EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

RENEWABLE ENERGY AND ENERGY EFFICIENCY ADVOCACY PAPER 2022

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 through offering a wide range of consultancy services and by fostering connections between companies, organizations, and individuals with existing or potential business ties to 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 views itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.

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

RENEWABLE ENERGY AND ENERGY EFFICIENCY ADVOCACY PAPER 2022

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We would also like to acknowledge the support of our committee members.

METHODOLOGY

The 2022 edition of the ECCP Advocacy Papers features issues and recommendations developed after extensive discussions among members of the ECCP sector committees, consultations and meetings with representatives from the Philippine Government, and other stakeholders. Information gathered from organizing events that cover relevant topics, 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 were also taken into consideration upon writing.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. The ECCP Advocacy Team carefully examined each issue and advocacy recommendation in close collaboration with the sector committee leaders and members to make sure they were in line with European business interests and priorities. Once the Advocacy Team had finalized the first draft of each sector paper, it was then disseminated to the Committee members and other important stakeholders for consultation. This allowed for the collection of input that would later be used to create the final draft of the papers.

The assessment of the status of each recommendation included in 2021 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 THE ECCP PRESIDENT

I am pleased to present the latest set of the European Chamber of Commerce of the Philippines' (ECCP) Advocacy Papers. This features an overview of the country's current business landscape and industry-specific challenges identified by the Chamber's sector committees. More importantly, the papers put forward constructive policy recommendations for strengthening European-Philippine economic relations and promoting sustainability.

We have witnessed uncertainties and concerns arising from the Russia-Ukraine crisis, inflationary pressures, and disruptions in the global supply chain, among others. Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos. Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively.

The ECCP seeks to continue to maximize the opportunities brought about by these recent socioeconomic developments. This year's set of ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to realize the potential of the European-Philippine economic ties as well as advance sustainable development. Lastly, I would like to extend my sincerest thanks to our Committee leaders, member companies, and the ECCP team who supported the completion of this publication. The ECCP is committed to working with the European-Philippine stakeholders in navigating this new era of progress, possibilities, and partnerships.

Mr. Lars Wittig
ECCP President

WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines prides itself in its dynamic and robust economy, transforming into one of the region's top economic performers and attracting companies to invest and expand their operations. In the last decade, the country was able to sustain an average annual growth of 6.4% between 2010-2019 from an average of 4.5% between 2000-2009.[1] However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. The Philippines has not been spared from the economic effects of the pandemic. The country's growth collapsed, with a negative growth rate of 9.6% in terms of Growth Domestic Product (GDP), in 2020 (Table 1). Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 10th in terms of Gross Domestic Product (GDP) growth rate (Table 1). Ranked last, the Philippines appears to be the Southeast Asian economy most affected by the pandemic in 2020.

Table 1. ASEAN GDP Year-on-Year Growth Rates, 2020 and 2021 (% per year)

Country	2020	2020 ranking	2021	2021 ranking
Brunei Darussalam	1.1	3rd	-1.5	9th
Cambodia	-3.1	6th	3	5th
Indonesia	-2.1	5th	3.7	3rd
Lao People's Dem. Rep.	-0.5	4th	2.3	7th
Malaysia	-5.6	8th	3.1	4th
Myanmar	3.3	1st	-18.4	10th
Philippines	**-9.6**	**10th**	**5.6**	**2nd**
Singapore	-5.4	7th	7.6	1st
Thailand	-6.1	9th	1.6	8th
Vietnam	2.9	2nd	2.6	6th

Asian Development Bank. Asian Development Outlook 2022[2]

Nonetheless, in 2021, the Philippines ranked second among the ASEAN countries in terms of growth rates. Growth was buoyed by robust private domestic demand, including a dramatic increase in investment in the second quarter of 2021 and a steady rise in household final consumption expenditure[3].

Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively. A strong rebound in domestic demand with the easing of COVID-19 mobility restrictions in the country will support robust growth for the Philippine economy in 2022 amidst the Russia-Ukraine conflict, inflationary pressures and disruptions in global supply chains.

1 World Bank. (07 April 2021). Philippines: Overview. Retrieved from https://www.worldbank.org/en/country/philippines/overview
2 Asian Development Bank (April 2022). Asian Development Outlook 2022. Retrieved from https://data.adb.org/dataset/asian-development-outlook-ado-2022-statistical-appendix-tables
3 World Bank (June 2022). Philippines economic update 2022 edition. Retrieved from https://documents1.worldbank.org/curated/en/099325006072264961/pdf/P177408091735101c0b25405cf39f312c86.pdf.

The growth projection for 2023 is at 5.8% and 6.3% by the World Bank and ADB, respectively This is attributed to monetary policy tightening and accelerating inflation affecting domestic demand.

