

ECCP ADVOCACY PAPERS 2019

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RENEWABLE ENERGY & ENERGY EFFICIENCY ADVOCACY PAPER 2019



ABOUT ECCP

The **European Chamber of Commerce of the Philippines (ECCP)** is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



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EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

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Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.

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METHODOLOGY

The 2019 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in 2018 Advocacy Papers were examined under the following criteria:

Completed/Substantial Progress: Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

Some Progress: Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

No Progress/Retrogression: Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

MESSAGE FROM ECCP PRESIDENT



2019 has truly been a year of opportunities for the European-Philippine business community. This year, we welcome the implementation of the landmark Ease of Doing Business Act as well as the 18th Congress, with its list of legislative economic priorities. We also acknowledge the enactment of laws on Universal Health Care, Tax Amnesty, Energy Efficiency and Conservation, amongst other measures. Steady macroeconomic fundamentals as well as the administration's plans and pronouncements concerning economic reforms also open opportunities for further trade and investments. Furthermore, the ECCP aims to build upon the achievements of the past years in making the Philippine business environment friendlier for European companies and ensuring that these businesses can make the most of these exciting developments.

To further build on such success, several matters need to be addressed in order to fully realize the potential of the European-Philippine economic ties and the Philippine economic growth. It becomes increasingly important for the Philippines to improve global market integration, enhance its competitiveness as a Foreign Direct Investment (FDI) destination, and accelerate infrastructure development in order to achieve much needed sustainable and inclusive growth.

It is in this context that we are pleased to present the 2019 ECCP Advocacy Papers. The ECCP Advocacy Papers include suggested reforms on priority sectors identified by the Chamber and its members. As an advocate of economic liberalization and sustainable economic growth, the ECCP stands ready to support the Philippines in making these much needed changes for the mutual benefit of Europe and the Philippines.

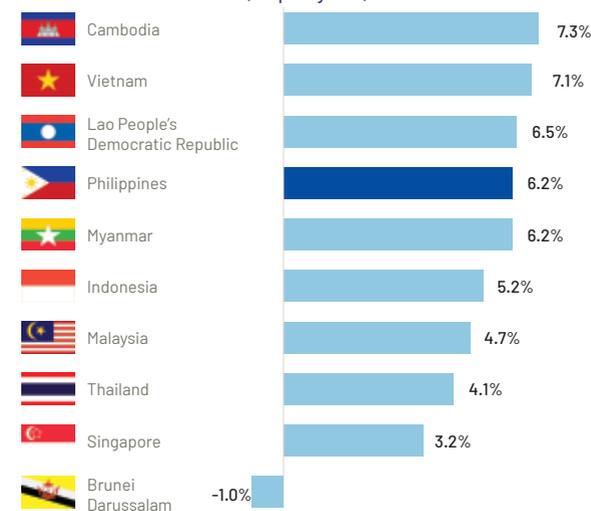
Mr. Nabil Francis
ECCP President

WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines strives to maintain its robust economic performance amidst several challenges. Though the GDP posted a decelerated growth of 6.2% in 2018, it is still considered as one of the fastest-growing countries in the Association of Southeast Asian Nations (ASEAN). With a 10-year average annual GDP growth of 5.4%,¹ the Organisation for Economic Co-operation and Development (OECD) recognizes the Philippines as one of the countries, along with Vietnam, who are expected to lead the ASEAN-5 in terms of economic growth.²

GDP Growth Rate, 2018
(% per year)



Source: Asian Development Bank. *Asian Development Outlook 2019*

The GDP was mainly driven by manufacturing, trade and repair of motor vehicles, motorcycles, personal and household goods, and construction. Services accounted for the biggest share with 57.8%, followed by Industry with 34.1%, and Agriculture, Hunting, Forestry and Fishing (AHFF) with 8.1%.³ The steady flow of remittances from Overseas Filipino Workers (OFWs), the ambitious *Build Build Build* Program, and resilience of the business and knowledge outsourcing industry are anticipated to keep the momentum going in the upcoming years.⁴ The GDP Per Capita posted a decelerated growth of 0.5% from 2017, placing the Philippines 5th in rank amongst the ASEAN.⁵

¹ World Economic Forum. (2018) *The Global Competitiveness Report*. Retrieved 15 September 2019 from www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf.

² OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*. Retrieved 14 September 2019 from dx.doi.org/9789264286184-en.

³ Philippine Statistics Authority. (2019). *Gross Domestic Product of the Philippines Highlights for 2018*. Accessed 14 September 2019 from psa.gov.ph/regional-accounts/grdp/highlights.

