PH leads in renewables

By Jed Macapagal
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A study released by BMI Research warned that growth of renewable energy (RE) projects in the country over the longer term will be hampered by industry specific risks such as an under-developed grid network and restricted access to finance and pertinent legal risks.

Despite the warning, BMI Research said the Philippines will still be will be one of the largest RE markets in terms of installed capacity in Asean in the next five years, as projects are in the pipeline and are gradually commissioned.

"According to our Key Projects Database, there is over 2GW (gigawatts) of renewables capacity across all stages of development (excluding recently completed projects). This strengthening of the project pipeline is a result of the country's relatively attractive regulatory environment for renewable energy, as already-high electricity tariffs, the government feed-in tariff (FIT) program and tax exemptions have enticed renewables developers into the market," BMI Research said.

The report noted among the problems that RE investors might face in the Philippines include ease of access in financing on both domestic and international markets; legal risks and overall strength of the rule of law; the extent of corruption and investor protection.

"At present, the Philippines' renewable energy policy is fairly strong owing to the targets in place for renewable energy and the support mechanism offered to encourage investment. That said, we note that policy uncertainty under the Duterte government is likely to cause headwinds to the country's renewables expansion and could see the Philippines score for 'energy policy' in the RRIs reduce over the coming quarters," the report added.

BMI Research also took exception at how the Philippines would come up with policies that conform with the 2015 Paris Agreement where the country pledged to reduce carbon emission up to 70 percent by 2030.

BMI Research's study also said investors may not be willing to develop new RE projects beyond the capacity that will be subsidized with FIT.

Alfonso Cusi, secretary of the Department of Energy, had earlier expressed he is not keen on having another round of FIT unless the premium can be sourced from other forms and not from consumers.

At present, the premium being paid to FIT qualified developers are being sourced from all electricity consumers as a P0.12 per kilowatt hour (kwh) uniform charge and the government is allowed to yearly evaluate the said charge whether to increase or decrease it as needed.

FIT eligible plants are assured with fixed rates currently at P9.68 per kilowatt hour (kwh) for the first batch of solar projects and P8.69 per kwh for the second batch; P8.53 per kwh for the first batch of wind projects and P7.40 per kwh for the second batch; P6.63 per kwh for biomass and P5.90 kwh for run-of-river hydro.

However, last month, Cusi also said that the country "endeavors" to add at least 20,000 MW of RE capacities by 2040 to sustain economic gains and continuously elevate the quality of life in the country.

The DOE chief said with the Philippine governments' aggressive stance towards building RE capacities, there is a "need to identify and analyze key challenges to further guide our stakeholders in our policies, regulatory and institutional framework."

The goal, he added, is to provide a comprehensive and detailed analyses of the country's RE profile in order to recommend measures to deal with the pertinent issues in the industry and be compiled in a database of the status of renewables readiness across member countries of the International Renewable Energy Agency.

According to latest data from DOE, as of first half 2016, total share of RE sources composed of hydro, geothermal, wind, biomass and solar power plants is at 6,870 MW. Among all RE sources, installed capacity from hydroelectric power plants led with 3,609 MW.