

RENEWABLE ENERGY AND ENERGY EFFICIENCY ADVOCACY PAPER 2018



ABOUT EPBN



OUTREACH



SUPPORT SERVICES



ADVOCACY

The EU-Philippines Business Network (EPBN) established in January 2014, is a project co-funded by the European Union and implemented by a consortium of European business organizations based in the Philippines. Led by the European Chamber of Commerce of the Philippines (ECCP), partner chambers include the Belgian-Filipino Business Club, British Chamber of Commerce Philippines, French Chamber of Commerce of the Philippines, German-Philippine Chamber of Commerce and Industry, Italian Chamber of Commerce of the Philippines, Nordic Chamber of the Philippines, and Spanish Chamber of Commerce of the Philippines.

The overarching objective of EPBN is to support European companies, especially small-medium enterprises, to increase exports to and investments in the Philippines by facilitating market access and ensuring a level playing field for all companies.

Adopting a threefold approach of outreach, support services and advocacy, EPBN provides a strong support system at every stage of entry to the Philippine market for European businesses. In delivering these services, EPBN cooperates closely with its partner organizations in other Association of South East Asian Nation (ASEAN) countries to provide information on ASEAN as a market, promoting the Philippines as a gateway to the region.



RENEWABLE
ENERGY
AND ENERGY
EFFICIENCY
ADVOCACY PAPER
2018

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Positions expressed in the advocacy papers are the result of the activities of the 14 Sector Committees working under the EU-Philippines Business Network.

METHODOLOGY

The 2018 edition of the EPBN Advocacy Papers features issues and recommendations formed after extensive discussions between members of the EPBN sector committees, dialogues and meetings with representatives from the Philippine Government, the EU Delegation to the Philippines and other EU national chambers and embassies. The EPBN 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 executive and regulating agencies of the government.

Further, the recommendations stated in each paper were created based on the discussions during the quarterly sector committee meetings, most of which were conducted with a representative from a concerned government agency based on the issues to be discussed. In close cooperation with the sector committee leaders and members, the EPBN secretariat thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with EU business interests and priorities. Once the secretariat has finalized the first draft of each sector paper, it was then circulated to the Committee members, Market Access Team Meeting 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 2017 EPBN 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 evolve to an even bigger bottleneck for EU businesses in the former year.

ABOUT THE THEME



EU AND THE PHILIPPINES: Jointly Pursuing Competitiveness for Inclusive Growth

Since its launch in January 2014, the EU-Philippines Business Network (EPBN) has strived to create an attractive investment and trade environment for EU businesses in the Philippines.

This 2018, we look at how the current administration's initiatives and programs in line with its Socioeconomic Agenda and priorities have substantially progressed – Build, Build, Build Program, tax reform, ease of doing business, labor protection furthered through the Executive Order on Contractualization, sustainable development and climate adaptation, and universal healthcare, among many others. In addition, the Philippines' economy is maintaining steady growth, the EU continues to be one of the top trading partner of the Philippines, and the EU-Philippines Partnership Cooperation Agreement has been put into force – a major milestone for the EU-Philippine relations.

With this, the EU-Philippines Business Network (EPBN) is organizing the EU-Philippines Business Summit 2018 with the theme "EU and the Philippines: Jointly Pursuing Competitiveness for Inclusive Growth" on 18 October 2018, at Solaire Resort Hotel, Paranaque. During the Summit, EPBN will hand over the 4th edition of the EPBN Advocacy Papers which contains a wish list of reforms towards a competitive, fair and more inclusive economic environment. We sincerely hope that the EU-Philippine economic ties will be deepened further. Rest assured that European business community will remain as the Philippine government's partner in achieving competitiveness and inclusive growth.

MESSAGE FROM THE AMBASSADOR

H.E. Franz Jessen
Head of Delegation,
Delegation of the European Union of the Philippines



The EU sees trade and investment as part of the answer to challenges faced in the country in terms of inclusive and pro-poor growth. Indeed, the EU and its industries have a positive agenda that is values-based and comes with an open dialogue to ensure nobody is left behind in strengthening its trade relations. It also recognizes the importance of opening new markets that contributes to growth on both ends. This is why the EU has even in times of economic turmoil led global efforts to fight protectionism, and promoted open trade and investment at home and abroad.