Additionally, the annual preliminary figures show that the country's employment rate rose from 89.7% in 2020 to 92,2% in 2021, with the services sector accounting for 58.1% share, followed by the agriculture sector with 22%, and the industry sector with 19,9%[4] As of writing, the country's unemployment rate decreased to 5.2 percent in July 2022 from 7.2 percent in the same period last year.[5]

On the other hand, inflationary pressures have been widely felt. As of writing, inflation in the Philippines heated up to 6.9 percent in September 2022 from 6.3 percent in July, according to the Philippine Statistics Authority. This was mainly driven by faster rate of increases in prices of foodstuff as well as electricity and housing.[6]

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 10.518 billion net inflows for 2021. Majority of the equity capital placement came from Singapore (USD 526.69 million), Japan (USD 257 million), USA (USD 73.60 million), Germany (USD 29.20 million), and Hong Kong (USD 23.45 million)[7] In the same year, top European FDI sources are include Germany (USD 32.94 million), United Kingdom (USD 15.77 million), Sweden (USD 6.24 million), France (USD 4.43 million) and Spain (USD 4.34 million). More recently, total FDI net inflows from January to June 2022 reached USD 4.64 billion, an increase of 3% over the same period last year. Specifically, the top source country is **Singapore** with USD 526.69), followed by **Japan** (USD 257), **USA** (USD 73.60), **Germany** (USD 29.20), and **Hong Kong** (USD 23.45).

	Jan-June 2022	Jan-June 2021	2021	2020
Globally	USD 4.64 billion (+3.07% year-on-year increase)	USD 4.50 billion	USD 12.41 billion	USD 6.82 billion
Europe (both EU and non-EU states)	USD 62.54 million (+53% year-on-year increase)	USD 40.87 million	USD 48.08 million	USD 326.47 million

4 Philippines Statistics Authority. Percent distribution of employed persons by major industry group July 2020 and July 2021. Retrieved from https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/tabl
5 National Economic and Development Authority (September 2022). Ph Records Lowest Unemployment Rate Since Covid-19 Onset—Neda. Retrieved from https://neda.gov.ph/ph-records-lowest-unemployment-rate-since-covid-19-onset-neda/#:~:text=As%20reported%20by%20the%20Philippine,Labor%20Force%20Survey%20since%202005.
6 https://psa.gov.ph/press-releases/id/168188
7 Bangko Sentral ng Pilipinas. Net foreign direct investment flows (BPM6), by country. Retrieved from https://www.bsp.gov.ph/Statistics/External/tab10_fdc.aspx.

The total external trade of the country in terms of goods was recorded at USD 192.532 billion in the year 2021, representing a growth of 24.2% compared to the USD 155.02 billion recorded during 2020, but most importantly an augmentation of 10 billion compared to the 2019, pre-pandemic data. Among the major trading partners are the People's Republic of China, Japan, and the USA[8]. The European Union (EU) followed as the fourth largest trading partner, accounting for 7.9% of the country's total trade in 2021[9]. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner, with a total of trade of USD 4.985 billion. Likewise, in 2020, Germany ranked as the highest trading partner with a total trade of USD 4.343 billion.[10]

Furthermore, in the 2022 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 48th out of 63 countries, climbing four spots from the previous ranking. Specifically, the report notes that the country moved up in two of the factors: Economic Performance rose 4 places to 53rd: Infrastructure climbed 2 spots to 57th. Meanwhile, the Philippines' ranking for government Efficiency slipped three more spots to 48th, and public finance fell six places to 51st.

Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos.

8 Philippines Statistics Authority. Highlights of the 2021 annual final international merchandise trade statistics of the philipines . Retrieved from https://psa.gov.ph/content/highlights-2021-annual-final-international-merchandise-trade-statistics-philippines, table 1 and 5.
9 European commission. Countries and Regions: The Philippines. Retrieved from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en.
10 Department of trade and Industry of the Philippines. Philippines merchandise total trade, historical trend. Retrieved from http://www.tradelinephilippines.dti.gov.ph:8080/total-trade.

RENEWABLE ENERGY AND ENERGY EFFICIENCY ADVOCACY PAPER 2022

INTRODUCTION

The energy sector has continuously evolved over the past years, with an even accelerating thrust towards emission reduction across countries. In more recent cases, the increase in supply following recovery in energy demand with the reopening of borders, as well as the Russia-Ukraine crisis, have significantly pushed economies to take energy transition at greater heights.

At a global level, latest data from the International Energy Agency shows that from the slowdown in energy demand in 2020 with a 4% decrease, 20211 demand has increased by 4.4.6%.[1] Meanwhile, electricity demand is projected to expand by 2.4% in 2022, following the 2021 demand growth. of 6%. However, while electricity demand is foreseen to follow the same upward trajectory, it is underscored that the overall economic situation and oil prices will significantly impact the generation mix.[2]

Meanwhile, the United Nations Sustainable Development Goals (SDGs) is anchored in various elements and objectives, which consist of realising the full potential of clean, sustainable, and inclusive energy.[3] The Energy Progress Report 2022 released in June provided a tracker on the various indicators under the SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all:[4]

