SpaceX launch of PHL operations expected to be delayed past June

THE LAUNCH of the first gateway connecting the Philippines with the Space Exploration Technologies Corp. (SpaceX) satellite network has been delayed beyond June, with the company yet to firm up the site for its gateway, the Department of Trade and Industry (DTI) said.

Trade Secretary Ramon M. Lopez told reporters on the sidelines of the recently-concluded Manufacturing Summit that the timeline for the Philippine launch of SpaceX, which is controlled by Elon Musk, has slipped beyond the original target, which was sometime within the term of President Rodrigo R. Duterte.

The gateway links the internet service to low-earth orbit (LEO) satellites, a network known as Starlink, also operated by SpaceX.

"(The first gateway) might not make it (by the end of the Presidential term)," Mr. Lopez said, noting that the site and construction plans have not been finalized."

Mr. Lopez could not give an estimate for the SpaceX investment, saying that the company has made no such disclosures.

The DTI had estimated that the first SpaceX gateway will be operational before the end of President Rodrigo R. Duterte's term on June 30.

It added that the entry of SpaceX was accelerated by the passage of the amendments to the Public Service Act (PSA), which relaxed the restrictions on full foreign ownership of telecommunications, shipping, airline, railway, and subway businesses. These industries were previously subject to a 40% foreign equity cap under the 1987 Constitution.

Separately, Mr. Lopez also told reporters that the private sector-led Center for Artificial Intelligence, which took in funding of about $20 million, will be inaugurated by the second half.

For budget reasons, "We decided to make this private-sector led. Our partners have just decided to inaugurate the center towards the second half of this year," Mr. Lopez said.

An earlier timeline for the center's launch also slipped because of the impact of the national elections.

"This is one center that can help upgrade and push for more innovation, make use of AI tools for enterprises to really upgrade their competitiveness. At the same time, this can create more exposure for our data scientists, those educated in preparation for AI and data science... will have a (venue) to excel (for the benefit of) the industry and improved innovation," Mr. Lopez said. — **Revin Mikhael D. Ochave**

Gatchalian calls debt management higher priority than fuel excise freeze

A SENATOR tipped to chair the chamber's Ways and Means Committee in the 19th Congress said he considers sovereign debt management more important than revenue-eroding measures like a suspension of fuel excise taxes, which would impair government efforts to reduce such debt.

"We have just recovered from the pandemic and we still have a lot of debt," re-elected Senator Sherwin T. Gatchalian said in a statement over the weekend, noting that a large portion of the government's expenses will go to debt incurred to purchase coronavirus disease 2019 (COVID-19) pandemic vaccines.

"This must be prioritized to strengthen the so-called economic fundamentals and so that we can borrow even less if needed," he added.

At the end of April, National Government debt was at a record P12.76 trillion, up 0.7% from the end of March.

However, Mr. Gatchalian said the Senate can still explore ways to relieve the burden of high fuel prices in hearings, adding he was open to allowing legislators pushing for the excise tax suspension to air their arguments.

"This is my perspective... I want to see if they have a different computation and analysis, so we can listen to it to know whether (their proposals) will help or not. We want to look at the situation as a whole," he said.

The suspension of excise taxes on petroleum would result in as much as P131.4 billion in foregone revenue in 2022, reducing the funds available to support the recovery, the Department of Finance (DoF) has said.

In an Oct. 20 memorandum to Finance Secretary Carlos G. Dominguez III, Undersecretary Antonette C. Tionko recommended that the suspension of excise taxes on fuel products be "appropriately studied" as the foregone revenue "may affect the government's budget for COVID-19 recovery measures." — **Alyssa Nicole O. Tan**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link **<bit.ly/Fuel062722>**

NIA may open 50 irrigation projects to PPP

THE National Irrigation Authority (NIA) said it has prepared a list of 50 projects that may be opened up to public-private partnerships (PPPs), including hydropower and floating solar power facilities.