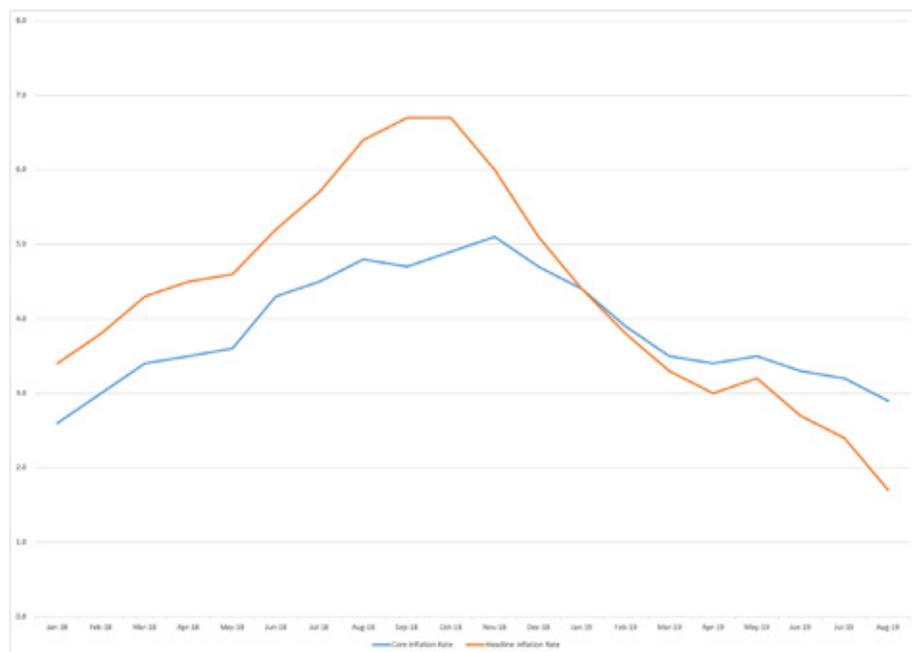
⁴ OECD. (2018) *Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth Through Digitalisation*.

⁵ Asian Development Bank. (n.d.) *Economic indicators for the Philippines*. Retrieved 16 September 2019 from adb.org/countries/philippines/economy.

The inflation rate for 2018 steadily rose throughout the year. The headline inflation rate increased from 2.9% in 2017 to 5.2% in 2018. Inflation peaked at 6.7% in the third quarter of 2018, and only decreased during the last two months of the said year. The drastic increase in prices was primarily attributed to the tight domestic supply, impact of natural calamities, and the rising global crude oil rates.⁶

The average core inflation rate reached 4.1% in 2018 – a 2.5% increase from 2017, that could be linked to the impact of fiscal expansion as well as the pass-through effect of a weaker peso.⁷ The full year average inflation was brought up to 5.2%, which is above the National Government's announced target range for 2018.⁸ However, as of August 2019, the headline inflation rate decelerated to 1.7%, the lowest rate achieved since October 2016 which was at 1.8%. The deceleration was brought about by the slower annual increase in prices of food and non-alcoholic beverages.⁹

Philippines: Inflation Rate, January 2018 – August 2019



Source: PSA and BSP

6 World Bank. (2019) *Philippines Economic Update April 2019: Safeguarding Stability, Investing in the Filipino*. Retrieved 16 September 2019 from documents.worldbank.org/curated/en/442801553879554971/pdf/Philippines-Economic-Update-Safeguarding-Stability-Investing-in-the-Filipino.pdf

7 Ibid.

8 Bangko Sentral ng Pilipinas. (2018) *Inflation Report Q4 2018*. Retrieved 15 September 2019 from bsp.gov.ph/downloads/Publications/2018/IR4qtr_2018.pdf.

9 Philippine Statistics Authority. (2019). *Summary Inflation Report Consumer Price Index (2012=100): August 2019*. Accessed 27 September 2019 from psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2019.

The country's credit rating over the past year proves itself to be stable according to Moody's Investor Service.¹⁰ The table below shows ratings from various agencies throughout the year:

2018 Philippine Credit Ratings		
Date	Agency	Rating
26 April	S&P	BBB Positive
20 July	Moody's	Baa2 Stable
19 December	Fitch	BBB

Source: Standard and Poor's, Moody's, Fitch.

The demographics for 2018 puts the country's economy at a prime advantage. A population of 106.60 million,¹¹ with a median age of 23.7,¹² adds a young, dynamic and competitive workforce to the country's competitive advantages including its strategic business location in the region and a pursuit for developing infrastructure for global growth,¹³ among others.

A 2018 Philippine Statistics Authority (PSA) Survey records the employment rate at 94.7%. Categorically, the Services sector had the biggest share with 56.6%, followed by the Agriculture sector with 24.3%, and the Industry sector with 19.1%.¹⁴ This leaves the unemployment rate at 5.3% and the underemployment rate with 16.4%. Though the statistics on employment displayed a positive growth of approximately 0.3-0.4% from 2017, high levels of unemployment remain to be a recurring challenge for the Philippines.

