

Is PHL ready to stop its coal addiction?

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In Photo: The Calaca coal-fired power plant in Calaca, Batangas

IS the Philippines ready for renewable energy (RE)? If Environment Secretary Regina Paz L. Lopez will have her way, there will be no new coal projects under her watch, as she vowed to help hasten the development of RE.

Lopez had earlier declared that Palawan, the country's last ecological frontier, is "off-limits" to new coal projects to protect it against environmental degradation brought by its operation.

Early this month she vowed to grant environmental compliance certificates (ECCs) to RE projects within two to three weeks.

The Department of Environment and Natural Resources (DENR) is currently reviewing 800 ECCs as part of the DENR's campaign to promote social justice, environmental protection and prevent people from suffering.

Environmental and climate advocacy groups welcomed Lopez's policy pronouncement, lauding the official for her pro-RE stance.

Republic Act 9513, or the RE Act of 2008, mandates the government to accelerate the exploration and development of RE resources, such as biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance. The law promotes the adoption of sustainable-energy development strategies to reduce the country's dependence on fossil fuels.

RA 9513 encourages the development and utilization of RE resources as tools to effectively prevent or reduce harmful emissions to ensure balance economic growth and development with the protection of health and the environment.

Red Constantino, executive director of the climate-policy think tank Institute for Climate and Sustainable Cities, said: "Secretary Gina Lopez's move to fast-track RE projects proves the Duterte administration wants a win-win energy solution for the Filipino people. It shows it is possible to merge her vision of sustainable and clean energy with Energy Secretary Alfonso G. Cusi's own vision of affordable power."

He added that doing away with the red tape in the approval of RE projects would considerably reduce business costs and invite even more investments into the country.

"Likewise, removing the automatic fuel cost pass-through provision in coal plants will lead to a level playing field," Constantino said.

Incentives for RE

To promote RE investments in the Philippines, various incentives are provided by the government. The Department of Energy (DOE) web site lists incentives, which potential investors who want to invest in RE could avail themselves of.

Developers of RE facilities, including hybrid and cogeneration systems using both RE sources and conventional energy for both power and nonpower applications, may avail themselves of, among others, income-tax holiday for seven years; duty-free importation of RE machinery, equipment and materials, including control and communication equipment; special realty-tax rates on equipment and machinery not exceeding 1.5 percent of their original cost less accumulated normal depreciation or net book value.

The net operating loss during the first three years of commercial operation, which had not been previously deducted from gross income, may also be carried over as deduction from gross income for the next seven consecutive taxable years immediately following the year of such loss.

Developers may also avail themselves of corporate tax rate of 10 percent on its net taxable income, after seven years of income-tax holiday. Besides the income-tax holiday for seven years, manufacturers, fabricators and suppliers of locally produced RE equipment may avail themselves of tax and duty-free importation of components, parts and materials necessary for the manufacture and fabrication of equipment and components.

They can also obtain tax credit on domestic capital components, parts and materials purchase made from DOE-accredited local manufacturers. For biomass, resources plantation, the incentives for farmers that are engaged in the plantation of jatropha, coconut and sugarcane include duty-free importation and exemption from value-added tax on all types of agricultural inputs, equipment and machinery, including spare parts.

Not enough incentives?

These incentives, however, have yet to lure the desired RE investments. According to the DOE, as of June 30, 2016, there are a total of 724 awarded projects under the RE law, with total

installed capacity of 4,132.49 MW. Of these, only 3,988.61 MW go to the grid, with 143.88 MW for “own-use.”

This means that even within the approved RE projects, the proponents have yet to maximize the full potential of RE. There are 318 pending projects with potential capacity of 7,282.34 MW.

Is the Philippines doing enough to promote RE?

According to Chuck Baclagon of 350.org, the current energy regime still subscribes to an outdated development paradigm that strives for quick and dirty fixes at the expense of people, ecosystems and the climate.

“Coal has no place in the country’s energy mix. Vulnerable countries like the Philippines should lead in curbing emissions. We must keep global warming within 1.5 degrees Celsius for a fighting chance to survive, and this requires halting all new fossil-fuel development now,” he said.

Like Constantino, Baclagon lauded Lopez for her passion and commitment to uphold the Duterte administration’s mandate to protect the environment.

“Her pronouncement to fast-track the approval of environment permits for renewable-energy projects proves that she lives up to the government’s promise of change,” he said.

Myths and realities

Gerry Arances of the Center for Energy, Ecology and Development (CEED) said “clean, cheap energy from coal is a myth.”

Such notion, he said, was only meant to derail efforts to shift to RE.

“The DOE’s Philippine Energy Plan spits at the promise of clean energy enshrined in the RE Act and our international commitment to combat climate change,” he said. Arances said the DOE even plans to increase coal’s share in the primary energy mix at the expense of vast RE potential. Worse, he said, the DOE also plans to increase domestic coal extraction, “which will only lead to further destruction of the environment and loss of livelihood at a national scale.”

“It is important to note that the ‘clean, cheap’ energy, which coal companies merely promise, is already a reality in a number of countries that had begun shifting from fossil fuels,” Arances said.

Various studies, Arances argued, have shown that solar energy is the cheapest form of energy with technology being increasingly available and the absence of external costs to the environment and people inherent in coal energy.

“It is about time the Philippines discussed its energy future realistically and scientifically. The government must heed the call of communities and adhere to facts, not the whims of large coal corporations that keep the promise of transformative energy an illusion,” Arances said.

“Considering that the real price of coal far outweighs the so-called benefits of fossil-fuel-based technology, there can be no reasonable justification for the Department of Energy’s endorsement of more coal projects,” he said. “It can only be described as coal addiction.”

For people and planet

Rodne Galicha of the Climate Reality Project said the fact that investments for RE in the country are increasing means businesses realize that it is both good for the people and the planet.

“The main problem we are facing in the country is the denial of some decision-makers on the reality of our capacity to shift from dirty, big coal to cleaner-energy sources, such as hydropower, geothermal, wind and solar. Let’s put a price on denial, let’s put a price on every

ton of carbon dioxide emitted by the energy sector. This kind of tax can be refunded to the energy producer as renewable reinvestment,” he said.

Quoting Pete H. Maniego, a senior policy advisor of the Institute for Climate and Sustainable Cities, Galicha said RE can sustain the country’s bid for industrialization. He said indigenous RE sources can support and promote industrialization and, in fact, can be the anchor of the government’s industrial policy.

Maniego had said that to be energy-secure and self-sufficient, the Philippines must give utmost priority to reducing its reliance on imported fuels. The Philippines imports more than 80 percent of its coal requirements, with 70 percent coming from Indonesia.

In 2015 the country imported 15 million tons of coal worth \$800 million from Indonesia alone.

According to Galicha, the Climate Reality Project supports the passage of Senate Bill 251, or the proposed Low Carbon Economy Act filed by Sen. Loren Legarda. It establishes the emission cap-and-trade system in the industry sector to reduce greenhouse-gas emissions and protect the climate.

“There is an urgent need for the Philippine government to look at the benefits of the Paris Agreement to our communities and the planet. We call on the Senate to, once and for all, act with a sense of urgency and do the right thing. We are glad that it has been announced publicly that the climate pact will be ratified by July, however, why not as soon as possible?” Galicha said.

He said that to hasten the RE development in the Philippines, a one-stop shop with lower transaction costs for RE investments and projects must be established by concerned government agencies.

He noted that there are tons of documents that investors need to file to make RE projects rolling—from permits to regulatory and operational stages.

RE advocates say that for the Philippines to achieve a sustainable development path, a shift to RE should start, and coal addiction must first stop.

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