

HIGHLIGHTS OF WORKSHOP SESSIONS

WORKSHOP 1

ACCELERATING INVESTMENTS IN OIL AND GAS EXPLORATION AND DEVELOPMENT

Speaker: Atty. Eduardo F. Hernandez, President of the Petroleum Association of the Philippines

Highlights of the Presentation:

The speaker discussed the following recommendations in response to the identified issues and concerns:

- The country has been exploring for oil with little success and thus the need to more aggressively pursue the drilling of oil wells to upgrade our prospectivity for an attractive fiscal policy commensurate to our geology
- Insufficiency of the Philippine Energy Contracting Round (PECR) to accommodate prospective investors in energy resource exploration and development
 - PECR should be conducted more often (e.g. semi-annually)
 - For blocks not taken during a bid round, the DOE should consider negotiating with interested private companies to acquire rights to the same
 - With respect to blocks not offered at all during a particular PECR, the DOE should allow private parties to directly negotiate
- There are very long delays in the approval of Service Contracts (SCs) and Farm-In Agreements (FIAs) despite endorsement by the DOE.
 - The Executive Secretary should have the authority to approve SCs and FIAs
- Slow processing of bidded areas; Service Contracts for the 2006 PECR have not yet been awarded
 - Propose a definite timeframe from the submission of required documents to the DOE for the latter to approve the SC or FIA.
 - Automatic approval of proposed SCs or FIA if the DOE fails to act upon it within the specified timeframe of processing period.
- Inadequate evaluation process of service contractors
 - Ensure the contractor's unquestionable technical and financial capability
 - Proof of availability of exploration funds should be a requirement to guarantee financial credibility to conduct exploration activities in their respective service contract areas
- Difficulties/delays in securing Tax Exemption Certificate for importations
 - The DOE should, in behalf of the oil companies, secure the necessary endorsements and permits from relevant government agencies and deal with groups and personalities against the project
- E.O. 556 specifically prohibits PNOC-EC to readily farm-out interest in its Service Contract areas without having to go through a lengthy and tedious bidding process which slows down the entire exploration efforts

Territorial issues:

- In 1998, DOE issued a concession to Alcorn covering Kalayaan but restricted to table survey with injunction against physical presence
- When countries share a common economic bonanza, political disputes on territorial limits play second fiddle.
- While we may have the protection in our 1973 and 1986 Constitution on our territorial limits, it is equally important that we establish our baselines under the UNCLOS which will give us added protection. This should be done on or before the deadline on May 2009. In the meantime, the

JMSU should be extended to allow more seismic studies to be conducted which will add to a greater understanding of the basin.

- Current sharing fiscal terms are rigid
 - Appropriate legislation must be pursued to give government more flexibility in offering Service Contract terms

Panel of Experts:

- a. Ms. Rachel Masters**
Fugro Multi-Client Services, Singapore

Highlights:

- Viable and quality seismic data should be made available.
- The benefits of the Multi-client Seismic Business Model (modern seismic and processed data that enhances quality of database) are: (1) Easy access of exploration companies to cheaper, quality data; (2) Cost of the project can be distributed among participating bodies; (3) Digital data can be conveniently stored over long periods of time; (4) attracts more prospective investors; and (5) Will benefit the government as well as the people
- Company experience in semi-basin offshore in Indonesia with previously limited seismic data applied in the area with no applicants:
 - Currently has 6,000 kms. of new marine seismic with areas opened for 9 blocks for offering
 - 25 exploration and production companies interested so far which in turn increased employment in the area.
- Philippines should consider intensifying the promotion of increased interest in the areas to result in more investments in energy exploration.

- b. Mr. Patrick Tan**
Country Representative
Fugro Multi-Client Services, Vietnam

Highlights:

- Oil and gas production is common place in countries such as the Philippines which are blessed with natural resources
- Oil and gas is a premium industry and should not be shut-off as long as there is an economic balance between supply and demand
- The country should prepare for the inevitable increase in the prices of commodities
- Public awareness on the effects of barrel of oil should be generated down to the community level
- The increasing price of oil has been affecting all countries, why should the Philippines worry
- Country has risen from hard times with remarkable success in oil and gas industry
- Energy summit is a bold step of the energy sector which will open its doors for improvement and investments

- c. Mr. Kevin Lyon**
Chevron Malampaya LLC

Highlights:

- Issue of high cost (sharp increase in oil prices):
- Upstream services increased by 43-52% resulting to \$20B increase in investments for Chevron

- Asia needs to become more energy self-sufficient being the current largest consumer of oil and gas, surpassing US and Europe
- The industry success rate has been low, it is important to identify commercial terms
- In order for the Philippines to attract more oil and gas exploration, especially in the height of the continued rise in oil prices, the country needs the following: (1) attractive fiscal regime; (2) fast and streamlined processes; and (3) flexibility of commercial terms

d. Mr. Keith Perrin
Asset Manager, Shell Philippines Exploration B.V.

Highlights:

- Discussed the 6 years Malampaya experience
- Increasing oil prices is a negative condition to generate investments, thus:
 - The country needs appropriate and quicker legislation to promote business
 - The country needs to be more investor friendly to sell the Philippines to the world; set up an “energy-investor center” in DOE to house database of contacts, set up exhibit areas and assist prospective investors in coordinating approval processes

WORKSHOP 2

PROMOTING RENEWABLE ENERGY: REGULATORY FRAMEWORK AND POLICY DIRECTION

Speaker: *Ms. Catherine P. Maceda, Deputy Managing Director of EON, Inc.*

Highlights of the Presentation:

Ms. Maceda's presentation discussed mainly the targets set in the Renewable Energy Policy Framework (REPF). According to the presentation, in order to meet challenges pertaining to renewable energy such as: a) **market** (integration into grid operations, market-oriented development rather than grant-based and financial incentives; b) **financing** (high initial cost, lack of appropriate financing mechanism and lack of expertise in business development); and, **technical** (limited technical expertise, undefined quality control standards and relatively few success business models of RE development).

