



Renewable Energy Policy Philippines

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Development & Access to Energy

Despite Philippines archipelagic geography, the country has shown an impressive electrification rate.

At the national level 62% of households are electrified. This is matched by 92 % electrification at the level of barangays. Data reflect all municipalities are fully electrified.

Nonetheless, most low-income households can not still afford modern energy services. Firewood and biomass residues are their main fuel sources.

Currently rural poor rely on firewood for the 55% of their energy needs and meet another 25% from biomass residues.



Decentralised Energy Access to be linked to income generation

In Philippines, income poverty is higher than any other country in South-East Asia.

- In fact, more than one-third of the population lives below the poverty line, despite gains in poverty alleviation over the last decade.
- There is also a significant urban-rural divide both in terms of socioeconomic development and income per capita.
- **Philippines RE target : 100 per cent increase in renewable energy power capacity by 2011, 4.7 GW total existing capacity by 2013.**

Comments primarily for decentralised energy access through RE

Link Policy Responses to Barriers to RE access

1st generation barriers like lack of awareness of technology is **no longer** the barrier in Philippines

2nd generation barriers exist : So far inability to scale up through appropriate policy regimes in support of market penetration, RE standards, RE quality control inability to scale up through appropriate policy regimes in support of market penetration, RE standards, RE quality control to name a few ,besides market aggregation & investment climate

Link Policy responses to Barriers to RE access

3rd generation barriers – inability to increase the incomes of large numbers of the poor through the use of RETs..

- The barriers are:
 - lack of understanding by the development partners of the role of RETs in increasing income and reducing poverty;
 - insufficient investment in demonstrating the scale up to increase this awareness
 - unavailability of well engineered packages of products that include the **energy supply and the full link to the productive end uses that are easy to use to maintain.**

Strategic Recommendations

(to increase private investments into RETs,)

- Substantially increase investments into grid-intertied RETs (and increase rural electrification, and share benefits with local residents),.
- Increase investments into biofuels, but cautiously (and increase employment through community production of oil crops and biofuels to power multi-functional platforms and local transportation as well as for external sales),
- Expand access of the poor to off-grid RETs through community-based mini-grid systems and a “commercialization plus” approach for household technologies like biogas and solar PV,
- Expand high value applications of RETs in education, health, microenterprise, and telecommunications to benefit the poor.

Strategic Recommendations (contd)

(to increase private investments into RETs)

- Integrate commercially available RETs into a wide range of ongoing income generation and development activities aimed at reducing poverty - being carried out by government, NGOs/CBOs, micro-finance institutions, and donor financed projects,
- Financing policies to increase access to financing so that the poor can afford to access commercially available RETs,
- Facilitate the development of CDM projects to provide carbon financing to renewable energy projects with the largest MDG impacts (e.g., *community carbon finance initiatives*), bundling of small projects

Policy Recommendations (to increase private investments into RETs)

- ***Feeding in renewable electricity to the grid***
 - **Policy and Legislation**
 - Set national targets and timetables for renewables
 - Put in place: Renewable Portfolio Standards, establish feed-in tariff, net-metering, interconnection agreements, standardized power purchase agreements.
 - Enact laws for sharing royalty from hydropower, wind with local residents for benefit of poor.
 - Require green IPPs to distribute portion of power for rural electrification.
 - **Fiscal and Financial Incentives**
 - Provide direct investment subsidies, production tax credits, income tax holidays for green IPPs.
 - Reduce import duties, VAT on equipment for green IPPs
 - **Public Investments**
 - Increase awareness of policy makers, utility officials,
 - Technical support and training to investors and utility officials
 - Pilot benefit sharing with local suppliers of inputs (e.g rice husk)

Policy Recommendations (to increase private investments into RETs)

- ***Sustainable development of biofuels***
 - **Policy and Legislation**
 - Implement mandates for blending biofuels into diesel and petrol
 - Set standards for biodiesel
 - Make legal provisions for poor and landless to grow jatropha and other biofuel crops under ‘leasehold forestry’
 - Limit use of food crops for biofuels (e.g., recent China policy)
 - **Fiscal and Financial Incentives**
 - Provide direct investment subsidies, production tax credits, income tax holidays for biofuels investors.
 - Reduce import duties, VAT on equipment for biofuels investors.
 - **Public Investments**
 - Invest in R&D to maximize yields
 - Examine the potential impacts of large-scale biofuels production on land, water, nutrient runoff..
 - Invest in R&D of small-scale seed press and esterification units for community production of biofuels

Policy Recommendations (to increase private investments into RETs)

- ***Off-grid RETs***
 - Policy and Legislation
 - Announce targets and timetables for universal access to electricity and non-electricity services (milling, cooking fuels) through off-grid RETs complementing rural electrification
 - Fiscal and Financial Incentives
 - Provide direct investment subsidies, production tax credits, income tax holidays for manufacturers and suppliers of RET equipment
 - Reduce import duties, VAT on equipment on off-grid RETs
 - Public Investments
 - Map renewable resources of the country and increase awareness
 - Invest in public private partnerships for market-based supply of off-grid RETs
 - Standardize equipment, provide training and quality control
 - Provide additional grant support to complement commercialization such that the poor, women, and marginalized can access RETs

Policy Recommendations for Case Study Countries

<p>Philippines</p>	<p>Clarify policies and regulations for private investors to invest into REs.</p> <p>Exempt community projects and those in remote locations from registration fees and processing of certificates of compliance.</p> <p>Relax pre-development contracting and production sharing by government from RE sources that are not extractive (wind and solar) to encourage small renewable energy investors.</p> <p>Assure no political intervention and no rescinding of contracts of energy sector investors.</p> <p>Set up clear upfront feed-in tariff and net metering and allow banking of energy on the grid.</p> <p>Reduce royalties on geothermal projects. Provide investment tax credit.</p> <p>Develop biofuels for powering productive end-uses in the producing rural area.</p>
<p>Indonesia</p>	<p>. Put in policies to meet renewable energy targets of GOI (feed-in tariff, net metering).</p> <p>Require power plants to improve access of the poor.</p> <p>Mobilize financing for renewables for the poor through tax on fossil fuels.</p> <p>Mobilize multi-stakeholder participation towards a widely accepted policy framework.</p> <p>Integrate energy into rural development for meeting basic energy needs, social services, modernization and intensification of agriculture, off-farm economic activities.</p>

Establishing and strengthening cross-sectoral linkages for delivering rural energy

- Promising 'Integrators' on the ground are:
 - Micro Finance Institutions
 - Agencies promoting SMEs and micro-enterprises
 - NGOs/ CBOs working with a holistic development approach
 - RET vendors
 - Community based energy projects
 - Local and national government
 - Development Banks & partners



**The time to act is now,
before affordable energy access for development
becomes a distant**

Memory

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Thank you