

## Highlight:

### More Hydro power on the way

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Outlook: Trade trend set to hit Portuguese GDP

•NIS-National Institute of Statistics says Aug 30, "the global economic environment is less favourable to export-driven Portuguese economic growth" particularly as the euro strengthens, European interest rates rise and GDP growth in Q1 and Q2 slows, down from 2% and 1.6% over same 2006 period respectively. NIS says the decline is the result above all of exports slowing from 11.5% to 6.2% at end Q2. Sales to major European trading partners – Spain, Germany and France weakened month-on-month in July 2007 while trade growth remained dynamic outside the European space, even though a sharp drop in oil prices has substantially (7.7%) cut exports to the US, Portugal's main non-EU trading partner. A third of exports outside of the EU were machinery and spare parts which improved 40% in H1. Overall such exports rose some 16% with Asia acquiring nearly €1000 million worth of goods, up 50% over H1 2006. Exports to Spain accounted for 28% or more than 1/4 of total exports in H1 this year, followed by Germany, 15%, France, 15%, UK 6% and Italy 4%. Outside the EU, the US acquired 22% of total Portuguese exports followed by Angola, 18%, Singapore 7%, Malaysia, 6% and Japan 4%. Machinery represented the largest slice of exported goods followed by motor vehicles and boats – 14 % of total. Mining and metals accounted for 11%, chemical products for 11%, clothing and footwear 10%. In services tourism and travel accounted for 11% of exports, transport for 7%, communications 2% and financial services for just 0.4%.

Energy: Hydroelectric dam programme announced

•Government's national dam programme (Plano Nacional de Barragens) to be tabled mid-September will identify at least ten locations nationwide for new Hydro-Electric and water conservation dams says Environment Minister Nunes Correia. He said deadline for

completing the dam building program is 2020. The aim is to ensure up to 70% of Portugal's hydroelectric potential is developed, sufficient to secure 7000 megawatts of generating capacity or 3000 megawatts above current levels. At this stage Portugal only uses 46% of its total hydrological potential, he said. The minister declined to put a figure on the cost of the investment but other sources in the report said the cost was between €1.5 and 2000 million. The minister also declined to identify locations. But he insisted that these had been selected with a view to minimizing environmental, social and cultural difficulties and to avoid the huge delays that have plagued the Hydro-Electric dam under construction on the lower Sabor (Baixo Sabor) river. Other sources say that likely locations for the dams include Foz Tua, on Rio Tua, Vidago Daivões and Fridão of the Tâmega, and Girabolhos, on the Mondego. These projects are part of expansion plans drawn up by the national electricity grid regulator REN - Redes Energéticas Nacionais, which is in charge of surveying Portugal's hydro graphic basins. Additional possible sites fo ams include: Linhares and Cela on the Minho. Alvito, Pêro Martins, Alvarenga and Senhora de Monforte. The dam building program excludes the Baixo Sabor, already awarded to EDP in 1997 as an alternative to Foz Côa which was shelved after a worldwide outcry about the submerging of important archaeological remains. According to a September 6 report some of the projects in the new plan will go out to public tender and others may be directly awarded, the minister said. Meanwhile government will award the operating concession for the Alqueva hydroelectric dam (Altentejo) directly to EDP - Energias de Portugal, in return for am payment of more than €300 million. Agriculture minister Jaime Silva said the deal would be sealed in the week beginning September 9. The minister said no tender were called on the operating contract "because two new variables have entered the process – a need to bring forward by 10 years to 2015, completion of all irrigation works at Alqueva and a need for a rapid doubling of capacity to 240 megawatts. "

Infrastructure: Shadow tolling end is delayed

•The public works department's plans to replace shadow tolls by physical tolls on the Grande Porto,

Costa de Prata and Litoral Norte motorway concessions will not now be introduced this year and "are unlikely to be ready to begin in 2008 either" says a September 1 report. *Diário Económico* newspaper says discussions between the department and the owners of the concessions are at an impasse and "there has been no movement on government's proposed solution". The newspaper says "introducing road tolls will be impossible this year" due to a highly complex and difficult range of legal, technical, financial and other problems." As we have reported over the past three years the total cost of compensation to the motorway operators for abandoning the PPP designed shadow tolling scheme is enormous and filled with legal obstacles.