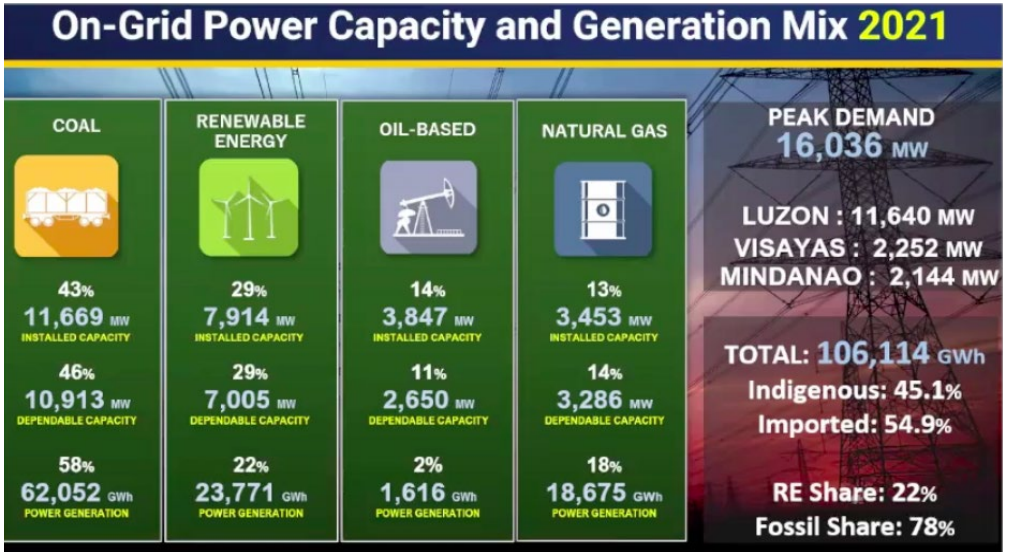
- 7.a.1 on International Financial Flows: The said report showed that there remains to be opportunity for more capital to flow into developing countries to support energy projects that mobilise clean energy activities.
- 7.1.1 on Access to Electricity: The number of people with access to electricity has grown to 1.3 billion in 2020. However, making electricity available in remote and unserved areas has become increasingly complex over the past years.
- 7.1.2 on Access to Clean Fuels and Technologies for Cooking: In 2020, 69% of the world's population had access to clean cooking fuels and technology including electricity, liquefied petroleum gas, and solar. Meanwhile, around 2.4 billion people, or 31% of the global population, continue to utilise technologies and fuels such as charcoal, coal, kerosene, and wood.
- 7.3.1 on Energy Efficiency: With the increasing development in and attractiveness of the energy efficiency sector, the 2021 outlook noted 1.9% rate improvement in energy intensity. The role of energy efficiency and conservation has also been underscored in reducing energy consumption, which can increase the share of total final energy consumption (TFEC).

In the Philippine context, the country's progress was reported as follows:[5]

- Electricity access rate was at 97% of the population in 2020, with 3,460,150 people with no access to electricity;
- Renewable energy (RE) share of 26.7% in TFEC in 2020; and
- Clean cooking access rate was at 48% in 2020, with 57 million without access to clean cooking fuels and technologies.

1 International Energy Agency. (2021). Global Energy Review 2021. Retrieved from https://iea.blob.core.windows.net/assets/d0031107-401d-4a2f-a48b-9eed19457335/GlobalEnergyReview2021.pdf.
2 International Energy Agency. (20 July 2022). Press release: Global electricity demand growth is slowing, weighed down by economic weakness and high prices. Retrieved from https://www.iea.org/news/global-electricity-demand-growth-is-slowing-weighed-down-by-economic-weakness-and-high-prices.
3 United Nations. (n.d.). Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all. Retrieved from https://unstats.un.org/sdgs/report/2016/goal-07/.
4 IEA, IRENA, UNSD, World Bank, WHO. 2022. Tracking SDG 7: The Energy Progress Report. World Bank, Washington DC. © World Bank. License: Creative Commons Attribution—NonCommercial 3.0 IGO (CC BY-NC 3.0 IGO). Retrieved from https://iea.blob.core.windows.net/assets/c9f4b20c-ba06-4a89-b7c6-4fd8344fec23/TrackingSDG7TheEnergyProgressReport%2C2022.pdf.
5 United Nations. (2022). The Energy Progress Report: Results Worldwide. Retrieved from https://trackingsdg7.esmap.org/country/philippines.

On data reported by the Department of Energy, on-grid installed capacity is at 26,883 megawatts (MW), with a 43% share for coal, 29% for RE, 14% for oil, and 13% for natural gas. Peak demand was at 16,036 MW with a breakdown of 11,640 MW for Luzon, 2,252 MW for Visayas, and 2,144 MW for Mindanao.[6]

