

Renewable energy more viable following pandemic

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) - June 15, 2020 - 12:00am

MANILA, Philippines — The coronavirus disease 2019 or COVID-19 pandemic has afforded the Philippines an opportunity to pursue an energy transition toward the development of more renewable energy sources as the drop in power demand forced lower coal generation.

This is according to a policy paper by Ateneo de Manila University economics department Associate Professor Majah-Leah Ravago and The University of Hawaii, Manoa economics department Professor Emeritus James Roumasset titled “Can COVID-19 spark an energy transition in the Philippines?”

The authors said coal generation in the country has dropped as the government imposed lockdowns to limit the spread of COVID-19 cases in the country.

“The rather dramatic fall in coal-fired generation may afford an opportunity for the Philippines to meet their renewable targets without resorting to costly subsidies,” the authors said.

According to the Department of Energy (DOE), the quarantine had driven power demand to drop by around 30 percent nationwide – 29 percent in Luzon, 32 percent in Visayas, and 42 percent in Mindanao.

The authors said supply from natural gas also decreased by six percent, but its share in the total generation increased from 23 percent to 27 percent. This is because generation from gas-fired plants are under take-or-pay bilateral contracts particularly with power distribution giant Manila Electric Co. (Meralco), which assure minimum purchases.

On the other hand, generation from renewables stayed about the same, with solar and biomass generation increasing slightly during the quarantine period since they are assured a ‘must-dispatch’ status – which means the system operator is required to accept whatever is generated from these technologies.

Meanwhile, coal generation dropped from 56 percent to 48 percent, with some plants forced to temporarily shut down production.

“The situation may provide the opportunity for the distribution utilities, retail electricity suppliers and other mandated participants to meet the required minimum renewable portfolio standards (RPS), which officially take effect this year as per rules of the Department of Energy,” the authors said.

RPS mandates power industry players to produce and source a certain percentage of electricity from RE sources such as biomass, waste-to-energy technology, wind energy, solar energy, run-of-river hydroelectric power systems, impounding hydroelectric power systems, ocean energy, and geothermal energy.

Implemented on this year, it is among the measures under the Renewable Energy (RE) Act of 2008 to raise the renewable energy production and meet renewables targets.

Meeting the country's renewables target can be reached with slower demand growth as the National Economic and Development Authority (NEDA) projected gross domestic product (GDP) to decline by 0.6 percent to 4.3 percent this year.

"The lower growth trajectory means that electricity demand targets can be reduced," the authors said.

In order to support the continued development of renewables in the country, the authors said the government needs to revise the RE Act to cut out costly subsidies for an efficient energy transition.

"Energy taxes should be based on the social cost of pollution, including both carbon emissions and local pollution that impinges on health. Rules governing subsidies embodied in the renewable energy law should be revised to reflect cost-lowering innovations and modified to include clear sunset clauses," they said.

"Requiring government-specified quotas from eligible renewable energy resources also runs the risk that dominant renewable energy suppliers would exercise market power and raise prices," they said.

The RE Act established the Feed-in Tariff (FIT) system, which aims to spur the development of emerging renewable power sources such as wind, solar, run-of-river hydro, and biomass facilities through perks for power developers for a period of 20 years.

This has been discontinued by the DOE, as Energy Secretary Alfonso Cusi said this adds burden to consumers and runs against the agency's goal of bringing down the power rates.

But 10 years after the RE Act was enacted, the country failed to reach its renewable energy capacity goals.

The National Renewable Energy Program (NREP) – which started implementation in 2011 – has set a target to triple the existing renewable capacity of 5,438 megawatts (MW) in 2010 to 15,304 MW by 2030.

However, the capacity addition was slow and only 7,000 MW were added until 2017, according to the DOE. Moreover, installed capacity of RE was at 30 percent but power generated was only at 24 percent of the total.

The DOE, with the aid of the National Renewable Energy Board (NREB) – the advisory body tasked with the effective implementation of RE projects in the country – is currently updating renewable energy targets of the country.

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