

Energy Committee Meeting

20 May 2014, 8–10 am, EITSC Conference Room

HIGHLIGHTS

Participants:

1. Aboitiz Power	Cherry Javier
2. ECCP	Alfonso Alba
3. EU Delegation to the Philippines	Walter Van Hattum
4. EU Delegation to the Philippines	Matthieu Penot
5. EU Delegation to the Philippines	Hans Farnhammer
6. EU Delegation to the Philippines	Kelly Ortiz
7. EU-Philippines Business Network	Dan Braun
8. EU-Philippines Business Network & ECCP	Henry Schumacher
9. EU-Philippines Business Network & ECCP	Martial Beck
10. First Environtech Alliance Corporation	Ditmar Gorges
11. Fortun Narvasa & Salazar	Roderick R.C. Salazar III
12. German-Philippine Chamber of Commerce and Industry	Brenda Baylon
13. JL Business & Technology Consultancy Inc.	Juergen Lorenz
14. Maschinen & Technik	Dr. Guenter Matschuck
15. Maschinen & Technik	Ronaldo Manalo
16. PNB Capital & Investment Corporation	Alberto Bienvenida
17. PPI Pazifik Power	Wilhelm Hug
18. Sasonbi Solar	Dante Briones
19. Spanish Commercial Office	Alexis Chatry
20. Trans-Asia Oil & Energy Development Corp.	Karim Garcia
21. Transnational Uyeno Solar Corporation	Nicolas Bivero
22. Transnational Uyeno Solar Corporation	Ma. Patricia Perez

Summary of Discussions:

1. EPBN and its Energy Committee

The **EU-Philippines Business Network (EPBN)** has been initiated to further strengthen economic relations between the European Union and the Philippines. Co-funded by the EU and implemented by various European business organizations¹ in

¹ The EPBN is implemented by the ECCP, BFBC, BCCP, FCC, GPCCI, ICCPI, La Camara and NBCP.

the country, the EPBN aims to increase and diversify trade and investments of EU businesses, especially SMEs, in and to the Philippines. To achieve this end, the EPBN conducts various initiatives such as European business advocacies through working groups focused on priority industries which include energy and renewables.

The EPBN's **Energy Committee**² aims to offer a platform to European energy firms as well as their local counterparts to discuss issues affecting the development of the energy sector in the Philippines and to promote reliable and affordable supply of clean and, when possible, renewable energy. One of the objectives of the committee is to come up with position papers on the energy sector in general and on energy efficiency and renewable energy in particular to advocate for a level playing field and market access for EU businesses and the further development of the sector.

2. Implementation of retail competition and open access

Under the retail competition and open access policy, suppliers provide electricity to contestible customers, which have a monthly average consumption of at least 1 Megawatt and the power to choose their source of electricity, through open access, allowing the use of transmission and/or distribution system and associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the Energy Regulatory Commission.

Retail competition is franchised; majority of the franchise area in Luzon, for example, is controlled by one firm, creating a market situation where there is imperfect competition. Most of the committee members felt that there is no easy solution to abolish monopoly / dominant market position; others suggested to lobby for net metering and the passage of a fair competition law. Meanwhile, the behavior of dominant market positions can be addressed through the Department of Justice's Office for Competition, which is focusing on three sectors: Energy, Telecoms and Transport.

There are calls to lower the threshold for the contestable market's electricity demand from 1000 kW to 750 kW or below. It was indicated that the Philippine Independent Power Producers Association is in favor of accelerating open access.

² The Energy Committee is chaired by the GPCCI, with the ECCP, BCCP, BFBC, and NBCP as co-chairs.

3. Adequate power supply to meet demand in the three grids

The current undersupply of electricity in all grids underlines the need for more power plants. However, the present administrative system requiring more than 120 permits for new power projects needs to be streamlined so that only five permits are required from the BOI, DENR, LGU, DOE and ERC. Power projects deemed to be of strategic national importance as determined by the appropriate government agency should be immune from LGU politics.

If a new franchise area is opened up, the ERC should already impose putting up an intelligent grid to improve the efficiency, reliability, economics, and sustainability of electricity production and distribution.

Foreign and local business organizations, with the Philippine Chamber of Commerce and Industry as coordinator, including the ECCP, have written and submitted a joint position paper to President Aquino to make mid- and long-term recommendations about the current power situation. The group argued that achieving power supply security and reasonable/competitive power tariff must be a top priority of the government. They also recognized that promoting true, fair, transparent and international competition would be a key response to achieve competitiveness in the sector.

4. Oil and other energy resource exploration

As the supply coming from Malampaya is expected to run out by 2024, alternative energy sources such as LNG, biomass, wind, solar and water should be explored and developed.

5. Legislative priorities for the energy sector

The current power situation can be addressed by improving the regulatory and implementation architecture of the power industry without the need to amend the Electric Power Industry Reform Act.

6. Energy efficiency

Under its Energy Smart Program (ESP), the ECCP promotes energy efficiency measures in all PEZA-administered zones by highlighting best practices and providing technical solutions through ESP-accredited service and technical partners.

The ECCP, jointly with the Contact Center Association of the Philippines (CCAP), is also making a study on business process management (BPM) companies located in energy-efficient buildings vs. those in non-energy-efficient buildings. The output will hopefully make the case for the introduction of green building ordinances. In addition, the chamber has long argued that BPM companies should have their own Meralco meters, be entitled to 12-percent VAT exemption, and take advantage of lower power rates at night.

It was noted that the World Bank through the International Finance Corporation supports energy efficiency projects. The IFC has partnered with Mandaluyong and successfully helped the city in crafting a green building ordinance. Discussions with the Makati government to adopt the Mandaluyong model are ongoing.

The committee recognized that LGU education is important in terms of providing energy efficiency trainings for city engineers—an area where European know-how would be helpful.

ECCP will organize a forum focusing on energy efficiency, renewable energy and green technology on 30 September and 1 October, and together with GPCCI and GIZ, will conduct a solar training week.

7. Policies on renewable energy

Energy Secretary Petilla implemented a rule beginning last year that only renewable energy developers with valid service contracts may apply for eligibility and inclusion of their projects under the Feed-In-Tariff system, which provides incentives for renewable energy firms by way of a guaranteed fixed price³ for a given period for their supply of energy. Upon validation of the successful commissioning of the plant, the DOE should issue a certificate of FIT eligibility to the ERC on a first-come-first-served basis, which undermines competition as it supports the large players involved in the industry already.

³ The FIT rate approved by the Energy Regulatory Commission are as follows: P9.68 per kilowatt-hour for solar; P8.53 per kWh for wind, P6.63 per kWh for biomass and P5.90 per kWh for hydropower projects.

The framework for foreign investments in solar and wind projects in the country is subject to the constitutional limit on foreign equity ownership to up to 40 percent, which forces investors to go into joint ventures with local firms.

8. Frequency of meetings

Committee meetings will occur bi-monthly, preferably on Tuesdays, at 8 am.

9. Schedule of the next committee meeting

The next committee meeting is scheduled on 22 July 2014, 8 – 10 am, at the EPBN offices.

10. Action points

- ECCP will share the PCCI letter with the committee.
- EPBN will invite NGCP to the next meeting.
- Dr. Guenter Matschuck will share with the committee a paper on solar diesel hybridization in off-grid areas.