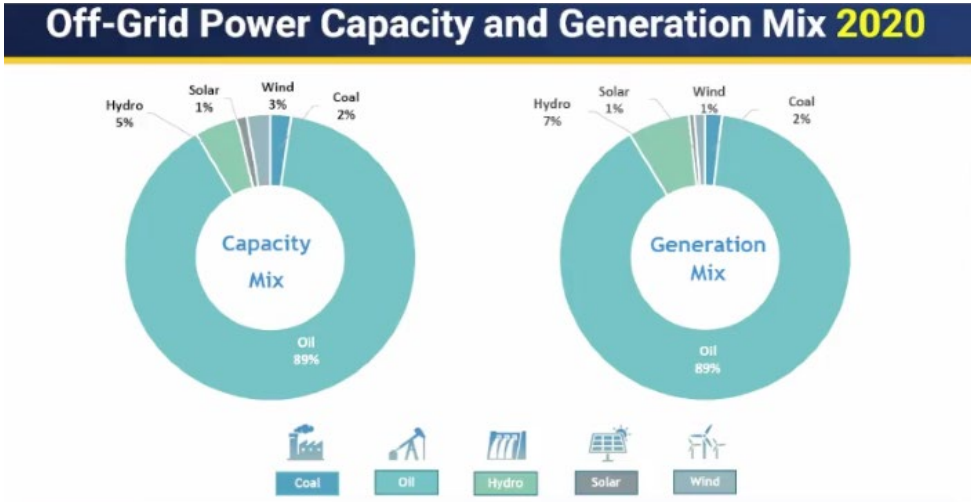


Source: Department of Energy (2022)

In terms of on-grid power generation, latest DOE data reported that in 2021, coal maintained the lion's share at 58% or 62,052 Gigawatt hours (GWh), followed by RE at 22% or 23,771 GWh, natural gas at 18% or 18,675 GWh, and oil at 2% or 1,616 GWh. This being imported sources.[7]

On the other hand, 2020 figures on off-grid power or missionary electrification show that oil dominated the mix at 89% for both capacity and generation. Meanwhile, RE share was at 9%, and coal, at 2%.[8]

6 Lotilla, R. (9 August 2022). Department of Energy Virtual Press Conference [Speech]
7 Ibid.
8 Ibid.



Source: Department of Energy (2022)

The country's energy agency has also put forth measures and programs that further promote energy efficiency and conservation, for energy users to reduce consumption and ultimately gain savings. In terms of implementing the Government Green Management Program (GEMP),[9] the DOE reported that there was a 56.37% compliance, which equates to savings of 263.2 GWh on energy, 113,758 litres of electricity fuel, and a total of PHP 2.7 billion.

Moreover, according to the DOE, investment prospects for the energy sector were at USD 153 billion, where around USD 122 billion is for power. Out of the total, about USD 94.3 billion is for renewable energy.[10] Furthermore, covering the period of 2016 to September 2021, 473 RE projects were awarded, providing 1,489.9 MW of installed capacity and 22,799 MW aggregate potential capacity. The DOE also reported that the RE sector was able to provide employment to around 160,000 individuals, and produced a total of PHP 155.8 billion worth of investments in the Philippines.[11] Likewise, in 2021, the agency issued guidelines on the provision of incentives for energy efficiency projects.[12]

Under the new administration, the government endeavours to prioritise further promoting the use and development of renewable energy sources, expanding power supply and maximising the use of technology in the energy sector, as well as enhancing ease of doing business in the industry. The DOE's thrust is likewise along advancing indigenous energy sources, pursuing increased electrification among households, and putting forward investment incentives in the energy sector.[13]

Indeed, while achieving a sustainable energy future poses significant benefits, the path is not without its challenges. It is imperative that stakeholders from both the private and public sectors continue working together to enact measures that will fast-track energy transition, further promote renewable energy and energy efficiency and conservation, and provide a level playing field for domestic and foreign energy players.

9 A government-wide program that seeks to reduce the use of energy in government agencies through the employment of energy efficiency and conservation measures.
10 Crismundo, K. (27 April 2022). PH offers $153-B investment opportunities in energy sector. Retrieved from https://www.pna.gov.ph/articles/1173129.
11 Department of Energy. (n.d.). 2021 Performance Agency Report. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/transparency/2021_agency-performance-report.pdf.
12 Department of Energy. (May 2021). Department Circular No. DC2021-05-0011. Retrieved from https://www.doe.gov.ph/laws-and-issuances/department-circular-no-dc2021-05-0011.
13 Lotilla, R. (26 July 2022). Post-SONA Economic Briefing [Speech]

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

In pursuit of the country's energy transition agenda, the Philippine government continues to take urgent steps to push for renewable energy and energy efficiency through several policies and programs.

