PCCI backs PHL plan to begin trade talks with US

THE Philippine Chamber of Commerce and Industry (PCCI) expressed its support for plans to start free trade discussions with the US.

"We are all for it," PCCI President George T. Barcelon said in a Viber message to *BusinessWorld* on Sunday.

On Feb. 24, Trade Secretary Ramon M. Lopez said during a virtual briefing organized by the Philippine Embassy in Washington that the Philippines is seeking to begin discussions on a free trade agreement (FTA) and the renewal of the Generalized System of Preferences (GSP) program with the United States.

"We are grateful for the GSP program that the US has provided the Philippines. Of course, the next step really is how we can elevate it into an FTA so that it becomes a longer-lasting kind of a trade arrangement," he added.

"We've been wanting really to start the (GSP) discussion... Of course, we are trying to have that renewed for this year," Mr. Lopez said.

Trade privileges under the US GSP program expired on Dec. 31, 2020 and have not been renewed. Under the program, a list of Philippine exports is allowed entry into the US duty-free.

The Department of Trade and Industry (DTI) estimates a Philippine utilization rate of 74% for the GSP privilege in 2020.

Mr. Barcelon said the Philippines will also expand its trade relations once the Regional Comprehensive Economic Partnership (RCEP) is ratified by the Senate.

"Once we ratified RCEP, Australia and New Zealand open up," Mr. Barcelon said.

RCEP is a trade deal involving Australia, China, Japan, South Korea, New Zealand, and 10 members of the Association of Southeast Asian Nations (ASEAN).

The trade deal is expected to improve trade and help in the global economic recovery. It took effect on Jan. 1 and has taken effect in 11 countries.

The Senate has yet to give its concurrence to RCEP, adjourning on Feb. 3 for the upcoming elections. RCEP was signed by President Rodrigo R. Duterte on Sept. 2, 2021. — **Revin Mikhael D. Ochave**

DTI sees Alert Level 1 impact on jobs at 500,000 positions

THE easing of the quarantine to Alert Level 1 in the National Capital Region (NCR) and other major provinces and cities will result in the eventual creation of about 500,000 jobs, the Department of Trade and Industry (DTI) said.

"We are running the numbers, depending on other provinces and highly urbanized cities that will be de-escalated. If we assume de-escalation of NCR and key cities and provinces, we hope to generate around 500,000 more jobs over time," Trade Secretary Ramon M. Lopez said in a Viber message.

"But it is important to (maintain) masks, regular disinfection, (improved) ventilation, and vaccination," he added.

The Alert Level 1 quarantine setting for Metro Manila in early March was announced Sunday afternoon, with new coronavirus disease 2019 (COVID-19) cases continuing to decline. Metro Manila has been under Alert Level 2 since the start of February.

Alert Level 1 is the most relaxed quarantine setting, allowing business establishments to operate at full capacity as long as minimum public health standards are followed. Travel between and within areas with different alert settings, regardless of age and comorbidities, will also be permitted.

Under Alert Level 1, Mr. Lopez said, businesses can expect "(fewer) restrictions on remaining operating capacity, removal of physical barriers, work from home as optional," Mr. Lopez said.

Mr. Lopez said the Philippines is close to recovering the jobs that were lost during the pandemic.

He added that around 800,000 jobs are expected to be created in the Philippines once restrictions are removed.

"Yes, (we are) getting close to it. Thus, we can expect to generate 800,000 more jobs over time for the entire country once we remove the (remaining) restrictions," Mr. Lopez said.

"Hopefully, (in the first round) of de-escalation, we can hit about 500,000 of that with all parts of the economy functioning again," he added.

Mr. Lopez has announced that the DTI will propose the removal of plastic barriers in business establishments.

He added that temperature checks must remain despite the protocol changes set to be made under Alert Level 1. — **Revin Mikhael D. Ochave**

PHL new energy capacity estimated at 7,911 MW by 2027

THE Philippine energy system is expected to add capacity of 7,910.96 megawatts (MW) by 2027, with coal-fired plants accounting for 46.68%, natural gas 38.71%, renewable energy (RE) 11.39%, and facilities fueled by oil 6.67%.

Even though the government has banned new coal-fired power plants, coal-fired projects whose approval was in process when the ban was announced will account for 3,685.40 MW, the Department of Energy (DoE) said.

The biggest of these projects is Atimonan One Energy, Inc. and Meralco PowerGen Corp.'s ultra-supercritical AOE coal-fired power plant Unit 1, with 600 MW in installed capacity.

The AOE plant was built in 2018, but was delayed due to issues in securing approval from the Energy Regulatory Commission (ERC) for its power supply agreements. It is now scheduled to begin commercial operation by June 2025.

There are only six natural gas power plant projects committed to the DoE, and they account for a combined 3,062.50 MW of capacity.