For international rankings, the 2018 Global Competitiveness Report ranks the Philippines 56th out of 140 countries, with a score of 52.1.¹⁵ The report highlighted the country's Macroeconomic Stability as its strongest pillar, ranking 43rd with a score of 90. However, Innovation Capability was noted as the country's weakest, ranking 67th with a score of 37.2.¹⁶ As for the World Bank Doing Business 2018 Report, the Philippines was given an overall ranking of 113th out of 190 countries. The country's factor of Getting Electricity is ranked best at 31st, while Starting a Business is ranked the worst at 173rd.¹⁷

10 Moody's Investors Service. (2018) *Announcement: Moody's: Philippines' credit profile supported by strong growth and progress on reform*. Retrieved 16 September 2019 from moody.com/research/Moody's-Philippines-credit-profile-supported-by-strong-growth-and-progress-PR_387103.

11 Asian Development Bank. (2018) *Philippines: By the Numbers*. Retrieved 16 September 2019 from data.adb.org/dashboard/philippines-numbers.

12 Central Intelligence Agency. (2018). *The World Factbook: Philippines*. Retrieved 15 September 2019 from cia.gov/library/publications/the-world-factbook/geos/rp.html.

13 Philippine Consulate General. (n.d.) *The Philippines possesses several competitive advantages*. Retrieved 18 September 2019 from vancouverpcg.org/trade-01.html.

14 Philippine Statistics Authority. (2018). *2018 Annual Labor and Employment Status*. Accessed 15 September 2019 from psa.gov.ph/content/2018-annual-labor-and-employment-status.

15 World Economic Forum. (2018) *The Global Competitiveness Report*.

16 Ibid.

17 World Bank. (2018). *Doing Business 2018: Reforming to Create Jobs*. Retrieved 16 September 2019 from doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2018-Full-Report.pdf.

With regard to Foreign Direct Investments (FDIs), the Bangko Sentral ng Pilipinas officially registered USD 9.8 Billion in net inflows for 2018, down by 4.4% from the USD 10.3 billion record from 2017.¹⁸ Majority of equity capital placements were mainly channeled to manufacturing, finance and insurance activities, and real estate activities with Singapore, Hong Kong, and Japan as the top partners.¹⁹ With the country's relations with the European Union, three member states ranked in the top ten with Netherlands, Luxembourg, and Germany placing 7th, 8th, and 10th, respectively.²⁰



Total external trade amounted to USD 182.15 billion in 2018. The top three major trading partners for the year were People's Republic of China, Japan, and the United States of America.²¹ The European Union (EU) immediately followed with a 9.6% share in total trade, valued at USD 17.49 billion. Germany ranked the highest as the Philippines' top trading partner in the EU, followed by the Netherlands, and France. Alternatively, the Philippines is the EU's 41st largest trading partner globally, accounting for only 0.4% of the EU's total trade.²²



Indeed, the Philippines has made notable progress in recent years. However, much work still needs to be done in order to improve the country's global competitiveness. Substantial economic reforms, especially concerning the ease of doing business as well as the creation of a level playing field have yet to be realized to capitalize on the substantive gains of the Philippines. Furthermore, boosting the Philippine manufacturing sector, deepening the ASEAN integration, and enhancing trade facilitation are all imperative to take the Philippine economy to greater heights.



18 Bangko Sentral ng Pilipinas. (2019). *FDI Registers US\$677 million in December 2018; Full-Year Reaches US\$9.8 Billion in 2018*. Retrieved 14 September 2019 from bsp.gov.ph/publications/media.asp?id=4967&yr=2019.

19 Ibid.

20 Department of Trade and Industry. (2018) *NET FOREIGN DIRECT INVESTMENTS REPORT*. Retrieved 16 September 2019 from dti.gov.ph/resources/statistics/net-foreign-direct-investments-fdi#graph.

21 Philippine Statistics Authority. (2019). *Highlights of the 2018 Annual Report on International Merchandise Trade Statistics of the Philippines (Preliminary)*. Accessed 15 September 2019 from psa.gov.ph/content/highlights-2018-annual-report-international-merchandise-trade-statistics-philippines.

22 European Commission. (2019). *Countries and Regions: The Philippines*. Retrieved 16 September 2019 from ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/.

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INTRODUCTION

Energy plays a vital role in a country's economic development. Meanwhile, over the past years, it has been of increasing importance that energy is produced and consumed sustainably, and in line with international developments and standards.