- In December 2021, President Rodrigo Duterte signed **Executive Order (EO) No. 156 s. 2021**[14] instituting measures to ensure consistent and reliable electricity service in inadequately served areas, improve performance of ineffective distribution utilities, and achieve total electrification of the country. The EO includes transferring the power to take over the operations of ailing electric cooperatives to the Office of the President.
- As an effort to support the government's goal to achieve 100% electrification in the country, **Republic Act (RA) No. 11646**[15] or the **Microgrid Systems Act** was signed into law last 21 January 2022. Under the law, Microgrid Service Providers (MGSPs) will be allowed to provide integrated power generation and distribution services to unserved or underserved areas as identified by the Department of Energy (DOE). With a streamlined process, the law removes the need for MSGPs to obtain waivers from distribution utilities to supply electricity to the area concerned. Pursuant to Section 26 of the Act, the DOE issued its implementing rules and regulations (IRR) last May 2022, as **Department Circular (DC) No. 2022-05-0017**[16].
- More recently, **RA No. 11697**[17] or the **Electric Vehicle Industry Development Act (EVIDA)** lapsed into law on 15 April 2022 in line with the country's policy to ensure its energy security and independence by reducing reliance on imported fuel for the transportation sector. The law mandates the creation of a Comprehensive Roadmap for the Electric Vehicle Industry (CREVI), a national development plan for the electric vehicle (EV) industry, to accelerate the development, commercialisation and utilisation of EVs in the country.
- During the same month, the first-ever **Philippines Offshore Wind Roadmap**[18] was released by the DOE and the World Bank Group (WBG). The new roadmap charts out the country's potential to install 40 gigawatt of offshore wind power with the right long-term vision, infrastructure development, investment, and policies. The roadmap also lays out concrete next steps for developing a robust offshore wind industry and aims to bring together stakeholders to discuss the different aspects of establishing the country's offshore wind market.
- Further recognising the vital role of renewable energy (RE) as the country's primary energy supply mix, the DOE released its **National Renewable Energy Program (NREP) 2020-2040**[19] in July 2022. The NREP sets the country's goal for renewable energy to reach 35% share of its power generation mix by 2030 and 50% share by 2040 in accordance with the Renewable Energy Act of 2008.
- Earlier in 2020, the DOE launched the **Competitive Renewable Energy Zones (CREZ) process** with the aim to help achieve the country's goals of scaling up RE generation on the power system and to ensure sustainable, secure, reliable, accessible, and affordable energy. The CREZ process

14 The Official Gazette. (2021). Executive Order No. 156. Retrieved from https://www.officialgazette.gov.ph/downloads/2021/09sept/20211209-EO-156-RRD.pdf
15 The Official Gazette. (2022). Republic Act No. 11646. Retrieved from https://www.officialgazette.gov.ph/downloads/2022/01jan/20220121-RA-11646-RRD.pdf
16 Department of Energy. (May 2022). Department Circular No. 2022-05-0017. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-05-0017.PDF
17 The Official Gazette. (2022). Republic Act No. 11697. Retrieved from https://www.officialgazette.gov.ph/downloads/2022/04apr/20220415-RA-11697-RRD.pdf
18 World Bank Group. (April 2022). Philippines Offshore Wind Roadmap. Retrieved from https://documents1.worldbank.org/curated/en/099225004192234223/pdf/P1750040b777da0c30935a0e2aa346f4e26.pdf
19 Department of Energy. (December 2021). National Renewable Energy Program. Retrieved from https://www.doe.gov.ph/announcements/national-renewable-energy-program-nrep-2020-2040.

proactively focuses transmission planning and expansion to the most economic RE resource areas to accelerate their development.[20]

- In terms of the challenges being faced on green financing, the Philippine government has expressed its support for the implementation of the **Clean Energy Finance and Investment Mobilisation (CEFIM) Programme**[21] of the Organisation for Economic Co-operation and Development (OECD). The OECD-CEFIM Programme aims to strengthen domestic enabling conditions to help scale up clean energy finance and investment in the areas of renewable energy and energy efficiency.
- In order to effectively implement the OECD-CEFIM Program, the DOE issued the **Department Order (DO) No. 2022-02-0003**[22] which established a Philippine Steering Committee (PSC) and Technical Working Groups (TWG) for Renewable Energy and Energy Efficiency and Conservation (EE&C).
- Upon the recommendation of the Philippine Bureau of Investments (BOI), consistent with the requirements of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act[23], the **2022 Strategic Investment Priority Plan (SIPP)** was approved by President Duterte in May 2022 through **Memorandum Order No. 61, s. 2022**[24]. The newly formulated SIPP aims to identify industries that can further grow their business by availing investment incentives such as income tax holiday and duty-free importation of capital equipment.
- As the government continues its efforts to a clean energy transition, the Bureau of Internal Revenue (BIR) issued on 30 June 2022 the **Revenue Regulations No. 7-2022**[25] which provides the policies and guidelines for the availment of tax incentives provided under the Renewable Energy Act of 2008. Under the regulations, renewable energy developers can avail of fiscal incentives, including income tax holiday and zero percent value-added tax (VAT) rate. This is following the issuance of **DC No. 2021-05-0011** which provides the Guidelines for the Endorsement of Energy Efficiency Projects to the Board of Investments for Fiscal Incentives. [26]
- In November 2021, the DOE released **DC No. 2021-11-0036**[27] or the Revised Guidelines for the Green Energy Auction Program (GEAP) which seeks to promote the growth of renewable energy as one of the country's primary sources of energy. The guidelines provide the framework for GEAP's Green Energy Tariff, which provides price signals on the commercial value of electricity from RE facilities, and Green Energy Auction, which facilitates the determination of RE facilities that are eligible under GEAP.
- Further to this, the DOE has issued several Department Orders, Department Circulars, and Memorandum Circulars, including:
    - **Department Order (DO) No. 2022-02-0002**[28] which provides the Implementing Framework of Executive Order No. 156 s. 2021
    - **DO No. 2022-03-0005**[29] which covers the process for evaluation and issuance of Energy Efficiency Cost Reductions (EECR) Certificates
    - **Department Circular (DC) No. 2022-02-0002**[30] which promotes the development of biomass waste-to-energy (WTE) facilities as well as provides classification and conditions that standardises the use of locally-sourced municipal solid wastes for the said facilities pursuant to the Renewable Energy Act.
    - **DC No. 2022-03-0004**[31] which establishes the procedures and criteria for evaluation, approval, and endorsement of Energy Efficiency (EE) Strategic Investments covering New and Expansion of EE Projects to the BOI for the availment of Fiscal Incentives
    - **DC No. 2022-06-0018**[32] which sets specific guidelines and procedures in the fund sourcing, accounting, and audit of the **Renewable Energy Trust Fund.**
- In August 2022, the House of Representatives established a new Special Committee on Nuclear Energy, which has been tasked to craft policies that will develop the nuclear power sector in the country.[33]
- On 29 September 2022, the Department of Justice (DOJ) released through **Opinion 21 series of 2022,** its opinion pertaining to the foreign ownership restriction on the exploration, development and utilization of natural resources stated in the Constitution. In the said document, the DOJ opined that the said restriction should exclude natural resources such as the sun, wind, and ocean. The DOJ likewise pointed out that 'sun, wind, hydro and ocean or tidal energy sources are considered kinetic energy resources', which is should not be covered in the phrase "all forces of potential energy" in Section 2, Article XII of the Constitution.[34]