In a statement over the weekend, NIA said: "At present, NIA has 50 potential irrigation projects for PPP nationwide (including) major or big-ticket multipurpose projects with hydropower component that can have potential floating solar power farms, and small river irrigation projects (SRIPs) or medium-sized dams with reservoirs that have the potential (to host) floating solar power farms and/or mini-hydro power plants," the NIA said.

With power generation, irrigation, and climate change mitigation and adaptation infrastructure projects eligible for PPPs, "NIA sees partnership with the private sector (as) an opportunity to gain improved efficiency and project implementation processes in delivering services to the public, especially our farmers."

According to the NIA, some of the potential major multipurpose projects for PPP include the Balog-Balog Multipurpose Project (hydropower component) in Tarlac; the Ilocos Sur-Ilocos Norte-Abra Irrigation Project in Region 1; the Panay River Basin Integrated Development Project in Capiz, the Ilaguen Multipurpose Irrigation and Power Project in Isabela; and the Balintingon Multipurpose Project in Nueva Ecija.

"Irrigation development in the Philippines is very slow at 2% of the potential irrigable area of about 1.3 million hectares annually due to lack of budgetary support to fast-track implementation of big-ticket multi-purpose projects; slow phase of project preparation due to failure of local consultants to deliver necessary outputs like feasibility studies and detailed engineering designs; and conversion of developed irrigated areas to other land uses like residential, industrial and other purposes," the NIA said. — **Revin Mikhael D. Ochave**

DoF wants trust fund to be sole source of financing for coco farmer insurance, warns against 'double-dipping'

FINANCE Secretary Carlos G. Dominguez III said the coconut trust fund needs to be the sole disburser of financing for coconut farmer health and crop insurance, citing the danger of duplication should other funds be used to support such benefits.

"As the Trust Fund Management Committee, we need to ensure that there is no double-dipping of funds, that the crop and health insurance coverage to the coconut farmers should only come from the coco levy trust fund," Mr. Dominguez was quoted as saying in a Department of Finance (DoF) statement.

The remarks were delivered at a June 16 meeting.

Mr. Dominguez chairs the Trust Fund Management Committee (TFMC), which oversees how coconut levy funds are used.

He also urged the TFMC in the next government to also ensure that insurance funds are "commercially viable and therefore sustainable."

Republic Act No. 11524 created the Coconut Farmers and Industry Trust Fund (CFITF), which aims to raise coconut output, bring farmers out of poverty, and modernize the industry.

Budget Undersecretary Kim Robert C. de Leon said that the Department of Budget and Management will review budget proposals by the Philippine Crop Insurance Corp. (PCIC) and the Philippine Health Insurance Corp., and other agencies receiving allocations from the CFITF to ensure no duplication of funding. — **Tobias Jared Tomas**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link **<bit.ly/Coco062722>**

OPINION

A new chapter for Philippine sustainability reporting

SUITS THE C-SUITE
BENJAMIN N. VILLACORTE

In the last few years, a growing number of companies have been publishing sustainability reports and have started integrating environmental, social and governance (ESG) considerations into their strategic frameworks because of regulatory developments and increasing demand from investors and customers.

Locally, a key driver for sustainability reporting is Memorandum Circular No. 4, series of 2019, issued by the Securities and Exchange Commission (SEC) in 2019. This requires publicly-listed companies (PLCs) to submit an annual sustainability report under a "comply or explain" approach. The SEC recognized the relevance of ESG disclosures not only to support global and local sustainability goals, but also to encourage transparency and accountability from companies by requiring public disclosure of their sustainability performance.

After a year of implementation, we conducted a review on how listed firms responded to the mandate. We then published a report containing a review of listed companies' 2020 sustainability reports, known as "Beyond the Bottom Line 2nd Edition: Sustainability Landscape in the Philippines."

IMPROVED QUALITY AND COVERAGE

The number of reviewed sustainability reports increased from 73 in 2019 to 118 in 2020. Consistent with the 2019 review results, the 2020 review revealed that 66% still applied the SEC's template, while 52% released stand-alone, glossy sustainability reports and 53% included sustainability content in their annual reports, which shows that PLCs are gradually adopting more formats than just using the SEC's template. The most widely adopted (79%) standard remained the Global Reporting Initiative (GRI) Standards.