In this light, the Philippine government has implemented and proposed policies in support to increasing energy supply while promoting the utilization of cleaner energy sources and options. The Philippines' leaders and decision-makers in the power arena have also been called upon to further their efforts in increasing the use and development of renewable energy (RE) sources.¹

Despite the continuous efforts that have been pursued, challenges in the sector remain to be seen. This calls for the strengthened collaboration amongst all stakeholders, especially the government and the industry.

On this note, the ECCP presents the following recommendations:

- Creation of a decisive transition strategy to renewable energy and further promotion of energy efficient technologies and systems
- Implementation of measures in support of increased energy capacity
- Employment of integrated recycling plants and management of waste-to-energy systems towards increased energy production

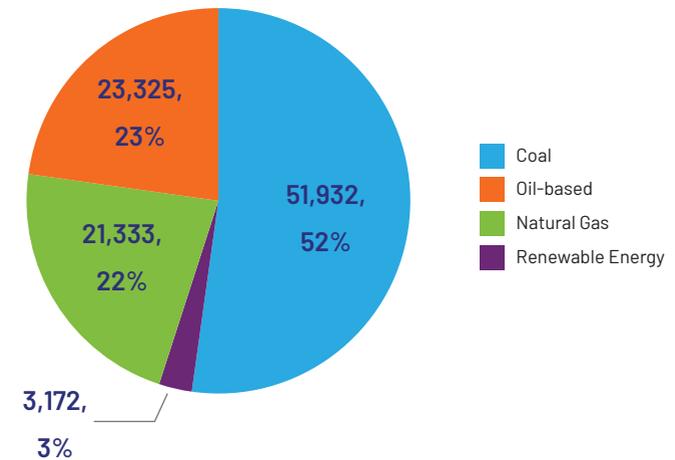


1 Presidential Communications Operations Office. (2019). Retrieved from <https://pcco.gov.ph/wp-content/uploads/2019/07/4th-State-of-the-Nation-Address-of-President-Rodrigo-Roa-Duterte.pdf>

With a growth rate of 5.7% from the previous year, a total of 99,765 gigawatt hours (GWh) of power have been generated in the Philippines in 2018. Coal maintained its position as the top energy source, followed by renewable energy, natural gas, and oil-based sources.²

The Philippines has remained heavily reliant on coal, dominating the country's energy portfolio. In 2018, 30 million metric tons (MT) of coal was consumed, of which at least 85% was imported.³ Concurrently, it is worthy to note that the share of renewable energy has constantly increased for the past 5 years, from 19,810 GWh in 2014 to 23,326 GWh in 2018.⁴

Share of Energy Sources in the Philippines
(Generation, in GWh)



In addition, power supply in terms of installed capacity rose by 4.8% to 23,815 MW in 2019 from 21,730 MW in 2017. A total of 933.6 MW new capacities supplemented the Philippines' power supply, from coal, oil-based, geothermal, hydropower, and biomass sources.⁵

The energy sector was likewise one of the largest recipients of investments in the Philippines. According to the Department of Trade and Industry's Board of Investments, out of the PHP 313 billion total approved investments in the country from January to July 2019, 63% or PHP 195.1 billion are energy projects. This reflects a 65.3% increase from the PHP 118 billion in the same period in 2018.⁶ Investment opportunities are also largely available in off-grid areas, with the identification of 1,702 potential off-grid sites, as well as more than 2 million households that remain unserved in the Philippines.⁷

2 Department of Energy (DOE). (2019). 2018 Power Statistics. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/01_2018_power_statistics_as_of_29_march_2019_summary.pdf

3 DOE. (2019). 2018 Coal Statistics. Retrieved from <https://www.doe.gov.ph/energy-information-resources?q=energy-resources/coal-statistics>

4 DOE. (2019). 2018 Power Statistics.

5 DOE. (2019). 2018 Power Demand and Supply Highlights. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/electric_power/2018_power_situation_report.pdf

6 Board of Investments (BOI). (2019). BOI Investments reach P313B through July, up 24%. Retrieved from <http://boi.gov.ph/boi-investments-reach-php313b-through-july-up-24/>

7 Atty. Fuentaballa, F. (2018). Energy Investment Opportunities. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/e-ipo/01_eif_2018_manila_energy_investment_opportunities.pdf

The Philippine power sector has indeed made headways in certain aspects. However, the energy sphere is not without challenges that need to be addressed before long.

Energy demand in the Philippines is expected to continue to rise, due in part to the increasing population and overall economic activities. Following a similar trend as the country's power generation and consumption is the Philippines' total energy demand, with a recorded annual average growth rate of 5.2% from 2014-2018.⁸ The Department of Energy (DOE) projects that the Philippines will need 43,765 MW⁹ additional capacity by 2040.¹⁰ Moreover, the Philippines' total final energy consumption (TFEC) is projected to rise at 4.2% on an average, from 29.8 million tons of oil equivalent (MTOE) in 2015, to 54.9 MTOE in 2030.