The following are the issues raised and the recommended action:

- Absence of appropriate policy regimes to support market penetration, RE standards and quality control including the provision for RE fiscal incentives among others
 - Advocate the passage of the RE Bill to address all RE issues on technical, market, financing and the provision of fiscal incentives
 - Advocate the passage of the Land-Use Act to complement with the RE bill
- Inability to support income and livelihood generating activities of the poor through the use of Renewable Energy Technologies
- Need for a captured market for RE under the WESM
 - Encourage the use of power requirement on RE
 - Conduct of Information-Education-Communication (IEC) campaign for the general public
- Risky exploratory phase of any RE resource development project; such as peace and order problem particularly in Mindanao;
- Existing policies not scientifically based
 - Provide government support for RE research and development and training
- Limited number of experts on renewable energy.
- Panel of experts for the workshop were:
 - Dr. Nandita Mongia, Regional Coordinator and Team Leader for Regional Energy Program for Poverty Reduction in Asia and the Pacific UNDP Regional Center, Bangkok;
 - Mr. Anthony James Menzies, Advisor of Chevron Geothermal Philippines Holdings, Inc.;
 - Mr. Larry Bayrante, President and NGAP/Division Manager of PNOG EDC;
 - Dr. Alvin B. Culaba, Director of Center for Engineering and Sustainable Development Research Program Manager of EU Asia-Link Sustainable Technology Project; and
 - Mr. Alberto R. Dalusung III, Consultant of Preferred Energy, Inc.

WORKSHOP 3

PROMOTING RENEWABLE ENERGY: MARKET AND FINANCIAL BARRIERS

Speaker: *Mr. Marlon M. Centeno, Vice President of Northwind Power Development Corp.*

Highlights of the Presentation:

The development of renewable energy, particularly wind energy provides for economical, technical, social and environmental benefits to electricity consumers of Ilocos Norte Electric Cooperative (INEC), directly benefitting the community with project as well as the province of Ilocos Norte, in general. The presentation focused on market and financial issues as among the challenges in the promotion of RE which is seen to be solved with the passage of the pending RE Bill.

The following are the identified Market and Financial Barriers, and the corresponding required/suggested actions:

- Inability to deliver competitive power rates to the Wholesale Electricity Market (WESM) given the wheeling charges from TransCo and the Wind turbine's expensive upfront cost resulting to Northwind's deteriorating competitiveness. However, wind power's competitiveness improves over the long term.
 - A reasonable fixed-rate or feed-in-tariff for RE is suggested
 - Credit rating of ECs (ECs should be given credits with their RE-use)
- Limited foreign ownership but under the EPIRA power generators are allowed full foreign ownership. The Foreign Investments Act of 1991 however states that wind power generation is limited only to 40% foreign ownership
- The sale of power generated by RE are zero rated for VAT but it is a taxable transaction for VAT purpose, thus, will not result in an output VAT. Input tax on zero rated transactions shall be recovered as tax credit or refund
- Passage of the RE Bill
- Panel of experts for the workshop include:
 - Mr. Marietto A. Enecio, SVP Head of Program Development of the Development Bank of the Philippines
 - Ms. Jane McKay, President and CEO of Treswell Investment Asiacorp.
 - Ms. Anita Celdran, Teal Leader of Philippine AICarbono
 - Engr. Marcial Ocampo, Energy Consultant on Alternative Fuels.

Highlights discussed by the Panel of Experts:

- There is a need for a concerted effort in the promotion and development of RE.
- There is long period for the return of investment on RE but once achieved it provides a stable increase in the rate of investment.
- Despite of high demand for RE, investors are still reluctant because of its high upfront cost including the procurement of RE equipment
- In 2008, DBP is considering to invest on RE equivalent to 50% of the project cost not exceeding P3M payable in 5 years
- It is difficult to obtain financing in the Philippines for commercial use of wind power.

Highlights of the concerns and issues raised by the participants:

- High documentation cost for processing DBP loans
- High required collateral of 50 % of the loan granted
- The 50% of the project preparation cost serves as collateral for the loan
- High investment cost on RE sources

- With the DOF mission of reducing debt, the Philippine government does not give sovereign guarantee. However, in applying for loans, any foreign entity should acquire sovereign guarantee to be approved. Hence, the need for sovereign guarantee in applying for loans should be re-considered by the government to attract foreign investments.
- There are no investment incentives such as subsidies to economically attract investors in wind as compared with other countries.
- The promotion of the country's natural gas industry has a negative effect on the development of some renewable source such as wind. Example is the issuance of take or pay contract with Shell SPEX which was guaranteed by the government. This type of guarantee is not being provided for wind development.
- There is an inadequate skilled manpower to RE equipment
- There is no balance between supply and demand for wind turbine. The current capacity of wind turbine producers is not enough to meet the demand
- The possibility of creating scalable model of micro RE or other alternative fuel in small communities

WORKSHOP 4

PROMOTING ALTERNATIVE ENERGY SOURCES: TECHNOLOGY OPTIONS

Speaker: Dr. Rowaldo D. del Mundo, Associate Professor of the National Engineering Center, University of the Philippines

Highlights of the Presentation:

Dr. del Mundo started the discussion by presenting the status, trends and potential of different technology options for sustainable development. He cited the country's edge and disadvantage in the development of RE sources such as our excellent record in geothermal development attributed to our strong resource potential and technological experience. Specifically, Dr. del Mundo cited such alternative energy technologies such as geothermal, nuclear, clean coal, and RE technologies as a whole. He went on further by identifying all issues and concerns on RE technology options as well as the required action to be taken.

- Different RE technologies (hydro, geothermal, solar, wind, biomass and biofuels) available are already matured but waiting to be fully harnessed. To prove his point, he showed available data on untapped potentials of various RE resources (hydro= 13,097 MW; geothermal= 2,600 MW; wind= 76,600 MW) and that production cost of biomass and biofuels will go down, with PV production cost to decrease also by 40% by 2010.
- Given the required discipline collectively as a people to follow strictly safety rules, there is uncertainty as to our readiness to get into nuclear energy for power development. Cited the pros and cons of using nuclear energy.
- Pursuing clean power development using clean coal technology could help stabilize the country's dollar reserve balance.

