

Leveling the playing field for renewable energy in PH

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(Conclusion)

When Gerry Arances began advocating energy democracy 13 years ago, the Philippines was reeling from the impact of a power crisis in the 1990s and was starting to look to coal as a new power source.

In 2007, he was working with many groups and local communities who were fighting the establishment of coal plants in Sarangani province and Davao City.

Five years later, they were facing 15 more projects. By 2015, the number had quickly grown to 59.

“It was really overwhelming, and the data showed that if all goes well for the coal industry, by 2021 or 2022 coal’s place in the overall power mix [in the country] is projected at 70-80 percent,” said Arances of the Center for Energy, Ecology and Development (CEED).

He said it was unthinkable for the Philippines, which in the ’90s had a power industry run almost 100-percent by renewable energy (RE).

“This is not just about those who will be displaced and affected by the pollution and implications on climate,” Arances said. “More and more it is about coal being costly electricity, and it’s tying up the whole country into a situation where it would be a major burden for all of us.”

But stakeholders eventually learned their lesson, Arances said, so that in 2008 the Philippines enacted a law that would hasten RE’s expansion.

Then, in a trailblazing move in 2011, the government committed to raising to 50 percent the share of renewables of the country’s total electricity generating capacity by 2030.

Still profitable

But 12 years since its passage, the Renewable Energy Act has yet to be fully implemented. And coal still proliferates.

Aside from the full implementation of the law, there has to be major changes in policy to level the playing field for renewables, Arances said.

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To start with, he said, the Department of Energy (DOE) should not be “energy-neutral” because policies should meet the conditions of the RE law.

“Coal is still profitable in the Philippine context because there are still many policies that provide advantages to coal, so most of the investments are still on coal,” Arances

said. “There is a lack of investments in renewable energy because the field is not favorable to [it].”

Under the law, the government must provide fiscal and nonfiscal incentives to private-sector investors and equipment suppliers of RE.

The law also aims to reduce the country’s dependence on fossil fuels such as coal, oil and natural gas, and to shield it from international power market shocks.

When the RE law was passed in 2008, the share of renewables in the Philippine energy mix was 34-35 percent. In 2019, the share of RE dropped significantly to around 21 percent.

Competitive

For AC Energy, the power arm of Southeast Asian conglomerate Ayala Corp. that focuses on renewables in the Philippines, Vietnam and Indonesia, RE is now competitive in the country. But the issue is reliability, hence the need for some conventional plants like diesel and gas to complement its variability.

“Renewable energy is competitive for as long as the sun is shining and the wind is blowing. But it’s not as reliable now, so it’s hard to sell renewables to customers,” AC Energy CEO John Francia said.

He said battery storage for RE remains costly, although he believes the pricing will improve in the next five to 10 years.

The main grid also cannot absorb the vast potential of intermittent RE—solar, wind, hydropower, geothermal and biomass, which the Philippines has plenty of—if the transmission lines aren’t upgraded, Arances said.

“The potential will remain a potential,” he said.

With the current landscape for renewables, Francia said, it would take a decade for RE to “really give thermal or conventional power a run for its money.” But policy will play a big role in scaling up renewables in the next decade, although it will require a “high level of conviction among policymakers,” he said.

2 major tools

Aside from fiscal incentives for RE producers, Francia identified two major policy tools that can help scale up investments in renewables in the Philippines: feed-in-tariff and renewable portfolio standard (RPS).

The feed-in-tariff system operates as a subsidy for renewable electricity producers, who are guaranteed a standard rate or purchasing price for a specific period of time for the power that they produce.

“[It’s] a preferential way given to renewables that’s been used around the world, so that’s a very powerful mechanism to encourage early investors in renewables,” Francia said, adding that the scheme enabled more than 1,000 megawatts of RE in the Philippines.

Under the RPS provision in the Renewable Energy Act, all utilities must increase the use of RE by 1 percent per year from 2020 until 2030.

The mechanism forces the market to take in new sources of renewables, or more than 2,000 MW of new renewables by 2023, Francia said.

“RPS as a tool requires a middleman or utilities or retail electricity supplier to buy from new renewable sources. By 2023, brand-new renewable plants have to be built for institutions like Meralco or AC Energy or whoever, and we all have to buy from new renewable sources,” he said.

But the government will not hit its goal to boost the share of renewables to 35 percent by 2030 if it continues with the 1-percent minimum prescribed by law, Francia pointed out.

“My advocacy is that 1 percent needs to be moved to 2.5 percent by 2025. Hopefully, the policymakers will adjust that target, [but] let us hope first that the industry will be able to deliver 2,000 MW of renewable capacity by 2020,” he said.

Balancing the mix

Based on AC Energy’s math, the Philippines needs to build up to 20,000 MW of renewables by 2030 to achieve its goal.

That's when policy comes in, and it would require balancing the country's power mix.

Red Constantino, executive director of the Institute for Climate and Sustainable Cities, said that even before the COVID-19 pandemic was in full swing, energy officials had determined an excess of geothermal capacity in the grids, which was generating serious instability.

“It's only right for the DOE to aim for sufficient flexibility to take advantage of least-cost options by enabling the absorption of more variable renewable energy,” Constantino said.

In 2017, a coalition of environment groups, including Arances' CEED and with lawyer Chel Diokno as lead convener, petitioned the Supreme Court to stop the government from approving new coal power plants.

The coalition urged the Supreme Court to compel the Department of Environment and Natural Resources (DENR) and the DOE to perform their mandates to lessen the country's dependence on fossil fuels and dirty energy, citing provisions of the Clean Air Act and the Renewable Energy Act.

“As a direct result of the failure of the DENR and DOE to do their duties specifically enjoined by law and their respective offices, the country has had to rely on dirty energy generated by coal plants that have been operating without proper standards, without accountability, and without regard to their adverse impact on the environment and the people's health,” the coalition said.

While it is one of the many battles they need to win, climate activists like Chuck Baclagon, Asia digital campaigner for 350.org., believe that the shift to renewables should be not only ecologically sound but also socially just.

If power corporations jump into the RE bandwagon, they should abide by the concept of just transition, where development becomes regenerative rather than extractive, Baclagon said.

“How do we harmonize environmental regulations with labor standards, for example?” he said. “We also need to revisit the DOE’s position when it comes to energy choices in the Philippines.”

Baclagon said the challenges of the transition must be shared by the government, corporations and communities involved. For Constantino, veering away from dirty energy means “Filipinos must not get punished twice.”

“We are hurt seriously when climate impacts impose the heaviest burden on people who have had very little to contribute to this crisis,” Constantino said. But, he said, “our people will be injured even more if we miss the opportunity to embrace a low carbon future.” INQ

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