

POLICY STATEMENT

By Secretary Angelo T. Reyes
Philippine Department of Energy

AMEM25 theme: Energizing ASEAN to Power a Dynamic Asia

Thank you Mr. Chairman. His Excellency, Mr. Lim Hng Kiang, Minister of Trade and Industry of Singapore and Chair of the 25th AMEM, fellow Ministers, Secretary-General Ong Keng Yong of the ASEAN Secretariat, Dr. Weerawat Chantanakome, Executive Director of the ASEAN Centre for Energy (ACE), heads of the specialized organizations implementing the various energy programs of ASEAN, colleagues from the energy sector, distinguished guests, ladies and gentlemen,

Good Morning.

It is my distinct honor and privilege to speak, for the first time, before my fellow Ministers of Energy in ASEAN. I was just appointed by the President of the Philippines to head the Energy Department beginning only the 1st of August. I am now quickly trying to immerse myself in all the important issues that relate to the energy sector and, the more I learn, the more I am overwhelmed by the enormous challenges that we all need to face. Further, I have been made acutely conscious of the fact that we do not have a whole lot of time to act on several pressing and urgent concerns.

The challenges that we continue to address in the Philippines are certainly not very different from what our neighbors in ASEAN also address. It is for this reason that I am very pleased to note that what the region had envisioned a few decades ago is very much the path

that our own energy market and environment sector has been taking . I recognize important projects earlier envisioned under the ASEAN Energy Cooperation Plan already starting to materialize.

The ASEAN Power Grid (APG) and Trans-ASEAN Gas Pipeline (TAGP) are indications that we are, indeed, pursuing a plan of action that is in accordance with the ASEAN Vision 2020 that our Leaders formulated in 1999 in Hanoi.

Today, we will sign a very important document that will expedite that Hanoi Plan of Action. The agreement spelled out in this document could very well pave the way for higher economic growth rates in ASEAN and, in the process, perhaps even lead to the realization of the proposed ASEAN Economic Community. The Memorandum of Understanding, or MOU, on the ASEAN Power Grid aims to create a workable framework for the ASEAN member countries to cooperate towards a common policy on power interconnection and trade. The realization of this ASEAN Power Grid will link ASEAN-member countries in terms of power supply and, ultimately, in terms of production and trade. This MOU will optimize regional resources for energy security and sustainability.

Even as we sign this Agreement, however, we still face the persistent problem of soaring energy costs. This, we all know, is a problem that can hold back our economic momentum. This problem makes close collaboration within ASEAN and with our partners extremely important. We need to aim for higher efficiency not only in terms of utilizing energy but also in terms of making investment in the capital-intensive energy sector attractive enough for private investors.

At this point, my fellow Ministers, I wish to share with you some of my country's policies and programs that we believe support and complement the regional activities of one dynamic ASEAN community. Allow me to give you a quick run down of these initiatives.

First, we are continuing our efforts towards greater energy independence.

To do this, the Philippines is intensifying its utilization of renewable energy and alternative fuels. We have also accelerated the exploration, development, and utilization of indigenous energy resources and have taken steps to enhance energy efficiency and conservation. Based on current developments, we are confident that the Philippines is well on its way to attaining a sustained 60 percent self-sufficiency level by 2010.

With our continuing efforts to promote the use of renewable energy sources, the Philippines' self-sufficiency in power generation increased to 64 percent in 2007, as compared to the 58 percent level in 2006. We are proud of the fact that the share of renewable energy in the generation of our power is now at 36 percent. You of course are all aware that we have in ASEAN set a common target of attaining, by 2009, at least a 10 per cent share for renewable energy in the generation of power.

Second, we are trying very hard to stimulate bio-fuels development.

The Passage of the Biofuels Act in our country in January this year gives strong impetus to domestic development of bio-fuels in the country. The Act initially mandates a minimum of 1% biodiesel blend

within three months from the effectivity of the Act, and at least 5% bioethanol blend within two years upon effectivity of the Act.

Further, on the basis of this Act, the Philippine Department of Energy is mandated to prepare the Philippine Biofuels Program consistent with its existing Alternative Fuels Program. Among other things, the Biofuels Program includes the establishment of support facilities to ensure security of feedstock supply and investments in supply infrastructure, directions on making available alternative fuel technologies for vehicles, engines and parts, and the identification of other viable feedstock for the production of biofuels.

As a result of the East Asia Summit held in January in Cebu City, the Philippines was tasked to spearhead the Task Force on Biofuels for Transport and other Purposes. With the cooperation of the Member Countries, we have drafted the East Asia Energy Cooperation Program on Biofuels and the Asia Biomass Principles to serve as our guide in pursuing full development of this resource within the region. The regional program will engage in capacity building for interested countries, development of biodiesel fuel (BDF) benchmarks, and the conduct of joint research projects to promote sustainable production and utilization of biofuels.

Third, we are implementing measures that will expand our utilization of natural gas.