Panel of Experts:

a. Dr. Corazon P.B. Claudio
Chair/President, Earth Institute of Asia, Inc.

Highlights:

- Alternative technologies carry a mixture of desirable and undesirable characteristics.
- Preferred the idea of Technology Life Cycle (i.e., generation, transmission, distribution, application, waste disposal, ecological and risk management) as a valuable tool for analyzing opportunities for technology development at various phases of project development.
- Recommended the adoption of Communication, Assessment and Management (CAM) Strategy in the overall project development.

b. Dr. Angelito V. Angeles
Central Luzon State University

Highlights:

- Institutional approaches to process study in RE technology components which he identified as humanware, technoware, infoware and organoware.
- Stressed the importance of the private sector as the engine of RE development.
- Complementing Dr. Claudio's suggestion of CAM strategy and Technology Life Cycle, he suggested the adoption of Substantive Evaluation models for an effective, efficient, timely and relevant RE technologies.

- c. **Dr. Olegario Serafica**
Renewable Energy Association of the Philippines

Highlights:

- Emphasized the importance of honest to goodness resource assessment that reaches down to micro level.
- Suggested that we should look at other possible RE resources such as biomass digester, ocean resources, solar home systems that are attuned to the needs of the poor rural folks.
- Stressed the importance of regular system monitoring and feedback mechanism to ensure the success of RE projects.
- Mentioned some projects like disposal of used equipment by setting up collection points where used batteries can be disposed properly.
- On the aspect of gender development in the countryside, he suggested that trainings should include women in terms of the use of technologies.

WORKSHOP 5

PROMOTING ENERGY EFFICIENCY AND CONSERVATION IN THE PHILIPPINES

Speaker: **Dr. Benjamin Austria**, Executive Director of the Energy Development and Utilization Foundation, Inc.

Highlights of the Presentation:

- The 2008 World Energy Council Report cites the following widespread effective measures: (1) Mandatory energy audits; (2) Energy Service Companies (ESCOs); (3) Energy incentives for cars; (4) Energy efficiency obligation for energy utilities; and, (5) Package of measures for solar water heaters
- There is a positive correlation between economic growth and energy consumption
- Energy efficiency and conservation are viable responses to the challenge of high energy prices
- There is a wealth of experience and expertise on energy efficiency measures and practices in the Philippines and in the international arena
- The human factor is important in promoting widespread implementation of energy efficiency and conservation
- Institutions, policies and financing are essential ingredients in the successful promotion of energy efficiency and conservation
- The four energy-intensive consuming industries are: (1) cement; (2) iron and steel; (3) pulp and paper; and (4) mining and quarrying

Way Forward:

- Continue and expand energy efficiency and demand side management programs
 - data gathering and analysis at different levels
 - government to lead by example
 - adapt effective measures to the local situation
- Establish policy and regulatory framework
 - financial incentives
 - Subsidies or soft loans for investments and audits
 - Fiscal measures on tax credit
 - Tax reduction on energy saving equipment and accelerate depreciation of said equipment
- Strengthen and support institutions involved in the promotion and implementation of energy efficiency programs
 - private-public sector partnerships
- Provide adequate information to various sectors

Panel of Experts:

- a. **Mr. Noel Padilla (for Undersecretary Ignacio)**
Director for Policy and Planning
Department of Environment and Natural Resources

Highlights:

- Energy efficiency and conservation (EEC) is good for the economy, environment and health
- Responsible stakeholders shall compensate wasteful use of energy through EEC programs
- DENR has yet to receive carbon credits from EEC projects

- The Clean Development Mechanism under the UN Kyoto Protocol, which resulted in significant amount of GHG emission reduction, allows companies promoting EEC programs and projects to sell carbon credits. The majority of the 700 CDM projects around the world are found in Asia.

b. Mr. Jesus L. Motoomull

Director of Bureau of Product Standards, Department of Trade and Industry

Highlights:

- Standardization of energy efficiency rating is important because it provides solution to encourage manufacturers to produce energy-efficient industrial products
- DTI-BPS shared the merits of having energy label in air conditioners which resulted in the expansion of the program to cover refrigerators and CFLs, among others
- Development of private testing facility in the country
- EE&C programs should not be limited to product testing and product certification but shall require post-market surveillance system to monitor the compliance to energy labeling
- Aggressive IEC campaigns for consumers and strong legislative support to advocate the practice and proper implementation of EE&C programs/activities

c. Mr. Reynaldo Legada

President of Energy and Aviation Support Group

Highlights:

- The lack of preventive maintenance in the operation of power plants will result to: (1) generation loss; (2) reduced efficiency due to increased heat rate that leads to higher NOx and fuel consumption; and (3) increased fuel usage and costs
- Power generation economy is determined by two factors, namely capital cost (\$/kW) and fuel cost (¢/kWh)
- Maintenance and operating cost is roughly 15-20% of fuel cost, so the higher the fuel cost the higher the maintenance and operating expenses. On the other hand poor maintenance and operating practices increases fuel cost and shortens the life of the generating plant
- Heat rate of a coal-fired thermal power plant is affected by several factors but the most significant ones are: (1) boiler exit gas temperature, determined by combustion efficiency and/or cleanliness of boiler tubes; (2) percent excess air or oxygen in boiler exit gas; and (3) turbine exhaust pressure or condenser vacuum, determined by efficiency and cleanliness of condenser system
- A well maintained boiler and condenser reduces plant outages and optimizes plant efficiency, thereby saving fuel
- Heat rate should be continuously monitored
- Power station equipment has to be maintained to achieve the highest dispatch reliability and to cut down generating electricity costs

- d. Ms. Leticia dela Cruz**
Managing Director of Geosphere Technologies, Inc.

