



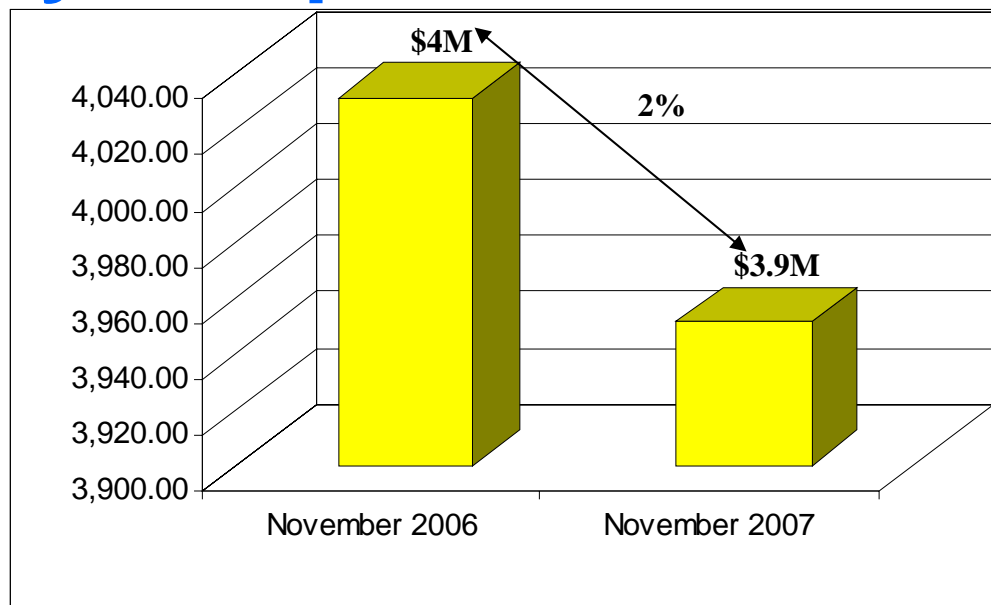
THE IMPACT OF HIGH ENERGY COST ON EXPORTS

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➤ Weighed down by a triple whammy of high electric rates, historic high oil prices and an ever-strengthening peso, exports declined by two percent in November compared to the same month in 2006.





Grant Thornton International Business Report:

- **The proportion of Philippine exporting companies has decreased in the last year. Twenty seven percent of Philippine business now export, nine percent less than last year.**



Grant Thornton International Business Report:

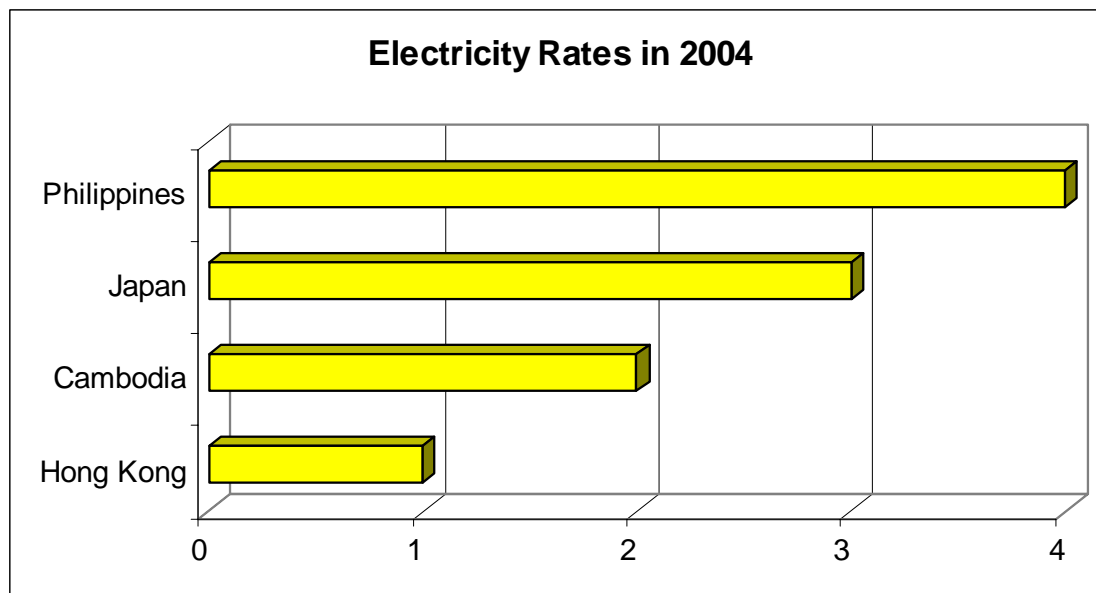
- **More businesses in the Philippines (68 %) cited energy costs as having a major impact on cost pressures than anywhere else in the world.**