The EU economy grew at its fastest rate in 10 years in 2017 at 2.4%. For the first time since 2007, all EU member states saw their economies expand. Robust growth is facilitating further reduction in government deficit now at less than 1% of GDP as well as debt levels and an improvement in labour market conditions with unemployment rate of 7.6% falling to almost the pre-crisis level. More important to our trading partners is the fact that our trade continues to grow strongly resulting to an 8% growth in EU imports and exports of goods to the world.

This shows that the EU economy is competitive, yet open and it will remain so and continue to benefit Philippines' development agenda. Philippines total trade with the EU increased by 16% in 2017 due to the remarkable 32% growth of PH exports to the EU market partly thanks to the increasing utilisation of the GSP+ preferences. Strong growth is particularly seen in sectors benefiting from GSP+ trade preferences, such as agri-food products. On top of this, sizable portion of all newly reported approved investments in the Philippines were sourced from the EU – contributing to the creation of more quality jobs.

The economic expansion in Europe is set to continue at a solid pace in 2018 and next, supporting further job creation. However, the EU also recognizes risks on the horizon. That is why the EU is working hard to make its economy even more resilient through many useful and necessary reforms – necessary to further improve productivity and investment as well as to ensure a more inclusive growth model.

I look forward continuing to work together to the benefit of effective value chains and supply chains so that the Philippines can take advantage of its position in the region and of its competitive skills and people. I warmly welcome this advocacy book as a good basis of our continued collaboration in our pursuit of enhancing and strengthening EU-Philippine trade and commercial relations.

MESSAGE FROM THE STEERING COMMITTEE CHAIRMAN

Mr. Guenter Taus
EPBN Steering Committee Chairman



The EU-Philippines Business Network (EPBN) is pleased to present to you the 4th edition of its Advocacy papers with the theme, “EU and the Philippines: Jointly Pursuing Competitiveness.” Pursuing competitiveness and sustainable growth has been at the front and center of our agenda.

The European business community has always looked towards close cooperation with the Philippine Government to achieve mutually beneficial goals, which strengthen the country’s investment and trade environment in support of increased competitiveness and long term, sustainable and inclusive growth.

Several positive reforms in 2018 were the Ease of Doing Business Act, the Build Build Build Program, the implementation of Universal Healthcare and the issuance of Memorandum Order No. 16, which eases restrictions on certain investment areas.

Despite these improvements, there are still several key barriers stifling EU-Philippine trade and investment. In particular, we look forward to passage of the Amendments to the Public Services Act of 1936 into law. These Amendments result in an open market coupled with stronger regulations which in turn will increase the quality of public services while lowering costs.

Moreover, we advocate for the reassessment of the licensing requirements from the Philippine Contractors Accreditation Board. A level playing field in infrastructure paves the path for the realization of the “Golden Age of Infrastructure” envisioned by President Duterte.

Finally, we strongly urge the government to consider the massive economic growth and job creation that fiscal incentives under the Philippine Export Zone Authority have brought about. An ambitious corporate income tax reduction in addition to other incentives will aid the Philippine in competing with other countries in the region.

These amendments would be a game-changer for the Philippines and they assist in EU investments contributing to Philippine development. It is in this context that the EPBN presents its recommendations towards a competitive, fair and more inclusive economic environment for the benefit of the Philippines and the EU.



Republic of the Philippines
DEPARTMENT OF ENERGY
Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig



MESSAGE

Our warmest greetings to the European Union (EU)-Philippines Business Network (EPBN), the European Chamber of Commerce and partners from the EU.

Time and again we continue to underscore that the Philippines is open for business. We welcome foreign investment to steer the country's sustained economic expansion and promote inclusive growth throughout the archipelago.

We have been actively pursuing structural policy reforms to make the Philippines an even more attractive destination for foreign direct investments. In the power sector, we have been aggressively implementing the much-needed and long-awaited changes to fulfill the vision of the Electric Power Industry Reform Act. This will encourage more energy players to invest and develop power projects to support our goal of total electrification and bring power to unserved and underserved areas.

The Renewable Energy (RE) Act of 2008 has also enabled us to make great leaps in advancing sustainable energy industries. This law has paved the way for the implementation of crucial RE policies, which include, among others, the Renewable Portfolio Standards and the Green Energy Option Program.

Having adopted a "technology neutral" stance, we are promoting the development of our indigenous energy resources, and remain open to harnessing the potential of all available and emerging energy technologies. In addition, we are also strengthening our energy efficiency and conservation mechanisms to better manage both our energy resources, as well as our energy demand levels.