Highlights:

- There is a potential for EEC projects for Energy Service Companies (ESCOs) in the country with the registration of EscoPhil in SEC in May 2005. To date, EscoPhil has 16 members
- ESCO is a business that develops, installs and finances projects designed to improve the energy efficiency and maintenance costs for facilities over a period of time (10 years max). It employs a wide array of cost-effective measures to achieve energy savings which include high efficiency lighting, heating and air conditioning, efficient motors, variable speed drives, and centralized energy management systems
- ESCOs cover services ranging from a) energy audit; b) construction management; c) project monitoring and guarantee of energy savings; d) owner's representative/engineer; e) equipment maintenance and operation; and f) project financing
- Problems encountered by ESCOs in the Philippines include the following: (1) no documented "ESCO success stories"; (2) "lack of confidence" on the concept of performance contracting by private sector; (3) no clear government guidelines on energy efficiency ; (4) government support needed for ESCO activities; (5) tax incentives on energy efficiency; (6) banks/financial institutions often lack experience to evaluate loans for energy efficiency projects backed by performance guarantees; and (7) lack of credit facility and inability to obtain financing
- Proposed action plans are needed for immediate implementation: (1) document "ESCO success story" and circulate; (2) intensify awareness of performance contracting to the private sector; (3) invite successful foreign ESCOs and lenders supporting them; (4) laws to provide tax incentives for energy efficiency projects; (5) develop performance contracting demonstration projects with banks/financial institutions; and (6) develop reforms to improve public sector procurement rules and procedures for energy efficiency projects

- e. Mr. Lando Marquez**
President of Manila Jeepney Operators and Drivers Association

Highlights:

- There is now a strong call for of doable and sustainable environmental protection program from the public utility jeepney (PUJ) sector
- There are a number of diesel PUJs alarmingly emitting a harmful average vehicle emission of particulate matter in spite of the introduction of the use of brand new diesel engines because of the inherent design limitations of diesel engines that cannot sustain a complete combustion of the diesel fuels fed into it
- Engine repowering program should be implemented
- A sense of national pride to learn that the Philippine jeepney is currently on display in Tokyo Disneyland
- Develop and support Filipino inventions/new innovations to improve the diesel performance of jeepneys

WORKSHOP 6

LOWERING OF POWER RATES FOR INDUSTRY COMPETITIVENESS AND CONSUMER WELFARE

Speaker: *Dr. Fernando Y. Roxas, Faculty of Asian Institute of Management*

Highlights of the Presentation:

The major issue he discussed on the workshop is to address the clamor for the amendment of EPIRA. If EPIRA is amended his views are the following:

- No law is perfect and everything may be subjected to further improvement
- Circumstances may have changed since the passage of the said law
- There may be some cases of oversight
- The proposed amend may open a new “can of worms”
- The readjustment of some provisions in the EPIRA may be a trap attributed to a political process and thus may consume a great deal of political capital

Generally, his perspectives on amending the EPIRA are as follows:

1. Revisit “NPC’s dominance” as the preconditions stated in the Open Retail Access is no longer applicable because:

- NPC does not own majority of the generation assets in the Luzon Grid, and
- The benchmark is inconsistent with the 30% market share cap on capacity of each grid for the private sector.

2. Revisit the IPP Administrator

- IPP Administrator to handle 70% of the IPP contracts now under PSALM.
Philippine condition is unique
 - the geographically, politically & structurally fragmented markets and sub-sectors,
 - Proportion of capacity under take-or-pay
 - High levels of historical costs being recovered from consumers
- The establishment of an economically efficient and transparent IPP Administrator is not as simple as everybody believes it to be.
- Even if the privatization program reaches the 70% benchmark, the IPP Administrator may still be the bottleneck to open access.

3. Revisit the provision on PEZA

- In line with the government’s initiative, retail open access within the PEZA ecozones should be enshrined in the proposed amend in order to avoid any ambiguity or forestall any legal challenges. The possible solution is to allow PEZA to contribute in power generation and assign market power.
- Meanwhile, on the issue of using Malampaya royalties subsidy to bring down generation costs to P2.50/kWh for 460 large industries the government contends that these amounts are already pledged as guarantees and legal restrictions to prevent to other uses. The DOE & DOF will sit down with Seipi on the matter.

Panel of Experts:

- a. Mr. Arthur Young**
Chairman of Semiconductor and Electronics Industries

Highlights:

- SEIPI is for acceleration of open access
- The private sector is not favorable of amending EPIRA, specifically the privatization of NPC, since it will entail another tedious process of implementation.
- Royalties gives immediate opportunity considering that it is transferable and would have a minimal impact to the finances of the government.

- b. Mr. Saturnino Juan (for Chairman Albano)**
Executive Director, Energy Regulatory Commission

Highlights:

- ERC is open to various tariff structures such as TOU as long as ERC is convinced it would lower power rates
- In applications for special rates, ERC hears and expedites the process. Such discretion may be given to DUs or the suppliers as long as similar industries/customers will be extended the same rate :
- To lower rates, we need to lower the costs. For DUs charges: performance-based regulation in the long term, the costs of DUs would decrease and hence lower rates
- ERC welcome open access but would rather leave the matter for legislative action. ERC prepared and promulgated guidelines with respect to open access.
- The PEZA provisions in the legislation should be considered in the amendment. It is not ERC causing high power rates. Changing of regulators will not ensure lower power rates. The passage of a PEZA law is needed to address the requirement of the industrial ecozones.

- c. Mr. Jesus Francisco**
President of Meralco

Highlights:

- Power rates
 - Unbundling causes different things to different people
 - Average rate of Meralco in 2007 was P7.43 per kWh
 - Majority of the components of the bill is passed-through
 - Meralco keeps to about 13% of the bill
- Generation rates have gone down in the past three months
 - Any reduction in power cost is welcome so consumers would be encouraged to consume electricity
 - Meralco puts together different programs in cooperation with NPC and ERC (e.g., ecozone rate, ODPS rate)
- Cross-subsidy in generation charges
 - Current generation charge is the average account from several suppliers
 - Meralco prices are different for different sectors. Generation charge is the same to different sectors (residential, commercial, industrial). To bring down prices, there are programs. i.e. Meralco will pass-through the special rates of NPC to PEZA
 - The governments of Malaysia and Indonesia subsidizes the cost of electricity of industries