In relation to this, in a business as usual scenario, there is a foreseen energy deficit in the Luzon and Visayas regions, and a surplus in Mindanao.^{11,12} Some of the factors considered to contribute to this anticipated occurrence are the continuous increase in power demand in all regions, as well as the challenge in energy transmission, further burdened by the archipelagic nature of the Philippines. More importantly, while the Luzon and Visayas grids have been integrated in 1998,¹³ the Mindanao grid remains to be disconnected. This has led to the persisting absence of a national grid that will bring about an energy sharing system in the country.

The above-mentioned concerns in the sector have resulted in consequences such as power outages in several areas and rotational blackouts, which may pose health and safety impacts, as well as entail opportunity costs, among many others.¹⁴

In terms of electricity costs, the Philippines has maintained its position as one of the countries with the highest electricity rates, ranking 2nd in Asia¹⁵ in 2018, at PHP8.96 per kilowatt hour (KWh).¹⁶ Electricity has likewise been considered as one of the key factors that have contributed to the inflation hike in 2018.¹⁷

Moreover, security and self-sufficiency are being challenged by the depletion of the *Malampaya* reserves and the expiration of its license to operate by 2024. Currently, *Malampaya* is able to provide approximately 3,000 MW of energy,¹⁸ and is foreseen to decrease to as much as 1,000 MW by 2024.¹⁹

To this end, with the increasing recognition of potential climate change implications, rising cost of fuels, constant increase in demand, as well as the depletion of finite energy sources, there needs to be further efforts towards expanding renewable energy share as well as promoting energy efficiency and conservation.²⁰

8 DOE. (2019). Luzon, Visayas and Mindanao grids - Annual System Peak Demand per Grid as of 2018. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/07_2018_power_statistics_as_of_29_march_2019_annual_lvm_peak_demand.pdf

9 Projected with a GDP Scenario of 8% and reserve requirements of 25% of the peak demand

10 Atty. Fuentabella, F. (2018). Energy Investment Opportunities.

11 Ibid.

12 Atty. Layug Jr., J.M. (2018). Speech presented at the EPBN Renewable Energy and Energy Efficiency Committee Meeting.

13 Philippine Information Agency (PIA). (2018). MVIP seen to establish a unified national grid by 2020 - NGCP. Retrieved from <https://pia.gov.ph/news/articles/1013461>

14 Office of Senator Sherwin Gatchalian. (2016). Policy Brief on Energy: The Costs of Power Outages in the Philippines. Retrieved from http://wingatchalian.com/wp-content/uploads/2017/01/Policy-Brief_Cost-of-Power-Outages.pdf

15 Japan (P12.31 per kWh); Philippines (P8.96 per kWh); Singapore (P8.83 per kWh); Hong Kong (P6.53 per kWh); and Thailand (P6.23 per kWh).

16 Lectura, L. (2018). Average electricity price in PHL 2nd highest in Asia-think tank. Retrieved from <https://businessmirror.com.ph/2018/08/07/average-electricity-price-in-phl-2nd-highest-in-asia-think-tank/>

17 Oxales, O. (2018). Probing the high cost of electricity. Retrieved from <https://www.doe.gov.ph/energist/probing-high-cost-electricity>

18 Atty. Layug Jr., J. M. (2018). Speech presented at the EPBN Renewable Energy and Energy Efficiency Committee Meeting.

19 Flores, A. M. S. (2018). Malampaya's gas production seen falling to a third by 2024. Retrieved from <https://www.doe.gov.ph/energist/malampaya%E2%80%99s-gas-production-seen-falling-third-2024-0>

20 Posadas, J. (2019). Speech presented at the Energy Efficiency and Conservation Act Implementing Rules and Regulations public consultation.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

The following reforms have been implemented by the Philippine government over the past year:

- In March 2019, **Republic Act (RA) No. 11234**²¹ was signed into law, mandating for the creation of the Energy Virtual One-Stop Shop. This will allow for the modernization of application and permitting process for energy power generation, transmission, and distribution projects through an online system. The Implementing Rules and Regulations of the said policy was released in May 2019.²²
- **RA No. 11285 or the Energy Efficiency and Conservation (EEC) Act**²³ was signed into law in April 2019. This law provides for the standardization of energy efficiency and conservation measures, promotion of the increased use of renewable energy sources, and provides incentives for the energy efficiency projects.
- The **Murang Kuryente Act or RA No. 11371**²⁴ was signed into law last August 2019. Under this law, “PHP 280 billion of the proceeds of the net national government share from the Malampaya fund, shall be utilized for the payment of stranded contract costs and stranded debts transferred to and assumed by the Power Sector Assets and Liabilities Management Corporation (PSALM).”
- The **Solar Para Sa Bayan Franchise Law or RA No. 11357**,²⁵ which grants a 25-year franchise²⁶ to the Solar Para Sa Bayan (SPSB) Corporation was signed in August 2019.
- The **Anti-Obstruction of Power Lines Act or RA No. 11361**²⁷ was signed into law last August 2019. This law prohibits the establishment of hazardous construction, conduct of high-risk activities, and planting of tall-growing plants, within the power line ingress. It also lays out the responsibilities of power line owners and operators to prevent and remove obstructions to the power lines.

