

Speech of President Gloria Macapagal Arroyo during the Energy Summit

Tuesday, February 05, 2008

SMX Convention Center, Roxas Blvd., Manila

Thank you for your expressions of support.

This is a great day for energy independence as we meet in this summit to enhance policies and programs, attract investments and technology, and launch development projects that will impact favorably on energy in the medium term. In this energy summit we especially want to reach consensus on efforts to moderate energy costs – a top concern of investors and ordinary Filipinos alike.

Even before crude hit \$100 a barrel, we instituted a plan for immediate relief, including the rollback in oil tariffs, which recently cut one peso off the diesel price. We have cracked down on kotong and colorum activities eroding the earnings of franchised buses and jeepneys. Congratulations to Secretary Reyes and his anti-kotong and anti-colorum task force. I have also instructed Secretary Favila to make the Bureau of Consumer Protection petition the Energy Regulatory Commission to grant bigger electricity discounts for low-income consumers.

We are always concerned about prices that consumers and industrial users alike pay. We want our power costs to be about average for the region.

That is why seven years ago, I signed the EPIRA into law to provide competitive power rates for our electric power consumers. It provides for open access once we privatize 70% of the power generating plants of NAPOCOR.

We are eager to move along the privatization of Napocor. Not only will it enable open access, it will also free the government of its subsidy and allow us to use the windfall proceeds to subsidize power costs.

We made important progress last year with the successful sales of four Napocor generating plants worth a total of more than \$2 billion. This is in addition to the \$3.9 billion bid for the concession contract for Transco, where the government received much more than we asked for. We are confident we will be able to sustain this momentum.

Yet, seven years after the EPIRA, we continue to experience the high cost of electricity. I have been wondering why power costs in the Luzon Urban Beltway are so high when Luzon is reliant on imported oil for only 1% of its power.

Preliminary information from NAPOCOR indicates that Meralco buys 45% from NAPOCOR, 45% from its Independent Power Plants, and 10% from the Wholesale Electricity Spot Market. The average selling price of NAPOCOR to all Luzon electric cooperatives is P4.11 per kilowatt hour if they buy 100% from NAPOCOR. Meralco buys electricity from NAPOCOR and WESM at peak hours, which are more expensive at P6-10 per kilowatt hour. So the general charge of Meralco is much higher because of the blended mix. I instruct NAPOCOR charge Meralco the same rate it charges Luzon Electric Cooperatives. I instruct the DTI to petition ERC to enjoin MERALCO from buying electricity from WESM at peak hours.

We also learned that the charges of Transco are not equally distributed by MERALCO to industrial, commercial and residential users. Since they differentiate anyway, I instruct the DTI to petition ERC to ensure preferential treatment for poor households and power-intensive industries in the distribution of Transco charges by Meralco.

We also learned that Meralco's system loss is charged as a separate item. I instruct the Bureau of Consumer Protection to petition ERC to prohibit this.

We also learned that Meralco's distribution charge is the highest among all 140 distribution utilities and electric cooperatives in the country. Veco, Cebeco and Davao Light have a lower distribution charge. I instruct the DTI's Bureau of Consumer Protection to petition ERC to require Meralco to charge the same as Veco, Cebeco or Davao Light.

Another way we could mitigate the high cost of electricity and give our industrial consumers the power of choice is to accelerate the implementation of open access. With 42% of Napocor generating capacity sold, the consumers still do not have a choice of where they can source the most competitive rates. Therefore we have proposed the amendment of EPIRA to remove the 70% privatization as a requirement for open access.

The private sector has expressed their willingness for an early implementation of open access even without the 70% privatization. I therefore urge industry players, particularly private generation companies and distribution utilities, to cooperate in finding solutions on how to implement open access now.

This way, instead of EPIRA, we can prioritize the Renewable Energy Bill which we have certified as urgent.

Energy security also demands the development of indigenous and renewable sources, including domestic oil and gas, geothermal, solar, wind, wave and biofuels. We have made gains in energy independence, with domestic sources having grown 43% since our administration started in 2001 and now supplying 60% of our needs. The strong peso has helped offset the impact of the rising

price of oil. But we must further cut our reliance on foreign oil.