- Lifeline Discounts
 - A subset of the Meralco customers are “taken cared” of because they are poor
 - World Bank and International Monetary Fund years ago prescribed subsidies which is believed to better than cross-subsidies.
 - Lowering/eliminating VAT on electricity may be better

d. Ms. Edita Bueno
Administrator of National Electrification Administration

Highlights:

- Rural electrification program: To date, unenergized barangays stands at 1,496 out of the total of 41,000 barangays
 - Energized
 - Cities/towns - 100%
 - Barangays - 96%
 - Sitios - 69%
 - Connections - 67%
- Measures to reduce power rates
 - Reduction of system loss
 - Areas of concern (Region V and ARMM): high system loss and high indebtedness to NPC
 - Efficient reliable and competitive operations for ECs
 - Focus must not just be on government or the regulator, but something the consumers would have to take up

e. Mr. Lasse-Matti A. Holopainen
President of Philippine Electricity Market Corporation

Highlights:

- Open access, in it and by itself, will lower the power rates. In an uncompetitive market, you can get stuck with a provider for a long time. Competition must take place first before open access
- Preconditions:
 - 70% privatization
 - No need for amendment given PSALM achievement
 - IPPA privatization
 - Nothing has been discussed yet. It may be corporatization and other ways. Investors want to put money in it
 - EPIRA was made with competition on mind (analogy: telecommunications). Danger is that it will lower competition

f. Mr. Arthur Aguilar
President of National Transmission Corporation

Highlights:

- EPIRA amendments:
 - Substantial progress has been made through EPIRA. Very few developing countries have the same set out industry architecture through legislation

- TransCo
 - More than 20,000 circuit kilometers
 - Luzon and Visayas are interconnected. Mindanao is stand-alone
 - In the next ten years, 10,000 MW will be installed in Vietnam and will surpass Philippines
- TransCo efforts to lower rates
 - In this part of the world, TransCo has competitive rates in the region
 - Dozen areas of constraints (by August of 09) – BTRP: Open up 900 MW of largely natural gas to the Luzon grid charge the consumers P5-Bn. This will result to lower rates because it would displace current use of fossil fuel
 - TransCo is currently restudying transmission rates (e.g., TOU)
- Policy
 - NPC cannot build new generation plants. TransCo uses transmission solutions to generation problems (submarine cables) – Visayas
 - On the unbundled rates, the energy sector is taxed while other countries were subsidized. Locus of solutions may not lie inside the power sector but outside. Eliminating the VAT may lower the rates.

g. Mr. Cyril C. del Callar
President of National Power Corporation

Highlights:

- We need a short, medium and long term solutions to the problem. Generation rates will always be the biggest component in the power bills.
- Don't tax the players in the industry – subsidy must be transparent.
- NPC is not a competitor.

h. Mr. Froilan A. Tampinco (for Pres. Ibazeta)
Vice-President of Power Sector Assets and Liabilities Management Corp.

Highlights:

- Privatization is a means towards an end.
- New owners of privatized generation assets shall be influenced to act competitively, hence lower power rates
- Privatization only impacts on the universal charges (decreases due to the sale of NPC's generation assets)
- Retail competition and open access allow for competition in the generation sector. Consumers' choices will increase in terms of the most efficient and competitively priced supplier.
- End-goal of privatization program is to introduce competition in the power sector.
- Challenges faced by PSALM:
 - Attract as many interested bidders for privatization
 - Pursue privatization of remaining NPC generation assets
 - Sustain financial viability of the power sector by liability management plan
 - Privatize 70% of NPC gencos and 70% of NPC's contracted power

i. Dr. Lilia de Lima
Director General, Philippine Economic Zone Authority

Highlights:

- Concerns of investors inside PEZA ecozones

- They need clean and uninterrupted power
- Reflection of true cost of power
- Acceptable cost to investors
- PEZA contribution
 - 1,736 locators (export manufacturing companies) inside ecozones
 - Promote IPPs within PEZA through no transmission, distribution and system loss charge
 - Generation of employment
- PEZA has reduced rates in certain ecozones
 - Lowered rates in Mactan, Bataan and Cavite
 - The requested lower rates are only in 13 places in Luzon
- PEZA supports open access
 - With concerted efforts, consumers and industry players must help reduce power rates

j. Ms. Melinda L. Ocampo
Former Undersecretary, Department of Energy

Highlights:

- Need to unite and cooperate efforts to effectively implement power sector activities and reap the benefits of electricity end-users
- Result of consultative meetings
 - NPC provide discounted rates to ecozones, Meralco to give load factor
 - Withdrawal of the case against open access
- Medium term
 - NPC and Meralco shall renegotiate power supply agreement for cheaper generation cost
 - TransCo should review current customer classification rates
 - TransCo should develop efficiency in operations to serve customers better
 - Lifting of various taxes on generation, transaction, and distribution
 - PSALM should pursue privatization of remaining NPC power plants. Accelerate appointment of IPPAs
- Implementation of demand-side management practices such as CFL installation can be adopted.
- Revision of the regulatory framework to suit current requirements

Views from Dr. Roxas statement:

- Reducing threshold from 70% and removal of the condition of IPPA: to achieve competition
- Open access provides interaction of MORE industry players: more players, more choices
- Open access in distribution system would make investors look at an open and competitive market and enhance possibility of privatization.
- Can private investors compete with NPC?
 - NPC is regulated by the government.
 - Some Gencos actually even offer lower rates than NPC
 - Safeguards for customers are provided in the EPIRA
 - Least cost manner provision by generators to captive customers in the EPIRA. Sec 45 b and C. Bilateral contracts will shield the market from volatility
 - Drive for competition
- Will DUs be threatened?
 - DUs will just merely collect
 - In an Open Access, DU is freed from the obligation to collect from some customers. They just need to charge for the electricity which passed through them

WORKSHOP 7

RESPONDING TO HIGH OIL PRICES

Speaker: **Mr. Carlos Alindada**, *Chairman of Independent Review Committee Oil Deregulation Law*

Highlights of the Presentation:

- The main cause of oil price increases was the effect of major peso devaluations and increases in the international price of oil especially since we import practically all our oil product requirements.
- Subsidy is not a viable solution because it will cost government excessive amounts of money.
- There is no evidence of price cartels.
- The DOE should not support or initiate any change in the Policy of the State as contained in the Downstream Oil Industry Deregulation Act of 1998 (RA No. 8479).
- Because we are practically 100% dependent on imported oil for our requirements, the DOE should accustom the public that we are now in a regime of high prices. As such, the DOE should continue its efforts to:
 - Encourage exploration and development of indigenous energy resources including oil and gas;
 - Encourage the use of alternative energy sources; and,
 - Promote programs for the conservation of energy and avoidance of wastages in the use of oil products (e.g., stricter enforcement of laws governing colorum vehicles)
- The DOE, working through the government's representatives in the Petron Board, should continue to urge the Company to act as "price moderator." In a deregulated market, price is often set by the low cost producer. Petron, being a refiner and a market leader, suits the role. The action of price moderator should not be done just during price rollbacks but also during price increases.
- The DOE should not propose or support any program that leads to any subsidy. On the other hand, the committee recognizes the need to alleviate the condition of the poorest sectors of society thus, some social action needs to be made. However, this is a function of other government agencies and not the DOE's.
- While at present there is no hard evidence that cartels exist, the DOE should always be alert on the likelihood that cartels may arise in the future. The DOE should be prepared to prosecute erring companies.
- It is interesting to note that the land transport and the sea transport groups have different views on oil deregulation. Land transport is still regulated while the latter is deregulated. The DOE should look into an automatic fare setting mechanism or formula that can adjust fares quickly in response to both increases and decreases in fuel prices.
- We import practically all our oil requirements because total indigenous production is less than one half of the country's needs for half a day.
- Any changes in international oil prices directly affect pump prices.
- Oil product price increases were mainly caused by the peso devaluation and the increase in the world price of Dubai crude; not deregulation.

Panel of Experts:

- a. **Hon. Enrique Garcia**
Governor, Province of Bataan

Highlights:

- High oil price due to high crude price (with foreign exchange); isolate the effect of high crude price and fluctuating peso-foreign exchange rate
- Deregulation limited to DOI
- Government can't afford to subsidize

- Oil Price Stabilization Fund (OPSF) not directly linked to deregulation; it is intended to stabilize fund
- Biggest factor that could lower prices is to go back to regulation

b. Mr. Jose Enrique Africa
Research Head of IBON Foundation

Highlights:

- Short-term – removal of RVAT on oil
- Medium- to long-term (in context of fiscally and socially responsible state) –
 - Diversified fuels, more efficient energy use...
 - Centralized procurement, buffer supply/fund, non-traditional trade deals (ex. bilateral deals, commodity swaps), nationalization...

c. Mr. George San Mateo
Secretary-General of PISTON

Highlights:

- Questioned credibility of IRC; Congress should have reviewed the Oil
- Deregulation Law; much credible if people's committee
 - Cartel exists in the oil industry
 - Supports the call to exempt oil from VAT
 - Review/suspend/scrap oil deregulation law
 - Long term push of nationalization of the oil industry
 - Political will to implement policy to help the majority

d. Mr. Efren De Luna
President of Alliance of Concerned Transport

Highlights:

- Proposed for a subsidized loan for better engines
- Address the immediate needs of the drivers like education for their children and daily needs

e. Ms. Anna Whitehouse
President and Managing Director of Total Phils.

Highlights:

- Government
 - Tariff reduction → Php 1.00 reduction in diesel pump price
 - DOE's role in moderating prices through staggered price adjustments
 - Continue policy towards energy independence
 - Biofuels Act
 - Indigenous source of fuels → \$ savings
 - Cleaner, more environmentally-friendly

- Livelihood and economic development → new markets, new industries
- Develop renewable energies potential
- Enhance energy efficiency and conservation program Government
- Industry
 - Diesel discount program for PUJs/PUVs – Php 600 million in 2006
 - Promotion of AutoLPG as cheaper, safer and more environmentally-friendly alternative to gasoline
 - Continued development of cleaner conventional fuels and higher-performing lubricants
 - Introduction of CNG-run buses
 - Globally, actively promote alternative fuels and renewable energies

f. Mr. Peter Lee U. Dean
School of Economics, University of Asia and the Pacific

Highlights:

- High prices naturally leads to conservation
- Government cannot afford to subsidize
- Alternative fuels (e.g., ethanol, auto LPG)
- Competition policy law and agency that enforces it
- For price transparency –oil companies IPO

g. Mr. Gil Beltran
Undersecretary of the Department of Finance

Highlights:

- Conserve energy
- Shift to alternatives
- Through targeted programs (e.g., DSWD's spoon feeding program)
- Improve the infrastructure (build more roads, expressway across the country, too much traffic)
- Build more mass transit railways (priced competitively; not misplaced jeeps & buses)
- Credit/entrepreneurial programs for the poor

WORKSHOP 8 ALTERNATIVE FUELS: ISSUES AND CONCERNS

Speaker: **Mr. Alexander P. Loinez**, *Trustee of FILCAR Foundation*

Highlights of Presentation:

- *Agriculture*
 - Deforestation, slash and burn practices
 - Inadequate funding for replanting of coconut trees
 - Diversification on other feedstocks for biofuels
 - Insufficient irrigation systems and fertilization, and inaccessibility of funds for farm implements
- *Processing, Storage, and Stock Piling*
 - Lack of infrastructure and available funding for distribution, storage, biodiesel processing and blending
 - Absence of government program for stockpiling
 - The need to establish modern underground storage tanks (UST) and new fuel filling pumps for higher blends such as B20, B100 and E85 including standardized fuel refilling station design.
 - Lack of incentives for fuelling infrastructure
- *Vehicle Technology Interaction*
 - Fuel quality must meet international standards for vehicle use
 - Introduction of compatible parts, components, and elastomers as well as upgrading program for parts and components
 - Prohibition of sale and use of substandard parts and components
 - Fuel rebate incentives for vehicle capable of higher blends
 - Funds for vehicle fleet testing of higher blends B20/B100
 - Impact study on deposit formation and lubricant life
 - Fuel quality effects on fuel injection equipment
- *Vehicle Emissions/Environment*
 - Incentives for lower CO₂ and other vehicle emissions
 - Implementation of me/M Program as required by RA 8749
 - Periodic evaluation of vehicle emission performance
 - CDM incentives and fuel use rebates
 - Biodegradability requirement
- *CME Production*
 - CME is helping oil companies to meet requirements of the Biofuels Act
 - There is no problem on food security **since CME production will only take up an average of 7% of average annual lauric oil inventory**
 - There is no land issue for CME.
 - CME will serve as a major economic input to empower the countryside
- Panel of experts for the workshop were:
 - Fr. Edificio dela Torre, Consultant of NEA
 - Dr. Mario C. Berbano, Consultant of Alston Phils, Inc.
 - Mr. Rafael G. Senga, Asia Pacific Energy Policy Officer, WWF
 - Mr. Jose P. Leviste, Jr., Chairman of Treswell Investments Asia Corp.
 - Ms. Myrna T. Yao of the Green Army Foundation

Highlights of the Discussions from the Panel of Experts:

- The issue of biofuels is not on food security but more on feedstock security
- Other issues to be considered is on the lack of technology and knowledge
- Ethanol blend target in the Philippines is low (E5 to E10) compared with EU and US levels

- Biodiesel feedstocks (Jatropha) in the Phils. are “permanent crops” while biodiesel in EU and US (corn) are seasonal
- Recommendation: A “Set-Aside” Policy (similar to EU) can be implemented in the Philippines giving priority to food use.
- PNOC-AFC is pursuing R&D on jatropha and will set-up 3 seed-buying centers

WORKSHOP 9

SCALING UP BEST ENERGY PRACTICES ACROSS SECTORS THROUGH SOCIAL MOBILIZATION

Speaker: **Mr. Jasper Inventor, Greenpeace**

Highlights of the Presentation:

Mr. Inventor's presentation focused on mobilising society towards the achievement of certain common goals and vision as he discussed mainly examples of Greenpeace undertakings on social mobilization initiatives to generate public support on energy related-activities, to wit; Simple lang, which pledge to do three simple acts to raise awareness on energy efficiency and conservation (*simple lang switch off, simple unplug and simple lang use energy efficient lighting*). Energy Revolution, which aims for 100% renewable energy Negros by offering alternative solutions through renewable energy and energy efficiency. The Electric Jeepney project is based on an integrated facility for generating electricity for transport from organic waste. The project components, its benefits, both economical and environmental, were highlighted.

The general issue raised on social mobilization in the energy sector centered on how to generate public awareness and action on a specific issue as well as the importance of come up with strategies to employ to sustain public interest and desire for action. Likewise, the lack of centralized information and clear policy framework remains to the other gray areas recommended to be considered in mobilizing the public.

Mr. Inventor presented the following recommendations on social mobilization:

- Develop a good communication strategy and systematic approach on the perspective of long-term sustainable energy
- Create innovation solution to entice people participation
- Present alternative to the people in case of rejection of proposal
- Influence policy from the ground or grass-roots level
- Determine political will and the desire for action
- Clear vision and simple message for public dissemination

Panel of Experts:

a. **Mr. Ed dela Torre**
NEA Consultant

Highlights:

- Social Mobilization of rural folks
 - Mobilize those who are interested and those who will benefit
 - EPIRA to serve as a larger framework with big players as focus but electrification policy should still remain
 - Emphasized on training and education
- Policy clarification from the government
 - The need for a clarification as to what is the policy of the government whether every household should have electricity. This is in relation to the principle that a barangay is already considered electrified when there is already an access to the electricity and its not necessarily follow that all household in the areas have electricity.
- Community organization
 - People usually move around the issues and not around the problems. Identify the problems that will be transform into issues and then once the issues are identified, there is a need to find the leader in the community

- Absence of electric consumer's movement, that is there must be a strong consumer's voice for the electricity consumers

b. Mr. Joey Leviste

Chairman of the Board, Managing Director and CEO, Mirant Asia Pacific Ltd.

Highlights:

- How they did it in MIRANT?
 - Preparation involved Stakeholder Consultation
 - Selection of Technology and Systems to Yield Optimum Environmental Performance
 - Must have Comprehensive Environmental Programs
 - Committed and Empowered People
- There is really clean coal power plant: in Pagbilao, Quezon and Sual, Pangasinan
- Presented and distributed paper on "Clean power from coal, Green fields under blue and white skies" which he personally authored, indicating the principle that *Coal-fired Plants as the Long-Term Solution to Country' Energy Needs*"
- Educational reform is the key problem

c. Mario Berbano (Scientific Perspective)

Alstom Power

Highlights:

- Best Practices in Energy
 - To perform in most efficient way at the least amount of effort in carrying a task
 - To have a best result, with fewer problems and complications
- CSR: What they did in Limay?
 - Talked to the Mayor in finding out the needs of the community
 - Education
 - Training
 - Youth leadership
 - Health and Nutrition and Feeding programs
 - Livelihood
 - 40,000 mangrove seedlings
 - biogas facility

d. Ms. Myrna T. Yao

Green Army

Highlights:

Saving natural resources should be regarded as a serious issue which everybody must be concerned about whether it is developed or developing country. Thus, the conformation to the following is necessary:

- Be an ethical consumer
- Lobby for the right for access to renewable electricity
- Always answer questions about sustainable development

- Usual complaint: “No Budget:
 - To invest in social responsible companies
- Social responsible investments
 - Life insurance
 - Usage of less polluting materials in creating a fair world
- Examples of saving energies in our daily life:
 - Should drive more slowly
 - Check energy efficiency rating when you buy household appliances
 - Investigate Zero Waste Programs
 - Methods of Waste Management

e. Mr. Rafael Senga
Asia Pacific Energy Policy Officer, Worldwide Fund

Highlights:

- Presented the Multi-stakeholder Power Development Planning which was formulated to address the need for a transparent, accountable and participatory energy planning process that addresses the economic, environmental and social dimensions of the energy conundrum
- Price has increased by almost 200% (coal at P25/ton to P98/ton)
- Debate on putting up coal-fired plant (Antique and Iloilo)