However, there was a notable increase in the use of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations (41%), which suggests that listed companies are recognizing the need to identify potential impacts of climate change to their businesses and mitigate climate risks. Companies in the construction and power & utilities industries covered most of the TCFD disclosures, showing their awareness of their exposure to the adverse impacts of climate change. Meanwhile, holding firms and listed companies in the banking, mining, retail and transportation industries had some climate-related disclosures, whereas the food, beverage and tobacco companies had little to none.

Only 10% of the listed firms we reviewed obtained limited assurance, and 56% did not disclose their sustainability vision and strategies or provided only high-level statements of intent relating to sustainability. Sixty-two percent disclosed their materiality assessment process, while biodiversity-related topics like watersheds, marine and International Union for Conservation of Nature Key Biodiversity Areas (IUCN/KBA) remained the least reported. Knowing that the Philippines is one of the most megadiverse countries globally, biodiversity loss is a crucial issue. This makes it imperative for companies to report on biodiversity, especially for industries with direct impact such as mining and power & utilities.

Overall, there has been improved quality and coverage in the 2020 sustainability reports compared to the previous year, and ESG disclosures are expected to improve further especially since the "comply or explain" approach ended in 2021. We also anticipate changes in the global and local reporting landscape to address the call to harmonize sustainability reporting standards and frameworks.

The IFRS Foundation, through the International Sustainability Standards Board (ISSB), has released the first two exposure drafts of the IFRS Sustainability Standards Disclosures. Comments on the exposure drafts are due on 29 July 2022, and we are expecting the official publication of these standards before 2022 ends.

POLICY LANDSCAPE OF SUSTAINABILITY REPORTING

Sustainability reporting is just one of the growing regulations that aim to accelerate sustainable development in the country. The growing concern over ESG risks, compounded by the impacts of the COVID-19 pandemic, are driving stronger sustainability efforts from the government and companies.

The government has developed and released several policies and frameworks to support decarbonization and the transition to a cleaner energy source through climate funding and action plans. Multiple regulatory and reporting developments are underway to address ESG issues: sustainable finance, extended producer responsibility (EPR), sustainable mining, and biodiversity protection. Investors are also paying more attention to ESG and are saying they are now attaching greater importance to companies' ESG performance because of the pandemic, as revealed in EY's 6th Institutional Investor Survey.

Despite the current gaps in ESG disclosures as observed in the 2020 review, we see a potential acceleration in the incorporation of ESG considerations into corporate strategies and investment on resources as companies begin to realize that gains from their sustainability efforts outweigh the related costs and are not just an added expense to the business.

BEYOND COMPLIANCE

Currently, the SEC only requires listed companies to submit sustainability reports, but this will soon be extended to other types of corporations, as they have announced in several webinars. Considering the multiple, fast-paced global and local developments around ESG, businesses should reinforce their sustainability journey as soon as possible and consider the following actions:

- Define sustainability governance at the management and board levels
- Integrate sustainability into the enterprise risk management system and corporate strategies
- Invest in systems and processes that will support reliable and timely ESG reporting
- Obtain third-party assurance on ESG disclosures
- Keep tabs on the developments around sustainability reporting standards, especially on the IFRS Sustainability Standards Disclosures
- Build internal capacity to support the organization's sustainability thrust

Sustainability reporting is one of the best ways to boost stakeholder confidence as it demonstrates transparency and accountability. However, it is not enough for companies to produce sustainability reports for compliance purposes alone.

Instead, determining material ESG issues for the business is essential to disclosing relevant information to stakeholders and to manage the risks these issues bring. A company's sustainability journey may also entail business model changes, portfolio rebalancing and investments in new technologies and capabilities. Thus, corporates should start realigning their resources and strategies and understanding what they need to ensure accurate and timely ESG disclosures.

Bold sustainability commitments and goals with defined metrics will be necessary to drive impactful actions that help accelerate the country's sustainable development.

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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