We look forward to the continued strengthening of bilateral trade relations between the Philippines and the EU. It is our hope that the European business community would take advantage of the promising opportunities presented by the Philippine energy sector.

Maraming Salamat po! Mabuhay!


ALFONSO G. CUSI
Secretary



Republic of the Philippines
DEPARTMENT OF ENERGY

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RENEWABLE ENERGY AND ENERGY EFFICIENCY



INTRODUCTION

Despite the imminent exhaustion of the country's primary energy resources, non-renewable energy resources take a dominant share in the country's energy mix. However, even along with oil-based and natural gas resources, the energy generated is still insufficient to address the power shortage existing in the country. The interconnected Luzon and Visayas grids, according to experts, are expected to experience more frequent power shortages over the next years especially if the inadequacy of power will not be solved immediately.¹ Meanwhile, gas reserves from the *Malampaya* gas field--the country's largest gas field--is anticipated to be expended by 2024.²

Renewable energy resources such as wind power, solar power, hydroelectricity, biomass energy, and biofuels scarcely emit heat-trapping gases. Renewable energy resources have been proven to be more stable, more affordable, and safer for public health and the environment. Moreover, these generate more employment opportunities and are sustainable, unlike fossil fuels such as coal, gas, and oil.³

The Philippines, along with several countries, has been heavily reliant on coal for many years now. In 2017, 13.06 MTOE of coal has been consumed with an increase of 11.74% from 2016.⁵ However, its detrimental effects to public health and the environment along with its anticipated depletion demand for more environment-friendly and sustainable alternatives.

1 Atty. Layug, J.M. Jr. (03/06/18). Speech presented at the EPBN Renewable Energy and Energy Efficiency Committee Meeting.

2 House of Representatives. *House Resolution no. 1737*. Retrieved 27/08/18 from http://www.congress.gov.ph/legisdocs/basic_17/HR01737.pdf

3 Union of Concerned Scientists. (n.d.). *Benefits of renewable energy use*. Retrieved 06/22/18 from https://www.ucsusa.org/clean-energy/renewable-energy/public-benefits-of-renewable-power#.W1AwWy2B0_U

4 Metric Tonnes of Oil Equivalent

5 Ychart. (n.d). *Philippines coal consumption for 2017*. Retrieved 27/08/18 from https://ycharts.com/indicators/philippines_coal_consumption

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

In accordance with the government's pursuit of sustainable energy, the following reforms were recently adopted:

- DOE PDP 2017 - 2022 Chapter 19⁶ emphasizes the country's goal to obtain energy security and self-sufficiency, thereby addressing energy demand and enhancing access to electricity. Heightened energy-generating capacity would ensure the supply of energy, promoting regulated use of energy, as well as other transmission projects.
- The DOE has enacted Department Circular No. DC2017-12-0015 or the Renewable Portfolio Standards (RPS) On-Grid Rules⁷ last 22 December 2017. This mechanism is oriented towards achieving a 35% share of renewable energy in the national grid mix by 2030. DOE Secretary Alfonso Cusi assures consumers that the said mechanism will not yield expensive electricity rates.⁸
- Senate Bill. No. 1531 or the Energy Efficiency and Conservation Act of 2018, essential in promoting the use of energy efficient technologies and conservation practices by keeping up a sustainable energy supply in the country, has been approved on its third and final reading this year. SB No. 1531 is a consolidated bill of S.B. No. 30 and S.B. No. 525 of Sen. Loren Legarda and Sen. Antonio Trillanes IV, respectively. On the other hand, in August 2017, the House Committee on Energy has approved an unnumbered draft substitute bill⁹ consolidating several house bills pushing for energy efficiency and conservation. This bill is expected to pave the way for solving existing energy concerns in the country.
- With the enactment of the second package of the Comprehensive Tax Reform Program (CTRP), called Tax Reform for Attracting Better and High-Quality Opportunities (TRABAHO) as of writing, incentives in the energy sector might be compromised. Provisions in TRABAHO intend to repeal the incentives available to investors particularly Section 6A (Specific Tax) and 6B (VAT) of RA 9367. Section 15 or RA 9513 stipulates that sales from renewable energy resources shall be subject to 0% VAT.