21 Official Gazette. (2019). Republic Act (RA) No. 11234. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/03mar/20190308-RA-11234-RRD.pdf>

22 DOE. (2019). Department Circular No. 2019-05-0007: Rules and Regulations Implementing Republic Act No. 11234 (Energy Virtual One-Stop Shop Act). Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2019-05-0007.pdf>

23 Official Gazette. (2019). RA No. 11285. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/04apr/20190412-RA-11285-RRD.pdf>.

24 Official Gazette. (2019). RA No. 11371. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/08aug/20190808-RA-11371-RRD.pdf>

25 Official Gazette. (2019). RA No. 11357. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/07jul/20190731-RA-11357-RRD.pdf>

26 To construct, install, establish, operate, and maintain distributed energy resources and microgrids in the remote and unviable, or unserved or underserved areas in selected provinces of the Philippines to improve access to sustainable energy

27 Official Gazette. (2019). RA No. 11361. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/08aug/20190808-RA-11361-RRD.pdf>

- Energy Regulatory Commission **Resolution No. 03, Series of 2019**²⁸ sets clarification on and provides additional conditions that will provide a rationale for the activation of energy distributors’ interruptible load program (ILP). Under this Resolution, the ILP scheme may be initiated in an “emergency state”, as defined under the Philippine Grid Code,²⁹ to help ease power demand.
- In May 2019, the Joint Congressional Power Commission approved the proposed amendments to the IRR of the Electric Power Industry Reform Act (EPIRA) Law, stipulated in the DOE **Department Circular No. 2018-08-0021**³⁰ and **2018-03-005**³¹ The amended IRR now states that (1) financial benefits collected from 26 October 2018 to 25 December 2018 shall be directly remitted to communities hosting power generation facilities, within 15 days; and (2) indigenous people are likewise considered beneficiaries.
- The **Mindanao-Visayas Interconnection Project (MVIP)** of the National Grid Corporation of the Philippines (NGCP) broke ground last November 2018. The project’s cable terminal stations will cover the municipalities of Santander, Cebu, Dapitan City, and Zamboanga del Norte. The 92-kilometer submarine cables will carry around 450 MW of power from Visayas and Mindanao, and vice-versa. The MVIP, conditionally approved by the Energy Regulatory Commission last 2017, was also certified by the DOE as a project of National Significance last May 2018.³²



28 Energy Regulatory Commission. (n.d.). Resolutions and Rules. Retrieved from <https://www.erc.gov.ph/IssuancesPage/1/0>

29 Electrical Engineer Resources. (n.d.). Philippine Grid Code 2016 Edition. Retrieved from <https://electricalengineerresources.com/wp-content/uploads/2018/05/PGC-2016-Edition.pdf>

30 DOE. (2018). DC 2018-08-0021. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2018-08-0021-update-as-of-08242018.PDF>

31 DOE. (2018). DC 2018-03-005. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2018-03-0005.pdf>

32 National Grid Corporation of the Philippines. (2018). Retrieved from <https://www.ngcp.ph/article?cid=15646>



ADVOCACY RECOMMENDATIONS

1. Creation of a Decisive Transition Strategy to Renewable Energy and Further Promotion of Energy Efficient Technologies and Systems

Formulation of a sustainable energy mix policy

The looming energy crisis in the Philippines as well as the increasing demand for the use of cleaner, more sustainable energy options calls for the reassessment and optimization of the country's power mix.

It is in this context that the ECCP continues to advocate for the formulation of a sustainable energy mix policy which provides a bigger allocation for renewable energy sources. Increasing the share of renewable energy technologies and systems in the power mix provides better energy security, as well as reduced carbon emissions. Furthermore, as this will help align the Philippines with energy- and environment-related Sustainable Development Goals and related international commitments, it will also contribute to the economy in the form of savings, which could reach as much as PHP2.5 billion per annum,^{33,34} and has the potential to reduce wholesale electricity prices by 30%.³⁵

In connection to this, we recognize the initiatives being undertaken by the Philippine government to shift to a more sustainable energy mix policy. This includes the approval of the Renewable Portfolio Standards for both on- and off-grid areas,³⁶ Green Energy Option Program,³⁷ and the targeted increase in RE installed capacity by 2040 under the Philippine Energy Plan.³⁸