20 Department of Energy. (2020). Ready for Renewables - Grid Planning and Competitive Renewable Energy Zones (CREZ) in the Philippines. Retrieved from https://www.doe.gov.ph/renewable-energy/ready-renewables-grid-planning-and-competitive-renewable-energy-zones-crez
21 Department of Energy. (December 2021). Driving Clean Energy Future Finance. Retrieved from https://www.doe.gov.ph/press-releases/doe-opens-bid-applications-renewable-energy-projects-under-ocs?page=23&withshield=1
22 Department of Energy. (February 2022). Department Order No. 2022-02-0003. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/do2022-02-0003.PDF
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29 DOE. (2022). Department Order No. 2022-03-0005. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/do2022-03-0005.PDF
30 DOE. (2022). Department Circular No. 2022-02-0002. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-02-0002.PDF.
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32 DOE. (2022). Department Circular No. 2022-06-0018. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-06-0018.PDF
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34 DOE. (02 October 2022). Media Release – 02 October 2022.

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 increasing oil prices due to recent phenomena, including the Russia-Ukraine crisis, has resulted in the accelerating demand for energy sources that are less vulnerable to oil supply disruptions. This has escalated the urgency to transition to more long-term energy sources, particularly, renewable energy.

Notwithstanding these recent developments, it is eminent that expanding the renewable energy share in the country's power mix enhances its sustainability and self-sufficiency aspirations. This can also support the country's goal of providing more consistent and cost-effective power, as well as electrifying households in rural and off-grid locations.

In this regard, the ECCP continues to acknowledge the various actions and policies that the Philippine government has adopted to significantly expand the usage of renewable energy sources, natural gas, and other developing clean energy technologies. With this, we laud the release of the National Renewable Energy Program 2020-2040. Likewise, the Chamber appreciates the Philippine government's thrust to further promote cheap and reliable energy, including utilising technological innovations in the area of renewable energy, as well as advancing ease of doing business in the said sector to attract more players in the country.[35]

Furthermore, the ECCP has continued to take on various activities under its REPH100 Initiative, which is a private sector-led movement that was inspired by the global RE100 initiative.[36] This seeks to support the DOE programs aimed at supporting the country's energy transition objectives, such as the Green Energy Option Program. It adopts a whole-of-society approach to fueling the Philippine energy transition for more inclusive economic recovery.

Relaxation of foreign participation limitation in the renewable energy sector to encourage increased investments

The renewable energy sector not only advances the country's sustainability and electrification agendas, but it also significantly benefits the Philippine economy by generating employment and capital, among other benefits. Mechanisms to attract more investments in the industry should be established, which involves granting more market access to both domestic and international energy players.

At present, the renewable energy activities that have been opened to 100% foreign ownership[37] are geothermal, impoundment hydro, and biomass using waste-to-energy technologies. It has been underscored in more recent engagements, however, that wind and solar energy still have 60% foreign ownership limitation as indicated in the Implementing Rules and Regulations[38] (IRR) of the Renewable Energy Act of 2008.[39,40]

35 President Marcos Jr., F. (25 July 2022). State of the Nation Address [Speech].
36 Climate Group. (n.d.). REPH100. Retrieved from https://www.there100.org/about-us.
37 Large-scale or with capital investment of at least USD 50 million.
38 DOE. (2009). DC No. 2009-05-0008. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2009-05-0008.pdf.
39 Official Gazette. (2008). Republic Act No. 9513. Retrieved from https://www.officialgazette.gov.ph/2008/12/16/republic-act-no-9513/.
40 Under Part IV, Rule 6, Section 19-A on State Ownership of All Forces of Potential Energy: All forces of potential energy and other natural resources are owned by the State and shall not be alienated. These include potential energy sources such as kinetic energy from water, marine current and wind; thermal energy from solar, ocean, geothermal, and biomass.

Meanwhile, ASEAN member states have liberalised their renewable energy sectors, allowing for minimal to no limits on foreign participation.

