentally related taxes</u> concerning transport and energy; ▪ continue to act to reduce the average age of <u>vehicle fleets</u> through improved control of used car imports, enhanced technical inspections and economic incentives for fleet renewal; continue to develop public transport; ▪ expand air quality <u>monitoring</u> (e.g. to include fine particulates and ground-level ozone); ▪ establish or enhance <u>air quality management programmes</u> for major cities. |
| Water | <ul style="list-style-type: none"> ▪ implement <u>water management by river basin</u>, in particular through river basin authorities; ▪ continue to improve the <u>efficiency of water and waste water services</u> by extending the formation of plurimunicipal bodies to the whole territory, by opening the water service supply sector to private operators and private funding and by applying the user pays and polluter pays principles; ▪ mobilise national and international technical, human and financial resources to achieve the 2006 objective of <u>90% of population connected</u> to public waste water treatment; ▪ promote the use of economic instruments such as <u>pollution charges</u> for industry and <u>withdrawal charges</u> for agriculture; ▪ prepare national pollution reduction programmes for all <u>hazardous substances</u> discharged into water (e.g. by industry); ▪ implement environmental impact assessment of large new <u>irrigation projects</u>, pursuant to new EIA legislation; ▪ extend water quality monitoring to <u>all groundwater sources</u> used or intended for drinking water abstraction. |
| Waste | <ul style="list-style-type: none"> ▪ complete closure of uncontrolled <u>dumping sites</u> by 2001; ▪ continue to implement the <u>national plans on municipal, industrial and hospital waste management</u>; monitor the performance in implementation, and review and revise the plans accordingly, with special attention to waste prevention efforts; ▪ where appropriate, adopt <u>household waste charges</u> based on waste production rather than on water consumption; ▪ continue to develop quantitative targets for <u>industrial waste</u> stream management; use economic incentives to encourage industrial waste recycling; ▪ foster the development of a <u>waste management industry</u> including co-incineration of hazardous industrial waste in cement plants; ▪ develop public information on options for <u>hazardous waste</u> treatment. |
| Nature and biodiversity | <ul style="list-style-type: none"> ▪ implement the <u>national biodiversity strategy</u>, in particular measures to control rapid urban expansion and tourism development in coastal areas and taking account of the Natura 2000 network; ▪ finish establishing and implement management plans for the <u>national network of protected areas</u>; establish and implement management plans for Ramsar <u>wetlands</u> and restore migratory routes between marine and inland waters for migratory fish species; ▪ ensure that nature conservation is taken fully into account in <u>implementing regional, coastal and municipal land use plans</u>; ▪ explore the possibility of raising private funds for nature conservation to progressively assure its <u>long-term financing</u>; ▪ continue efforts to implement biodiversity conservation in <u>agriculture, forestry and fisheries</u>. |
| Environmental/economic interface | <ul style="list-style-type: none"> ▪ <u>decouple</u> pressures on the environment from sectoral activities (e.g. energy, industry, transport, agriculture) through better <u>institutional and market integration</u> of environmental concerns in sectoral decision making and practices; ▪ further strengthen national and local <u>sustainable development</u> efforts (e.g. by adopting a national sustainable development strategy); |

* These Recommendations were formally approved by the OECD Working Party on Environmental Performance.

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| | <ul style="list-style-type: none"> ▪ integrate environmental concerns in <u>fiscal policies</u> and decrease environmentally harmful subsidies; ▪ promote environmental management systems and eco-efficiency in <u>industry</u>, including by linking investment aid to compliance with environmental standards; ▪ intensify efforts to improve the modal split in passenger and freight <u>transport</u>, and to develop sustainable urban transport systems; ▪ strengthen sustainable <u>rural development</u> policies and reinforce mechanisms of cross-compliance in <u>agricultural policies</u>; ▪ strengthen the capacity to <u>evaluate the environmental impact</u> of regional and sectoral development schemes. |
| Environmental/social interface | <ul style="list-style-type: none"> ▪ ensure that <u>environmental convergence</u>, both within the EU and within Portugal (e.g. among regions) receives higher priority in the implementation of EU cohesion policies; ▪ take <u>distributive effects</u> into account when privatising environmental services, introducing economic instruments or changing legislation concerning property and user rights; ▪ foster the development of <u>environmental democracy</u> through further improvement in environmental information, increased participation (e.g. in EIA processes) and the development of Local Agenda 21 initiatives; ▪ continue to raise environmental awareness and competence in environmental management through comprehensive <u>environmental education</u>; ▪ strengthen the management and enforcement <u>capacities of local authorities</u>, and develop professional classification profiles for environmental employment. |
| Sectoral integration: tourism | <ul style="list-style-type: none"> ▪ fully monitor and enforce the implementation of recent <u>coastal and municipal land use plans</u> and, in the process, increase municipalities' and tourism professionals' information on and commitment to the integration of environmental concerns into tourism decisions; ▪ continue seeking to reduce environmental pressures from tourism through the development of <u>sanitation infrastructure</u> (water supply, waste water treatment, solid waste treatment) supporting tourism facilities; ▪ continue seeking to reduce pressures on the environment from tourism and related transport (e.g. by <u>spreading tourism demand</u> over time and space); ▪ put more emphasis on <u>eco-friendly forms of tourism</u>, with efforts to include domestic tourists; ▪ promote the integration of <u>sustainable tourism in local economies</u> (e.g. coastal areas that are under intense pressures from tourism, as well as relatively poor inland areas); ▪ develop the use of <u>economic instruments</u> (e.g. access fees, airport charges, taxation of second homes) in line with the polluter pays and user pays principles; ▪ develop the tourism-environment indicators and the tourism resources inventory as a basis for both providing tourist information and monitoring progress towards <u>sustainable tourism objectives</u>. |
| International commitments | <ul style="list-style-type: none"> ▪ ratify and implement formal international agreements to prevent <u>marine pollution</u> from ships (OPRC, London Protocol to the Dumping Convention) and those that would enable higher compensation in the event of an <u>oil spill accident</u> or damage from noxious substances along the coasts; ▪ implement the national strategy to achieve <u>GHG emission</u> reduction targets and capture multiple ancillary benefits; ▪ ratify the Gothenburg Protocol and take efficient measures to achieve the <u>SO₂, NO_x and VOC emission</u> reduction objectives; ▪ prepare contingency plans in the event of an <u>industrial accident</u>, pursuant to the Seveso directive; ▪ take measures to reduce imports of <u>CFCs</u> so as to contribute to protection of the ozone layer, pursuant to the Montreal Protocol; ▪ increase <u>ODA</u> in line with national commitments, as well as the share of ODA devoted to environmental projects. |

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