Effective Implementation of the Energy Efficiency and Conservation Act

As one of its longstanding advocacies, the ECCP considers the enactment of the EE&C Act as a milestone in the Philippine energy sector. As a measure that will help provide energy security and sufficiency, as well as reduce carbon emissions, we look forward to the effective implementation of the law, with some of its key provisions, as follows:

- Creation of a National Energy Efficiency and Conservation Plan and Database
- Ensures compliance with the Government Energy Management Program
- Collaboration between the government and the private sector in the promotion of the use of energy efficient technologies and conservation practices, as well as the overall effective implementation of the law

33 With RE having at least 23% share in the energy mix. Study conducted by the European Union (EU)-funded - Access to Sustainable Energy Programme (ASEP).

34 DOE. (2018). Hybridization and Genset Optimization to save NAPOCOR up to P2.25 billion. Retrieved from <https://www.doe.gov.ph/press-releases/hybridization-and-genset-optimization-save-napocor-p225-billion>

35 Ahmed, S. (2019). Prospects Improve for Energy Transition in the Philippines. Retrieved from http://ieefa.org/wp-content/uploads/2019/09/Prospects-Improve-for-Energy-Transition-in-the-Philippines_September-2019.pdf

36 DOE. (2018). DOE sets renewable portfolio standards for off-grid areas. Retrieved from <https://www.doe.gov.ph/energist/doe-sets-renewable-portfolio-standards-grid-areas>

37 DOE. (2018). DC 2019-07-0019. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2018-07-0019_0.PDF

38 DOE. (2017). Energy Annual Report 2017. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/transparency/annual_report_esar_2017.pdf

We likewise acknowledge the recognition of the Philippine government of the importance of the retention of a number of incentives. This includes the inclusion of EE&C projects in the Board of Investment Priorities Plan, as well as granting of income tax holidays and duty-free importation. We look forward to this policy attracting more investments in the country, which could lead to knowledge and technology transfer, as well as contribute to human capital and skills development in the Philippines.

2. Implementation of Measures in Support of Increased Energy Capacity

Integration of Visayas and Mindanao Grid

The establishment of a unified national grid is recognized by the government as one of the key measures that will ease access to and reduce the cost of electricity in the Philippines.

It is for this reason that the ECCP highly recommends the integration of the Visayas and Mindanao Grids in the soonest possible time. Following the integration of the Luzon and Visayas Grids, this will pave the way to the enhanced sharing of local energy sources across regions, and help meet the country's future energy needs. We also acknowledge that this will facilitate infrastructure development and economic activities in the Philippines, including increased investments and employment opportunities.

To this end, we laud the efforts of the Philippine government in the undertaking of the Mindanao-Visayas Interconnection Project, and look forward to its completion by 2020.³⁹

Enact a Downstream Natural Gas Industry Development Law

One of the mechanisms to increase the Philippines' energy reserves is to further develop and diversify its energy sources. An energy source that possesses a great potential to help meet the country's energy demand is natural gas, whose production has exceeded consumption for a number of years now.⁴⁰ As a step towards this, we recognize the DOE's adoption of the Downstream Natural Gas Roadmap 2017-2040,⁴¹ as well as the enactment of the Philippine Downstream Natural Gas Regulation DC2019-11-0012.⁴²

While these efforts promote the expansion of the downstream natural gas industry in the Philippines, the ECCP views that a legislative framework is needed to strengthen, sustain, and further regulate this industry. It is in this context that we highly recommend to the Philippine government the implementation of a Downstream Natural Gas Industry Law. Specifically, we look forward to this legislation that:

- (1) provides a framework in the operation of the Philippine Downstream Natural Gas Industry (PDNGI) value chain;
- (2) encourages the increased competition and investments in the PDNG Industry
- (3) promotes for the increased use and capacity of natural gas in the Philippines; as well as
- (4) introduces and strictly implements safety and environmental standards that should be met by the industry in their development and operation of Natural Gas plants

39 PIA. (2018). MVIP seen to establish a unified national grid by 2020 - NGCP.

40 DOE. (2019). Natural Gas Production and Consumption. Retrieved from <https://www.doe.gov.ph/energy-information-resources?q=natgas-statistics>

41 DOE. (n.d.). Downstream Natural Gas Roadmap 2017-2040. Retrieved from <https://www.doe.gov.ph/pep/downstream-natural-gas-roadmap-2017-2040>