6 Department of Energy 2009 – 2040 Power Development Plan

7 DOE. (22/12/17). Retrieved 23/07/18 from <http://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2017-11-0012.pdf>

8 DOE. (n.d). Department Circular No. DC2017-12-0015. Retrieved 26/09/18 from https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2017-12-0015_1.pdf

9 House of Representatives. (14/08/17). *ECC substitute bill gets green light from House*. Retrieved 11/06/18 from <http://www.congress.gov.ph/press/details.php?pressid=10174>



EPBN ADVOCACY

To facilitate a sustainable energy strategy that addresses current and potential issues, the EPBN outlines the following recommendations:

1. CREATION OF A DECISIVE TRANSITION STRATEGY TO RENEWABLE ENERGY AND FURTHER PROMOTION OF ENERGY EFFICIENT TECHNOLOGIES AND SYSTEMS

• FORMULATION OF SUSTAINABLE ENERGY MIX POLICY

The EPBN recommends the strengthening of the country's sustainable energy mix policy. We recognise the government's efforts in promoting the utilization of renewable energy technologies and systems, particularly with the recent release of the RPS On-Grid Rules, taking a step further by increasing energy reliance on renewable resources. The EPBN remains supportive of the government's initiatives in ensuring a more effective implementation of this regulation and promoting the use of renewable resources in the country.

• FAST TRACK THE PASSAGE OF THE ENERGY EFFICIENCY AND CONSERVATION ACT

The EPBN notes the recent approval of Senate Bill No. 1531 or the Energy Efficiency and Conservation (EE&C) Act of 2018 which further highlights the country's needs and the government's increasing efforts to address these issues.

To further build on this objective, we recommend the speedy passage of the unnumbered draft substitute bill, consolidating the Energy Efficiency and Conservation House bills. This is significant in expanding the use of energy-efficient technologies, and in attracting foreign investors in the energy sector. In addition, this will serve as a legislative framework key to a sustainable and secure Philippine energy system. We remain committed in supporting the Senate and House Energy Affairs committees, as well as the Philippine government in this critical endeavor.

• RETAIN INCENTIVES FOR INVESTMENTS UNDER THE ENERGY EFFICIENCY AND CONSERVATION BILL REGARDLESS OF THE DEVELOPMENTS IN TRAIN 2.

Once the EE&C bill is passed into law, it is important to retain the incentives to reap the full benefits of the law and encourage companies to invest in this sector. Under TRAIN 2, existing incentives will be rationalized. If EE&C will be included in the rationalization efforts, then at the very least, the energy sector should be included in the Special Investment Priority Plan (SIPP).

2. IMPLEMENTATION OF MEASURES IN SUPPORT OF INCREASED ENERGY CAPACITY

• ENACT A DOWNSTREAM NATURAL GAS INDUSTRY DEVELOPMENT LAW

The EPBN commends the recent adoption of the Downstream Natural Gas Roadmap 2017-2040 which will serve as the government's guide in its vision to expand the country's energy sources. In addition to this, we also welcome the release of the Philippine Downstream Natural Gas Regulation or Department Circular No. DC2017-

11-0012. While these commendable efforts take the Philippines one step further to its goal of pursuing sustainable energy, we believe that legislative measures play a critical role in the sustenance, regulation and development of natural gas usage.

The EPBN believes that the Philippines should be assured with a sustainable and balanced energy system, we support the importation and distribution of liquefied natural gas (LNG) in the country through the Downstream Natural Gas Policy Act or the Senate Bill No. 765. We maintain our support in advocating for its legislation and enactment which are crucial in providing a framework vital to the development of the emerging Philippine natural gas industry.

• **INTEGRATION OF VISAYAS AND MINDANAO GRID**

In 2013, the Philippines attained connectivity between Luzon and Visayas which has significantly benefited the country. While Mindanao has been faring well in terms of power generation and producing more than it consumes, Luzon and Visayas have yet to address its power inadequacy.

In this regard, the EPBN supports the integration of the grids in Visayas and Mindanao. This will allow Luzon and Visayas to utilize the excess power in Mindanao thus addressing the deficit in power.

3. EMPLOYMENT OF INTEGRATED RECYCLING PLANTS IN SUPPORT OF INCREASED ENERGY PRODUCTION

The impending exhaustion of fossil fuel resources entail insufficiency of power supply. Records have shown that this inadequate supply of power may be prolonged if solutions are not made available immediately. Significantly, this prompts the need for a sustainable solution in addressing the sector's pressing issues.