All six projects are located in Luzon, the biggest of which is Batangas Clean Energy, Inc.'s 1,100-MW natural gas-fired power plant in Batangas City. This is targeted to begin operations by September 2026.

Meanwhile, the energy mix will add 901.27 MW in RE capacity by 2027, with solar accounting for 488.27 MW, hydropower 232.50 MW, geothermal 115.60 MW, and biomass 64.60 MW.

The biggest upcoming RE facility is Solar Philippines Tarlac Corp.'s 115-MW Concepcion 1 solar power project, which will start operating in November.

Oil-fired plants are also expected to add 528.1 MW to the energy mix, with 150 MW to be generated by Ingrid Power Holdings, Inc.'s Ingrid Pililia Diesel power plant project Phase 2, which is due to come onstream by December 2024.

The DoE data also indicate plans for 2,040 MW worth of battery energy storage system projects, most of which will be installed in Luzon by Universal Power Solutions, Inc.

The Philippines has set a target of sourcing 35% of its energy from RE by 2030 and 50% by 2040.

Energy Undersecretary Felix William B. Fuentebella has expressed confidence in hitting the target.

"I think we will be able to hit that, but there will be a lot of improvements (needed)... we need the (the National Grid Corp. of the Philippines and distribution utilities) to contract (capacity) because the Wholesale Electricity Spot Market (WESM) secondary price gap is too low, so that's a deterrent (for) the merchant plants coming in," Mr. Fuentebella said during the Rizal Commercial Banking Corp. virtual Sustainability Forum on Feb. 23.

In 2020, the Philippines' power mix consisted of 57% coal-fired, 21% RE, 19% natural gas, and 2% oil-based. — **Marielle C. Lucenio**

World Bank to finance Bangsamoro out-of-school youth relief measures

THE World Bank is preparing \$2.75 million in financing to help reduce the number of out-of-school youth in the Bangsamoro region.

The bank, in a document dated Feb. 23, said the No Bangsamoro Child Left Behind project aims to reduce the number of school dropouts by 35% and increase re-enrollments by 30%.

Financing for the Bangsamoro Autonomous Region in Muslim Mindanao project will be sourced from the Japan Social Development Fund, which provides grants to support poverty reduction projects.

Beneficiaries include an estimated 29,100 children aged six to 11 years old over three school years.

Of that total, 22,500 are out of school and 6,600 are at-risk children currently in school.

The project will be rolled out in 100 pilot elementary schools in Lanao Del Sur, including Marawi City.

"With the project interventions, the elementary graduation rate is expected to improve by 3% by the end of the project period. It is also estimated that 350 households per year will improve their livelihood by earning incomes contributing to the school feeding program," the World Bank said.

The project will mobilize community and school members to assess the causes of the drop outs, find local solutions, and enforce remedial measures.

"The project will also offer seed funds to organize a school feeding program that can benefit both students and households," the World Bank said.

"By contributing labor and/or ingredients for the program, household members could earn incomes, while students could have access to nutritious food at school."

The report noted underfunding for education in the region, which means that learning has fallen behind the national average.

The Department of Finance has said that Japan has been extending loans and grants supporting the Mindanao peace process, including road network projects in areas affected by conflict and agriculture livelihood assistance.

Meanwhile, the European Union last week agreed to a €20.2-million (P1.17 billion) grant that will support agriculture businesses in the Bangsamoro region.

The five-year program will help farmers and cooperatives use integrated farming methods that will improve their ability to increase the quantity and quality of their produce. — **Jenina P. Ibañez**

OPINION

Can ESG data and insights deliver long-term value?

SUITS THE C-SUITE
KATRINA F. FRANCISCO

Environmental, social and governance (ESG) driven approaches are rapidly becoming mainstream in the investor and corporate communities, according to the *2021 EY Global Institutional Investor Survey*. This is an annual survey that the EY Global Climate Change and Sustainability services team commissioned from a third party with the main objective of examining the views of institutional investors on the use of nonfinancial information in investment decision-making.

The survey notes three important themes that stand out: (1) the COVID-19 pandemic has been a powerful ESG catalyst; (2) there is a growing focus on the transition to a net zero economy, and climate change is increasingly central to investment decision-making; and (3) better quality nonfinancial disclosures and a clearer regulatory landscape, coupled with sophisticated data analytics capabilities, will enable ESG to realize its potential.

THE COVID-19 PANDEMIC ACTING AS A POWERFUL CATALYST

Investor attitudes towards ESG have undergone a rapid evolution under the pandemic. Now it's seen as a central element to the investor decision-making process.

The survey data shows that, since the pandemic started, 90% of investors are attaching greater importance to corporates' ESG performance when making investment decisions, and 86% of those surveyed said that a robust ESG program impacts analysts' recommendations.

In addition, COVID-19 has made investors more likely to divest based on poor ESG performance with 74% saying so, while around 86% said that having a strong ESG performance impacts their decision to hold on to an investment.