Country	Foreign Participation Levels
Indonesia[41]	95% for production, transmission, and distribution 100% for power plant (>10 MW) and transmission and distribution in case of public private partnership
Malaysia[42]	No restriction on foreign ownership in the renewable energy sector under its Feed-in Tariff Rules 2011
Singapore[43]	No restriction on foreign ownership in the renewable energy sector
Thailand[44]	No restriction on foreign ownership in the renewable energy sector
Vietnam[45]	No restriction on foreign ownership in the renewable energy sector

With this, ECCP, together with its partners at the Joint Foreign Chambers of the Philippines, has submitted its recommendation on and strong support to relaxing the foreign equity limitations in the renewable energy sector. In addition to further capitalising on the country's clean energy resources to promote energy transition, this policy change will likewise make the Philippines more attractive to renewable energy investors, thereby allowing the Philippines to maximise the opportunities from being a competitive energy market in the region.

In line with this, the ECCP welcomes the Department of Justice's legal opinion stating that the exploration, development, and utilization of the sun, wind, and ocean renewable energy sources should not be subject to foreign equity limitation. Likewise, we acknowledge that the DOE responded to the said Opinion, stating that it is working on the necessary amendments to the IRR of the Renewable Energy Act. We remain committed to engaging with policymakers and look forward to further development on this important matter.[46]

Effective Implementation of the Energy Efficiency and Conservation Act

The Energy Efficiency and Conservation (EE&C) Act, as a policy effort that institutionalises energy efficiency and conservation in the Philippines, is seen by the ECCP as a major milestone in the country's energy arena.

In this regard, we applaud the numerous initiatives and programs put into effect, which engages various stakeholders – from the national government to local government, as well as enterprises of varying sizes, to advance Philippines' EE&C objectives. Particularly, we welcome and recognise the implementation of the Government Green Management Program, as well as the provision of fiscal incentives for energy efficiency projects.

Nonetheless, we also acknowledge that there are still opportunities to further boost the country's

41 Global Business Guide Indonesia. (n.d.). Legal Updates: Indonesia Foreign Investment – The 2016 Negative List. Retrieved from http://www.gbgindonesia.com/en/main/legal_updates/indonesia_foreign_investment_the_2016_negative_list.php.
42 Webb, S. (2017). Renewable Energy in the Asia-Pacific. Retrieved from https://www.dlapiper.com/en/uk/insights/publications/2017/05/renewable-energy-in-the-asia-pacific/.
43 Ibid.
44 Department of Business Development. (n.d.). (Translation) Foreign Business Act, B.E. 2452 (1999). Retrieved from https://www.dbd.go.th/dbdweb_en/ewt_dl_link.php?nid=4047.
45 Webb, S. (2017). Renewable Energy in the Asia-Pacific. Retrieved from https://www.dlapiper.com/en/uk/insights/publications/2017/05/renewable-energy-in-the-asia-pacific/.
46 DOE. (02 October 2022). Media Release – 02 October 2022.

energy efficiency sector. In this regard, the ECCP looks forward to maximising energy efficiency's potential to greatly contribute to the country's energy security and decarbonisation goals. With this, we strongly believe that this can be achieved with the full implementation of the EE&C Act, including the issuance of the remaining pending circulars and guidelines indicated in the said measure.

To this end, we look forward to continuously working with the government in further advancing energy efficiency and conservation as among the primary and priority mechanisms towards promoting an inclusive and sustainable energy future.

Enactment of Policies that Provide a Clear Framework on the Development of Waste-to-Energy Technologies

The growth in global and domestic consumer demand in the past years has led to parallel increase in waste generation. For the Philippines, a 2015 National Solid Waste Management Commission report stated that generated waste was projected to be 16.64 million metric tons in 2020.[47] It was also estimated that with the current rate of waste output, the figure might reach 20.51 million metric tons by 2030.[48]

This ongoing and rising issue needs efforts that will utilise technology to ensure that procedures are efficient and environmentally sustainable. On this basis, the committee believes that waste-to-energy technology offers the possibility to maximise solutions that can help mitigate the country's waste problem while also supplementing its energy supply.

For this reason, the ECCP supports the Department of Environment and National Resources' prioritisation of the enforcement of the Solid Waste Management Act of 2000.[49,50] We likewise welcome the issuance of DOE Department Circular No. 2022-02-0002, which provides guidelines, policies, and programs to further promote the development of biomass WTE facilities in the Philippines. Finally, we support the implementation of waste management provisions in the EE&C Act.

The ECCP firmly believes that maximising technologies such as WTE can significantly provide twin benefits – addressing waste concerns and generating additional energy.

2. Integration of the Visayas and Mindanao Grid

The Mindanao-Visayas Interconnectivity Project (MVIP), launched in November 2018, envisions a single Philippine energy grid[51] with the goals of providing a more stable power supply, maximising the use of local energy sources, promoting sustainable energy, and promoting equitable access to energy across the country.[52] The Mindanao Grid will be linked to the Visayas Grid, which has been linked to the Luzon Grid since 1998.