Others concerns raised:

- Multi-sector regional energy planning approach
- Behavior modification into a new regime of promoting renewable energy and energy efficiency
- Promote switching from IB to CFL through a collective effort to launch a campaign with great impact. Electric cooperatives can be tapped for this campaign.
- Suggestion to incorporate the 3 simple acts. Greenpeace also has a house renovation program to improve the efficiency of houses.
- The undertaking of demonstration projects on energy efficiency

WORKSHOP 10

SETTING SUCCESS INDICATORS AND MECHANICS FOR MONITORING CROSS-SECTORAL INTERVENTIONS

Speaker: *Dr. Segundo Romero, Faculty Member of DAP School of Public and Development Management*

Highlights of the Presentation:

- Setting Success indicators and Mechanics for Monitoring Cross- Sectoral Mechanisms.
 - 10 perspective of Success
 - (1) Cross sector at the 7th level
 - (2) Indicators are control/tools
 - (3) Build in –don't bolt on
 - (4) Measurement tradition
 - (5) Transparency and accountability
 - (6) Both objective and perceptual
 - (7) Both substance and process
 - (8) Balanced scorecard
 - (9) Broad tool box (ICT)
 - (10) Target down to the individual
- Cross-Sector implies actions, transactions that start in one sector and cross-over into another sector
- Multi-Sector implies actions, transactions that are initiated by two or more sectors that impact jointly on their respective sectors, impact on sectors other than their own, or both
 - First Level – monitoring yourself and practicing “self-directed behavior”
 - Second Level – The family
 - Third Level – The Work Team
 - Fourth Level – The Social Community
 - Fifth Level – The Political or Administrative Community
 - Sixth Level – The “Sector”
 - Seventh Level -- Cross-Sector
 - Eighth Level -- Inter-Sector
 - Ninth Level -- Multi-Sector
- Success Indicators and Monitoring Mechanisms are control tools
 - They allow an actor or set of actors to determine deviations from a pre-agreed course of action and make corrections
 - They are mechanisms for social control and collective behavior modification
 - Thermostats, not only thermometers
 - Philippine Case – The NACPA, the MSACC
- Lessons learned
 - Allow stakeholder groups to consolidate their own plans in pre-summit workshops
 - Do not prematurely restrict multi-stakeholder representation in multi-stakeholder policy and management structures
 - Continuous consultation is slow, but it is the only way to go!
- Success Indicators and Monitoring Mechanisms must be built-in rather than bolted on
 - Success Indicators and Monitoring Mechanisms cannot be bolted on after “agreement” has been reached on goals and objectives
 - As they say, the devil is in the details, and the success indicators and monitoring mechanisms are the devil, and they must be part of the negotiations
 - Logical frameworks, not new year's resolutions
- Other Issues
 - The need for analysis during the planning stage

- In setting indicator, no measurement tradition is necessary
- The need for transparency and accountability
- The need for objective
- The need for balanced scorecard
- The need for curricular changes
- The need for incentive mechanism

Panel of Experts:

a. Asec. Cui

Highlights:

- The need to identify two reasons in monitoring – (1) accountability – who is working for what; and (2) monitoring for result
- Focus on doables
- Usefulness of LOGFRAME matrix – a long way to go; filling up of squares still remain a challenge
- Main points of project monitoring system of Presidential Management Staff
 - a. Timeliness
 - b. Cost effectiveness
 - c. Transparency
- To engage key stakeholder towards accomplishment of objective, engage them in things they want to do.

b. Hon. Austere Panadero

Undersecretary of the Department of Interior and Local Government

Highlights:

- Clear plan of action should be established and those who will work should be committed to do it.
- A mechanism for ensuring that objectives are met we should identify the focal/accountable institution who will monitor such action.
- Monitoring should be those that are verifiable, those that are felt and measurable to make sense to people that we are moving.
- The need for clear plan of action
- The need for stakeholders commitment
- Identification of mechanisms for monitoring – accountable institutions and disclosures should be made for transparency.

c. Ms. Bai Jasmin Sinsuat

National Biofuels Board

Highlights:

- Glimpse of government monitoring system
 - Office of the president – Pro Tracking system – infrastructure, Special Projects – 5years
 - NEDA RDC – cabinet meetings-public services – long term
 - GOCCs/SUCs – congressional budget approvals, Board of Directors meetings – perceived performance-short term
 - LGUs/Mayors – Field visits – perceived performance (no indicator) – short term

- Congress & House of representative – Budget process – perceived performance of executive branch – short term
- Gaps and challenges
 - Government system is perceived exclusive to GOCC Board members, cabinet Secretaries and Regional Directors in the Executive Branch
 - People (beneficiaries) has very little participation or role in the systematic monitoring of performance of government programs
 - Impact of monitoring is short term
 - Monitoring framework of the Office of the President does not provide for measurable, specific contributions, accountability
 - There are no Terms of reference for GOCC executives, cabinet, legislators, local chief executives. (deliverables and measurable outputs in the job description)
- Recommended mechanisms in monitoring cross sectoral interventions:
 - A community based monitoring system undertaken by the community themselves on the household level. Where indicators are spelled, defined, indicated by the community-beneficiaries themselves. Indicators on health, education, income
 - The CBMS is a monitoring system presently promoted and being advocated in the LGUs in the Philippines
 - M&E systems may include top management supervisory midterm and annual review of performance with the assistance of third party auditing and technical experts. (eg. SGV, and other professional organizations)
 - A panel of independent eminent persons to participate and play a major role in agency M&E Systems.

d. Prof. Helen S. Valderrama
UP College of Business Administration

Highlights:

- Identify first the planning process before indicators. Action plans should be followed through.
- The need for mechanism for the action plan
- For results to follow, the following points should be identified:
 - Need for continuing top level support
 - Identify who are accountable
 - Identify specific, measurable and clear objectives
 - Resource availability
 - Scorecard/reporting mechanism
 - Incentives mechanisms