To increase the utilization of natural gas, the Philippines is vigorously promoting its use in the transportation, commercial, and residential sectors, and is developing critical infrastructures that will efficiently deliver gas to the demand centers. In addition, we are intensifying exploration for indigenous gas deposits and studying options for economically using imported LNG. We of course continue to encourage

the private sector to assist government in developing the natural gas industry.

Fourth, we are implementing several important rural electrification and power sector reforms.

We are steadily improving the access to electricity of all our citizens, with 94 percent of all barangays (or villages) nationwide already connected to the power grid. We are committed to energize the remaining 6% (or 2,476 barangays) in order to achieve 100 percent barangay electrification by 2008. Energizing these barangays will certainly provide our people with opportunities to improve their livelihoods and help eradicate poverty. At the same time, we are also helping ensure environmental sustainability by using renewable energy to power barangays located in off-grid areas.

We are also working on reforms in the power sector to bring about greater efficiency in the generation, transmission, and distribution of electricity. Our long-term vision is to have vibrant competition in the generation and supply of electricity in order to ensure adequate electricity at competitive prices to the consumer. As mandated by law, the privatization of all generation and transmission assets of government is being actively pursued. The Wholesale Electricity Spot Market (WESM) commenced operation in the Luzon grid in 2006, thus providing wider options for consumers in sourcing their electricity and allowing a more transparent price setting mechanism.

Fifth, we are initiating studies to seriously examine the viability of the nuclear energy option.

AT THIS POINT, THE DEPARTMENT OF ENERGY INTENDS TO TAKE A MORE PROACTIVE ROLE BY INITIATING PREPARATORY ACTIVITIES FOR THE POSSIBLE RECONSIDERATION OF OUR EXISTING POLICY ON THE USE OF NUCLEAR POWER. WE ARE CURRENTLY CONSIDERING AN INTER-AGENCY BODY TO TAKE THE LEAD IN STUDYING THE NUCLEAR OPTION.

LIKEWISE, WE RECOGNIZE THE NEED TO DEVELOP A CORPS OF NUCLEAR SCIENTISTS AND TECHNICAL EXPERTS TO STUDY THE CRITICAL ASPECTS OF NUCLEAR POWER PLANT OPERATIONS SUCH AS SITING, SAFETY, SECURITY, TRANSPORT OF NUCLEAR FUEL, HEALTH AND ENVIRONMENTAL IMPACT, SOCIAL ACCEPTABILITY, AND NUCLEAR FUEL DISPOSAL.

To build our collaborative efforts in this region, we wish to propose a special focus on the development of biofuels and other fuel alternatives. The development of alternative fuels provides a solution insofar as minimizing the effects of the continuous increases in the prices of conventional fuels and this also addresses climate change concerns. Hence, we must pursue programs and projects that will enhance the utilization of indigenous, clean, and efficient alternative fuels, including coco methyl ester (CME) and other forms of biodiesel, bioethanol, and compressed natural gas.

We are aware of our individual countries' programs on biofuels. To accelerate the large scale development of these fuels, ASEAN can work

under the agreed Asia Biomass Energy Principles and the East Asia Energy Cooperation Program on Biofuels as initiated by the EAS Energy Cooperation Task Force.

On energy stockpiling, all of the ASEAN Member Countries and our Dialogue Partners need to understand fully one another's policies. Once a common understanding is established, ongoing discussions on stockpiling should be continued to align policies in a way that is beneficial to regional security.

With the reduction of our dependence on imported fuel at the top of our agenda, we in ASEAN must focus on the development of energy resources indigenous to the region. It should be noted that, despite high upfront costs, the use of renewable energy not only addresses the problem of energizing remote and isolated areas, but also responds to the global call for sustainable development. We very much welcome the technical assistance to ASEAN member countries of the international community. We renew our call to make these technologies cost competitive with other traditional energy sources.

Notwithstanding, ASEAN must also develop the needed expertise to develop and manufacture renewable and alternative fuel technologies within the region. We are all aware that many of the available technologies are now imported. ASEAN will do well to find its own niche in technology markets and in the applications most relevant to our own resource endowments. Since these technologies are still being evolved and developed, we must cooperate to develop our own technological expertise and the manufacturing capability not only to support our goals but also to market these to the rest of the world.

I believe we all recognize the importance of international cooperation in the energy sector. As we make progress in our major cross-border energy infrastructure projects, we must continue to bear in mind that it is important for us all to provide a stable environment that will promote and protect foreign investments and the trading of energy.

In closing, it is, I believe, our collective desire that the ASEAN community will again demonstrate its resolve to pursue the path of energy cooperation for the benefit of the region as a whole. As we chart our way forward along this path, let us all bear in mind that we are tasked to ensure that energy is made available, accessible, and affordable to support both our individual and regional development goals. With this in mind, I am confident that we can all look forward to fruitful discussions over the next three days.

To our hosts, I wish to express again my gratitude and appreciation for their very warm and gracious hospitality.

Thank you and Mabuhay.