The way the pandemic has highlighted past and current issues on social inequality has also magnified the importance of social considerations, with consumers mobilized on social issues and investors placing a greater focus on the "S" element of ESG. The top 5 social concerns taking center stage, based on the survey, are: (1) consumer satisfaction, (2) diversity and inclusion, (3) impact on local communities, such as job creation, (4) workplace and public safety, and (5) labor standards and human rights across the value chain.

Because of this, the investment industry faces a major challenge moving forward on how to access and analyze the data required to link social impact to financial performance. Without this information, it will be difficult to achieve a comprehensive inclusion of these factors into portfolio decision-making processes.

CLIMATE CHANGE AT THE HEART OF DECISION-MAKING

When the pandemic struck, many feared that it might put an end to the growing interest of investors on climate change. This fear did not materialize.

The significant progress that happened within the investment industry stems from the fact that the pandemic provided a stark and tangible example of what can happen when we fail to tackle systemic risks in our society. Investors could see what might happen to the economy if efforts to address climate change fail. This was further compounded by the results of the Intergovernmental Panel on Climate Change's (IPCC's) Sixth Assessment Report (AR6), which found that without "immediate, rapid and large-scale reductions" in emissions, curbing global warming to either 1.5°C or even 2°C above pre-industrial levels by 2100 would be "beyond reach."

Investors have become increasingly aware of the risks posed by climate change, and they want their investments to reflect their preferences. Since there is an increased pressure to address the impact of climate change, investors surveyed said that they are placing a significant focus on their portfolios' exposure to climate risk, with 77% indicating that they are devoting time to evaluate the impact of physical risks, while 79% saying that they will devote time to evaluate the implications of transition risks, into their asset allocation and selection decisions.

As decarbonization is crucial to investment decision-making, and with the goal of making progress towards net zero, it is crucial that companies and investors undertake robust scenario planning. This translates the theories related to climate change impact into practice and helps ground the discussion about incorporating decarbonization factors into an organization's strategies so that it is not just an afterthought when considering the investment opportunities or the risks involved with operations.

PERFORMANCE TRANSPARENCY AND ANALYSIS CAPABILITY IS THE FUTURE OF ESG INVESTING

While investors are considering ESG performance as central to their decision-making, there are two priorities that could help to realize its full potential.

First is the better-quality ESG data from companies and clearer regulatory landscape. These two factors allow investors to conduct a more structured and methodical evaluation of disclosures.

This is crucial as there has been an increasing concern of investors about the usefulness of key aspects of companies' ESG disclosures, with 51% of investors saying that current nonfinancial disclosures are not able to provide insight into how companies create long-term value, which was only 41% in 2020. In addition, despite the importance of ESG performance reporting to the industry, the transparency and quality of ESG disclosures, mainly around materiality, have been an ongoing concern, where 50% of investors surveyed said that they are concerned about a lack of focus on material issues — an increase from 37% in 2020.

Moreover, investor and corporate communities are broadly aligned on the importance of uniform standards and they believe that it would be helpful if risk transparency, reporting and assurance of disclosures were mandated by policy. As much as 89% of investors surveyed said they would like to see the reporting of ESG performance measures against a set of globally consistent standards become a mandatory requirement.

What this will lead to will be higher quality disclosures around ESG performance, which in turn can underpin good business management to help build and preserve stakeholder trust. The actions relating to the formation and the formal launch of the International Sustainability Standards Board (ISSB) during COP26 is a step in the right direction to more globally consistent standards.

Second, building data analytics capabilities and improving data management would be key to helping corporates produce trusted ESG performance reporting, with investors to incorporate that insight into their investment decision-making process.

Technology and data innovation can help corporates improve the way they collect, aggregate and own their data and help investors integrate ESG data into the investment analysis.

ACTIONS FOR CORPORATES AND INVESTORS

As ESG factors play an important role in economic health and recovery, there are a number of important actions for both the corporates issuing ESG reporting and the investors that will utilize that information.

Corporates should consider (1) having a better understanding of the climate risk disclosure element of ESG reporting, since there is growing pressure for companies to do more, (2) making strategic use of the sustainability and finance functions to help inject rigor and factor in materiality into ESG reporting, mainly because investors are concerned about the veracity and credibility of companies' ESG performance data, and (3) deepening engagement with investors and understand how nonfinancial disclosures help differentiate an entity from its competitors.

Investors should consider (1) updating investment policies and frameworks for ESG investments along-side building an ESG-driven culture, (2) updating approaches to climate risk management to understand the potential consequences of climate risks over different time horizons, and (3) putting in place a bold and forward-looking data analytics strategy.

With the increasing expectation that businesses create, protect and measure value across a broad group of its stakeholders, they can fully embrace ESG by ensuring that the risks it brings are managed and by fully taking advantage of the opportunities that come with it. This way, companies can better articulate how they are creating long-term value for all stakeholders.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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