The publicly-listed Chemrez is producing coco-biodiesel in Quezon City while Sember is producing in Lucena City. But both are working at under-capacity levels for lack of coco oil supply. I instruct the Philippine Coconut Authority to help them look for the supply and to plant more coconut in Luzon.

We cannot underestimate the contribution of energy to our economy. We are encouraged by major investments in generating facilities.

In 2005 we launched the national ethanol fuel program by breaking ground of the San Carlos Bioenergy plant in Negros Occidental, which will go on stream in December.

For indigenous power sources, the windmills in the north are supplying almost all the energy needs of an entire town in the Ilocos. Vince Perez, who used to be Secretary of Energy but is now back in his private sector role as investment banker, was with me in my last trip to Dubai. He has raised \$150 to invest in renewables like wind power.

The first Philippine-made bioethanol from molasses will be our in March in Ormoc, with investment from Praj Industries – a result of our India State Visit last year.

The Northwind Power Corporation in Luzon will be completed this year, the Sibulan hydro-electric plant in Mindanao to be completed in 2009, the Mindanao Geothermal in 2010, and KEPCO, Nasulo Geothermal and Global Business Power Corporation all in the Visayas to be completed in 2010.

Bionor Transformacion of Spain is looking for 100,000 hectares for jatropha nursery in Palawan – a result of our Spain State Visit last year.

Abengoa of Spain is interested in 60,000 hectares for cassava bioethanol nursery. They are looking at Misamis Occidental.

We must also sustain and expand investments in the delivery of non-traditional fuels, like compressed natural gas from now available to dozens of provincial buses through mother-daughter CNG stations. We must make CNG available to hundreds, not dozens, of buses by pursuing the large investors from Japan and India who have long expressed interest in building a chain of CNG stations and natural gas pipeline from Batangas to the various stations in that chain.

Solar power is lighting up rural homes in Mindanao. Aside from the projects in the land reform

areas, the private investment in Cagayan de Oro is the largest solar power plant in the developing world.

The geothermal fields in South Luzon, the Bicol region, central Visayas and some Mindanao provinces make us, in the words of Bill Clinton, the world's geothermal leader.

Your knowledge in energy conservation is also all-important in our quest for energy security. Like Australia, we should phase out incandescent lights by 2010.

The unceasing combustion of fossil fuels on a planetary scale is the main culprit of climate change. From rising tides, to changing weather to deforestation and pollution of air, sea and land, the challenges of climate change are great. As a nation made up of over 7,000 island, rising seas due to global warming takes on a whole new meaning. Florida may lose some coastline, we lose a nation. Our response to this grave challenge may wound humorous, but our intent is deadly serious: we must work together to solve this problem.

Every nation, developed our developing, must assume the mantle of leadership and work to address the challenge of climate change. Each and every person bears some responsibility for what we have done today and throughout history to diminish our global environment. Some nations are more responsible than others; some are more responsible today than yesterday. But all that apportionment of blame does nothing against a rising tide global of global warming that will swamp our nation if we do not act with decisiveness and solidarity.

In the case of our country, we have begun the Green Philippines plan, a blueprint for mapping out our environment and economic policies, including energy policy, that will allow for sustainable development that doesn't fall on the backs of the poor or erode our environment. There is a cost to make the Green Philippines come to life, including investments in developing alternative fuels, renewable energy and energy efficiency. But the cost is greater without the plan and the investment in our people and our environment.

Compounding the challenges we face on the energy front is the global economic situation. It is clearly an issue for us because the more interconnected we become, the more we need to manage through the ups and downs of other nations' economic bubbles. This is certainly true with any further volatility in the US economy. The good news for the Philippines is that we have matured and diversified our economy so much the last few years that our economic turnaround is permanent and our economy resilient to major economic disruptions.

I have ordered a surge in infrastructure spending as a firewall against US volatility and as springboard for further growth. We are focused like a laser pointed on the infrastructure boom and expansion of public services.

As of last month there are now lights in all but 3% of the country's 42,000 barangays. We will wire up the remaining 1,400 villages before 2010. At the same time, expect to see me groundbreaking projects the whole month of February as we frontload our 2008 budget for the surge.

We thank the DOE and the collaborating agencies and program partners of this summit.

Let us now move in concert, and together, fulfill the opportunities to sustain our development even in this time of volatility. Thank you.