Labour: €4.2 bn on active employment policies

- Government has announced it will spend €4.2 thousand million on "active employment policies" through to 2010 according to a September 6 report. Some €3.2 thousand million is for joined up measures on a group of programs to stimulate and adjust demand and supply tensions and to include professional training programmes all of which will be discussed with the social partners at the forthcoming round of social bargaining. Some €319.2 million is ringfenced for creating self employment opportunities and €652.6 million for creating quality employment. Government says the increased cash injection together with improved professional training means that opportunities will be extended by more than 45%. Government plans the program will reach some 1.4 million people between 2007 and 2010.

Wine: 2007 wine harvest 20% to 25% lower ?

- The Portuguese wine harvest begins within a few days and production is expected to be 20% to 25% lower than the 2006 harvest or some 5.65 and 6 million hectolitres. Prices are likely to rise even though the year is not expected to offer top quality wine. Because of difficult weather conditions over summer, grapes are fifteen days late in reaching maturity. Very high rainfall in spring and at the beginning of summer affected fruiting and will lead to lower production levels says the Instituto da Vinha do Vinho (IVV) – Institute of Wine and Vine. IVV expects lowest harvest will be in the Beiras. – and Beira Interior down 50%, while Minho and Trás-os-Montes are expected to see levels fall by between 26% and 52%. Douro Valley harvest is likely to be some 18% lower although authorised production of port wine has been set at 125,000 pipes more than the 2006 harvest. In the south the wines of Algarve and Ribatejo are expected to have been little affected by bad weather while Estremadura and Alentejo production is expected to fall by 18% to 25%. Wine grower and oenologist Dirk Niepoort says despite the mildew the harvest looks promising. "Mildew has not affected too many vines and on the other hand the soil

is saturated with water while temperatures have been mild enabling us to make a more balanced wine in terms of acidity and alcohol," he said. Farmers and producers however claim that prices paid by intermediaries and major port companies are likely to remain low even if supply is reduced as a result of the conditions. In 2006 Spanish groups such as Sogevinus. -- which controls port shippers Calém, Barros and Kopke – paid producers €100 less for a pipe of wine than the previous year Dirk Niepoort says current prices to wine growers at the lower end of the market "is a scandal". In the Symington wine group, largest producer and shipper of port wine, all members of the family including group chairman Paul Symington, work their own estates in the Douro selling to the family firm. Paul Symington says that his own Group did not pay him enough for his grapes to cover production costs "a reflection of the wider difficulties Douro producers face". Government's Vitis program is gradually changing the face of areas under vine with new plantations emerging in all regions and old vines restructured and replaced.

Africawatch: Critical mass for Portugal in Angola

- It has taken more than two decades of delicate adjustment, cut and thrust diplomacy and aid but 32 years after Angola gained independence from Portugal Portuguese investment and business development in the former colony is achieving a critical mass according to a September 9 report. Leading companies doing expanding business include Mota /Engil construction (€298 million portfolio in 2007 providing second largest contribution to consolidated group turnover). It is diversifying into industry and energy through Martifer and into harbour management following recent acquisition of Tertir Group. Grupo Espírito Santo financial services group, through Escom which runs Luó mining concession northern Angola, with expected income of US\$18,000 million in the coming year, also holds 14 other diamond concessions in partnership with BHP Billiton, the Australian mining company. It is involved in construction and real estate and reported turnover in 2006 of US\$136 million. This is set to be US\$400 million by 2010. Pulp & Paper giant Portucel-Soporcel is considering entering the Angolan market building a pulp and paper mill in a project that would include managing and developing state owned forestry resources. Energy company Galp with a 9% stake in Cabinda block 14 offshore field (12,000 barrels a day) has so far invested some US\$850million and is Angola's largest foreign investor.

**Correction:** See last issue - Ocean Power Delivery Ltd has changed its name to Pelamis Wave Power Ltd [www.pelamiswave.com](http://www.pelamiswave.com)

•eu2007: Portuguese Presidency of the European Union

•EXCHANGE: Currency rates: Sept 9, 1 EUR-PTE200.482; 1 USD-€0.726370, 1 UKP-€1.47306