42 DOE. (2017). DC 2017-11-0012. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2017-11-0012.pdf>

3. Employment of Integrated Recycling Plants in Support of Increased Energy Production

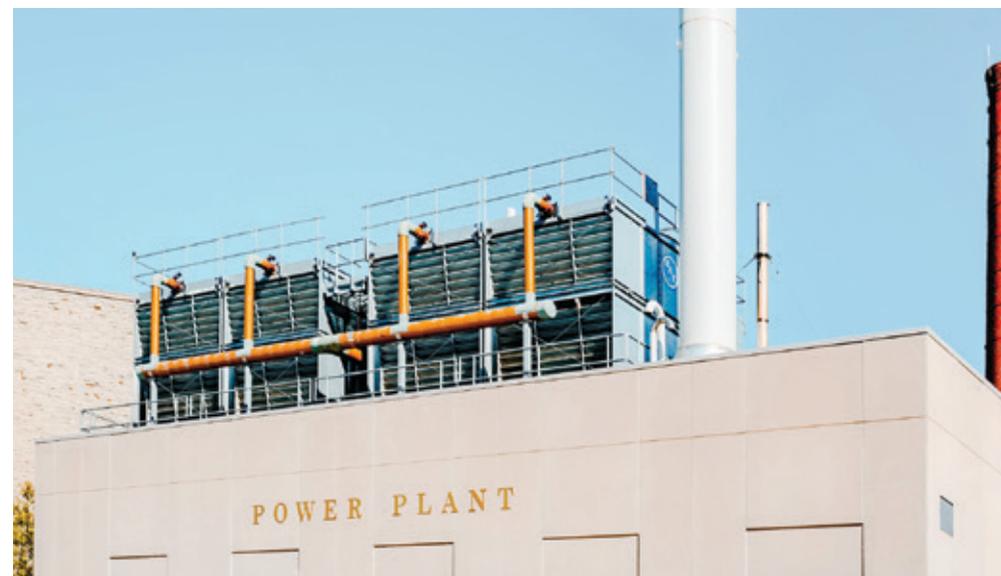
It is imperative that the objective of increasing the energy capacity is coupled by a conscious decision-making that will also help address environmental issues. One of the key opportunities to reach this goal is to maximize the use of available resources in the country that can be harnessed or transformed into energy.

With this, the ECCP urges for the stricter implementation of RA No. 9003 on solid waste management, and the waste management provision under the EE&C Act. In successfully implementing these measures, the country's resources may be more efficiently utilized to maximize generation of energy through integrated recycling plants.

On the other hand, currently existing municipal and agricultural^{43,44} garbage in the Philippines may be transformed into energy through the use of waste-to-energy (WTE) technologies. Doing so can alleviate the country's waste problem, while likewise ease the deficiency in energy supply. In this context, we look forward to the clarification of WTE guidelines, which will govern the operation of WTE plants in the country. Furthermore, the ECCP highly recommends the limitation on the number of WTE installations established in the Philippines, to help curb possible imminent effects such as the foreseen shortage of garbage supply to feed WTE plants.

Alongside this, we also recognize the existence of several measures and policy proposals that provides for the strict regulation of the use of treatment technology for waste,⁴⁵ as well as promotion of the use of WTE technologies in the Philippines.⁴⁶

To this end, the ECCP underscores the need to utilize full recycling and effective waste management as a primary measure, prior to resorting to the application of waste-to-energy systems.



43 Agricultural wastes are estimated to have a potential power generation capacity of 4448 MW

44 De Guzman, R. (n.d.). Biomass Resource Assessment for Selected Sites in Luzon, Visayas and Mindanao.

45 Senate Bill Nos. 879 and 491

46 House Bill Nos. 3423, 3174, 933 and Senate Bill No. 363 and 401

ASSESSMENT OF 2018 RECOMMENDATIONS

ISSUE	RECOMMENDATIONS
Creation of a decisive transition strategy to renewable energy and further promotion of energy efficient technologies and systems	Formulation of a sustainable energy mix policy
	Support energy efficiency and conservation
	Retain incentives for investments under the Energy Efficiency and Conservation Bill
Implementation of measures in support of sustainable energy capacity	Integration of Visayas and Mindanao Grid
	Enact a Downstream Natural Gas Industry Development Law
Employment of integrated recycling plants in support of increased energy production	Promotion of measures towards Waste-to-Energy and integrated recycling

COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
	DOE approval of the RPS for on- and off-grid.	
Passage of the Energy Efficiency and Conservation (EE&C) Act last April 2019.		
The EE&C Act provides for fiscal and non-fiscal incentives that will be granted to energy efficient projects.		
The Mindanao-Visayas Interconnection Project (MVIP) broke ground last November 2018.		
	(1) Adoption of the Downstream Natural Gas Roadmap 2017-2040; (2) Enactment of the Philippine Downstream Natural Gas Regulation DC2019-11-0012	
	The EE&C Act signed this year includes a section on waste management.	



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