- **9% of export enterprises closed shop last year : the viability of exporting as a business has indeed been drastically eroded, eating up exporters' margins.**

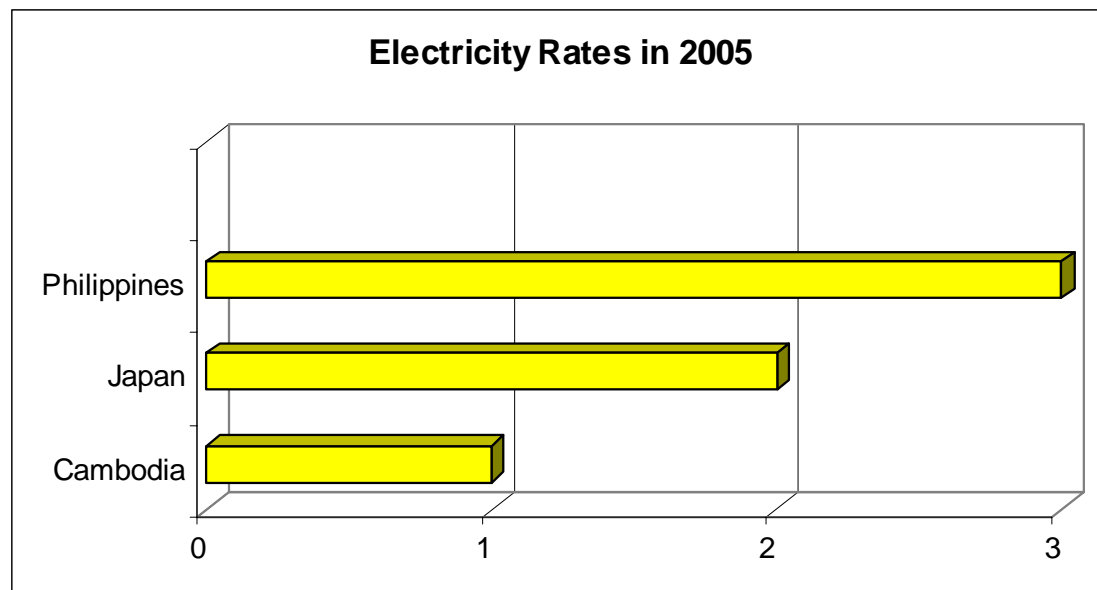


➤ Based on data from the Department of Energy (DOE) website, the Philippines had the 4th highest electricity rates in 2004 behind Japan, Cambodia and Hong Kong.





➤ That was when average power rates here was P7.62 per kilowatt/hour. The following year, the Philippines was third behind Cambodia which jumped to number one and Japan slipping down to number two.





- **By that year, Japan was fast liberalizing its power sector. Industries were given the right to choose their own suppliers.**



- **Now that the retail rates of electricity in Luzon is hovering close to P11 per kilowatt/hour, we in the export sector are wondering if we already have the highest power rates in Asia.**



- **At number three, we already had much higher rates than most of our competitors that included China, Thailand, Indonesia and Malaysia. In the cost of energy alone, the Philippines has lost out to the competition.**



Why the concern?

- **Electric power is a big part of our costs.**



- **SEIPI: electricity makes up an average of fifteen percent of the production cost of export enterprises. Across industries, it ranged from 8% to 35 percent.**



Urgent step:

- **allow immediate open access for free and fair choice for industrial consumers. It seems that facilitating industry competition is the only way we can influence the lowering of prices and better service.**



- **There is also need to address the issues of electric power quality and security, in addition to developing and tapping alternative or renewable energy sources.**



Energy Summit:

- educate,
- learn, and
- benefit





THANK YOU!