Progress in the execution of the project has been reported in the first half of the 2022. Particularly, the National Grid Corporation of the Philippines, which is leading the implementation of the said project, said that the critical components of the PHP 52-billion project have been completed and prepared for energisation.[53]

47 National Solid Waste Management Commission. (2015). Solid Wastes. Retrieved from https://emb.gov.ph/wp-content/uploads/2018/09/3-Solid-Waste-1.8.pdf.
48 Sen. Gatchalian, S. (2021). Solving the Philippine Garbage Crisis. Retrieved from http://legacy.senate.gov.ph/press_release/2020/0901_gatchalian1.asp.
49 Official Gazette. (n.d.). Republic Act No. 9003. Retrieved from https://www.officialgazette.gov.ph/2001/01/26/republic-act-no-9003-s-2001/.
50 Philippine News Agency. (6 March 2022). Solid waste management tops DENR agenda. Retrieved from https://www.pna.gov.ph/articles/1169121.
51 National Grid Corporation of the Philippines. (April 2019). NGCP gets nod for 29 Energy Projects of National Significance. Retrieved from https://www.ngcp.ph/article?cid=15801.
52 NGCP. (n.d.). One Grid 2020: Unifying the Philippines' Power Transmission Network. Retrieved from https://www.ngcp.ph/mvip/.
53 Saulon, V. (1 July 2022). NGCP completes key parts of Mindanao-Visayas power link. Retrieved from https://www.bworldonline.com/corporate/2022/07/01/458690/ngcp-completes-key-parts-of-mindanao-visayas-power-link/.

In line with the goals of a unified national grid, the ECCP has long advocated for the integration of the Visayas and Mindanao grids. With the anticipated energy surplus in Mindanao and deficit in Luzon and Visayas,[54] the establishment of an energy sharing system in the Philippines can help mitigate opportunity costs caused by ongoing issues with access to electricity, while also promoting further efficiency in managing energy sources.

To this end, we welcome the developments in the implementation of the project and look forward to the completion of this critical energy initiative.

3. Further promotion of ease of doing business in the energy sector

Renewable energy companies state that currently, around 100 to 200 signatures need to be secured to be able to process applications for RE projects.[55] This poses substantial impact on the overall implementation of RE projects, including its cost and timeline. Meanwhile, at a broader level, it also affects the attractiveness of the country's energy industry, which in turn may discourage investors to expand or set up shop in the Philippines. Indeed, ease of doing business plays a critical role in the energy transition agenda.

The ECCP has advocated for the passage of the Ease of Doing Business Act of 2018 as the government-wide policy that aims to streamline processes and advance efficient delivery of services. For this reason, we particularly seek for the application of streamlining mechanisms in processes for clean and sustainable energy projects.

It is in this light that the ECCP highly recommends the revisiting of project application proceedings in the sector through reviewing the priority requirements and procedures, as well as reviewing the timelines for application. The ECCP underscores the need to adopt clear, integrated, robust, transparent, and timely leasing and permitting processes, and highly encourages the rationalisation of regulatory permitting process via the Energy Virtual One-Stop Shop to obtain service contracts, environmental, and commercial certifications and licenses.

We strongly believe that implementing a streamlined mechanism will further encourage players in the market, thereby promoting augmented investments in the energy sector. Additionally, establishing enabling permitting standards, grid connectivity and construction, as well as market participation would support the government and stakeholders alike in promoting renewable energy development and energy efficiency and conservation in the Philippines. To this end, the ECCP expresses its continuous committed to working with our government policymakers in further enhancing a competitive business environment.

54 Atty. Fuentabella, F. (2018). Energy Investment Opportunities.
55 Lucenio, M. (24 February 2022). RE companies ask DoE to streamline permit process. Retrieved from https://www.bworldonline.com/economy/2022/02/24/432247/re-companies-ask-doe-to-streamline-permit-process/.

ASSESSMENT OF 2021 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
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 government has launched mechanisms that are aimed at further developing the country's renewable energy resources, including the Offshore Wind Roadmap, as well as the National Renewable Energy Program 2020-2040. Furthermore, ease of doing business as well as increased foreign investments in both the renewable energy and energy efficiency are being promoted through various policy measures. Additionally, recent development has been noted with the Department of Justice's Opinion No. 21, which states that the exploration, development, and utilization, of inexhaustible renewable energy sources such as the sun, wind, and ocean, should not be subject to foreign equity limitation.	
	Encourage increased investments in the renewable energy sector			
	Effective Implementation of the Energy Efficiency and Conservation Act	Particularly for energy efficiency, the Department of Energy has issued several measures in alignment with the implementation of the EE&C Act, as well as implemented the Government Energy Management Program.		
Integration of Visayas and Mindanao Grid			The NGCP has completed several components of the MVIP, including the construction of the cable terminal stations in Cebu and Zamboanga del Norte, as well as the Lala-Aurora transmission line. Power and fiber optic cables have also been installed. The NGCP aims to complete the project by the end of 2022.	
Enactment of Policies that Provide a Clear Framework on the Development of Waste-to-Energy Technologies			The Department of Energy issued Circular No. 2022-02-0002, known as the "Policy Program for Enhancement of Biomass Waste-to-Energy (WTE) Development", which seeks to promote biomass WTE, standardise WTE facilities, as well as prescribe policies and programs to develop the said sector.	

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