The EPBN urges the government for a more stringent implementation of reusing, reducing, and recycling (3R's) garbage. In this manner, we maximize our resources well before resorting to Waste-to-Energy (WTE) technologies, allowing types of waste which do not qualify under the 3Rs to undergo the said process exclusively. In pursuance of WTE, we strongly recommend stern regulation of WTE plants steered by measures to ensure environmental compliance as well as the prime objective to address the looming power shortage in the country.

Following the above recommendations, the EPBN supports the government in advancing the Regulation of Waste Treatment Technology Act or House Bill No. 6893, moving past the third and final reading in the lower chamber. Furthermore, we encourage the government to fast-track the passage of Senate Bill No. 506 which promotes and permits WTE technologies.

EPBN INTERVENTIONS

The EPBN has undertaken various efforts to ensure a secure, clean, and accessible supply of energy in the country hereafter.

In 2017, a series of meetings with several government representatives were conducted to further align our advocacies with their plans and priorities for the energy sector. In February, the EPBN met with DENR Director Edwin Domingo and NREB Atty. Jay Layug, Senator Cynthia Villar in April, and DENR Secretary Cimatú in May. The EPBN also engaged with DOE Secretary Alfonso Cusi and Undersecretary Jesus Posadas, together with other business groups on 16 June 2017.

In September 2017, the EPBN delivered its Euro-PH Advocacy Forum on Public Services Act (PSA) which focused on the salient points of House Bill No. 5828 and its general implications to the economy and various sectors. As proposed in the said bill, power generation will be open to foreign companies while distribution and transmission remains to be a public utility. Furthermore, a luncheon meeting with Senator Sherwin Gatchalian was organized in the same month, discussing the Philippine Natural Gas Outlook.

On 22 March 2018, the EPBN partnered with ECCP in organizing the Waste Management Forum where various stakeholders in the energy sector gathered to discuss relevant issues including the clarification on the banning of incineration technology and systems.

Furthermore, the EPBN holds quarterly meetings for the committees to discuss industry's current concerns and pressing issues. On 6 March, NREB Atty. Jay Layug led the Renewable Energy & Energy Efficiency committee meeting discussions by tackling the energy needs in the country, and needed reforms such as the Public Services Act (PSA) and its possible effects to the energy sector. In addition, the said committee met last 14 August 2018 to further discuss the Comprehensive Tax Reform Package (CTRP) 2 and its position on the said matter, to be reflected in the EPBN Renewable Energy & Energy Efficiency advocacy paper.

The EPBN submitted position papers on the Energy Efficiency and Conservation (EE&C) bill, and the potential adverse effects of rationalizing incentives to energy companies under TRAIN 2.





ASSESSMENT OF RECOMMENDATIONS

| Advocacy | Recommendations | Completed | Substantial Progress |
|---|--|-----------|---|
| <p>Creation of a decisive transition strategy to renewable energy and further promotion of energy efficient technologies and systems</p> | <p>Formulation of a sustainable energy mix policy</p> | | |
| | <p>Support energy efficiency and conservation</p> | | <p>(1) Energy Efficiency and Conservation Act of 2018 or Senate Bill No. 1531 has been approved on third and final reading;</p> <p>(2) A draft substitute bill of the consolidated Energy Efficiency and Conservation-related bills has been approved at the House Committee on Energy.</p> |
| | <p>Retain incentives for investments under the Energy Efficiency and Conservation Bill whether or not TRABAHO will be enacted.</p> | | |
| | <p>Integration of Visayas and Mindanao Grid</p> | | |
| | <p>Enact a Downstream Natural Gas Industry Development Law</p> | | <p>(1) Adoption of the Downstream Natural Gas Roadmap 2017-2040;</p> <p>(2) Issuance of the Renewable Portfolio Standards (RPS) On-Grid Rules or the Department Circular No. DC2017-12-0015</p> |
| <p>Employment of integrated recycling plants in support of increased energy production</p> | <p>Promotion of measures towards Waste-to-Energy</p> | | |

| Some Progress | No Progress | Retgression |
|--|---|-------------|
| <p>Issuance of the Renewable Portfolio Standards (RPS) On-Grid Rules or the Department Circular No. DC2017-12-0015</p> | | |
| | | |
| | <p>TRABAHO Bill is in the process of interpellation at the House of Representative.</p> | |
| <p>Several hydrographic surveys were already conducted for the integration of the grids in Visayas and Mindanao</p> | | |
| | | |
| <p>On January 31, 2018, House Bill No. 6893 was transmitted by the House of Representatives in the Senate.</p> | | |



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