DoE sets minimum RE share at 2.52% in 2023 for on-grid power suppliers

THE Department of Energy (DoE) said on Wednesday that on-grid power suppliers must expand the share of renewable energy (RE) in their output to 2.52% by next year, from the current 1%, for them to remain compliant with the requirements of the renewable portfolio standards (RPS) program.

In a statement, the DoE said the order applies to power distribution utilities and electric cooperatives, which under the law must raise their RE sourcing by 1 percentage point a year between 2020 and 2030.

"The increase in the utilization of renewable energy in our power generation mix would encourage more investors and end-users to develop and utilize domestic energy sources," Energy Secretary Raphael P.M. Lotilla said.

The RPS is a component of the Renewable Energy Act of 2008 designed to encourage greater use of RE.

To date, the DoE said it has issued 998 renewable energy contracts with a combined installed capacity of 5,460.59 megawatts (MW) and potential capacity of 61,613.81 MW. The contracts have the potential to generate P270.78 billion worth of investment for awarded and prospective deals.

Solar accounted for P130.44 billion of prospective investment, with installed capacity of around 1,386.506 MW; wind P52.91 billion and 409.900 MW; hydropower P38.73 billion and 269.29 MW; biomass P38.16 billion and 634.91 MW and geothermal P10.54 billion and 82.50 MW.

"Private sector investment is central in achieving our renewable energy targets and vision. To date, the share of renewable energy in the power generation mix is 22%," Mr. Lotilla said.

According to the DoE's National Renewable Energy program, the department hopes to increase the share of renewables in the power mix to 35% by 2030 and to 50% by 2040.

"By increasing the annual percentage over time, renewable energy will drive us down a path towards energy sustainability," Mr. Lotilla said. — **Ashley Erika O. Jose**

Marcos calls Clark airport model for PPPs, key to logistics hopes

PRESIDENT Ferdinand R. Marcos, Jr. said the Clark airport terminal deal is an exemplar of his government's public-private partnership (PPP) ambitions, adding that the airport will be crucial in positioning the Philippines as a logistics hub.

He made the remarks at the formal opening of the new terminal building at Clark International Airport, north of Manila.

"This is the public-private partnership that we always talk about," he said, noting that both parties can leverage their resources to achieve "synergy" via collaboration.

Mr. Marcos said his government is "willing to change in terms of documentation, procedure, even structure, even legislation" to attract investment into the country.

"We understand... the needs of our potential investors and we will... do everything so that that partnership (is) to the advantage of both the private sector (and) the public sector," he said.

Mr. Marcos said the 110,000 square-meter new terminal building, which was built to accommodate around eight million passengers per year, sends a "very strong signal" to the world that the Philippines is open to investment.

"We just opened a new terminal. It is state-of-the-art and this is one of the things that we will continue to do in the future to bring you all to come and be partners with the Philippines," he said. "This facility is another building block in what we hope (will) become a logistics center for Asia."

Mr. Marcos called for full utilization of the Philippines portfolio of airports, noting the need to ease the load on the Ninoy Aquino International Airport (NAIA), the Philippines' primary gateway, as well as other airports near the capital region.

"While construction works in... Bulacan and Cavite are ongoing, regional airports must be opened," he said.

Mr. Marcos said he intended to make the Philippines a "logistics hub" during the election campaign.

The opening of the new terminal building is part of a broader effort to decongest NAIA. The Clark airport's old terminal building had a capacity of 4.2 million passengers a year.

The new terminal is expected to create jobs, boost tourism, and advance socioeconomic activities in Central Luzon, the Palace said in a statement. — **Kyle Aristophere T. Atienza**

China trading partners urged to be ready for possible inflationary impact when Mainland economy reopens

CHINA's trading partners need to prepare for the pent-up demand that has built up when Beijing decides to reopen the economy, the results of which could include additional inflationary pressures, making further monetary tightening necessary, a Citigroup economist said.

"In essence, China's dynamic Zero-COVID and periodic lockdowns, in a way, are a benign contributor to the global inflation problem, and the reason why I say that is by suppressing demand in China in a year of so many supply shocks, imagine if China reopened dramatically, we could have an even worse inflationary problem," according to Johanna D. Chua, chief Asia-Pacific economist of Citigroup, speaking at the Asian Development Bank's (ADB) Post-COVID Outlook for Developing Asia webinar.

"We are hoping that China's reopening is not going to be reflationary enough to make the monetary policy tradeoff for global central banks to even be worse," she added. "But, of course, going into next year (when) we're going into a recession, we hope China can go in the opposite direction and start reopening."

As of July, China had taken in $798.66 million worth of goods from the Philippines, making it the country's third-largest export market. It was the biggest source of imports, valued at $2.43 billion.

Krishna Srinivasan, Asia-Pacific head of the International Monetary Fund, said the stringent lockdowns in China seriously hurt economic activity in the second quarter, resulting in a decline in its manufacturing sector "unseen since early 2020" as mobility collapsed.

While inflation in Asia is expected to peak this year, it may be sticky as most readings are coming from high levels.

According to Ms. Chua, the pace of deceleration will depend on global demand, and the rate China reopens.

"Despite a lot of concerted effort of global central banks to accelerate or front-load some of the rate tightening, the reality is that growth is probably going to slow down faster or earlier, while inflation coming securely back to its target path may take a little bit longer," Ms. Chua said.

"The reason why we think stagflation is transitory is we're expecting that since a number of central banks are going to have to go above neutral or keep rates on hold for a lot longer, the hope is that by next year we're going to be on a path towards hitting the inflation target by 2024," she added.

The Philippine consumer price index rose to 6.3% year on year in August, easing from the four-year high of 6.4% a month earlier. It was the fifth straight month that inflation exceeded the Bangko Sentral ng Pilipinas' (BSP) 2-4% target band this year.

The BSP has increased its benchmark interest rates by 225 basis points since May in response to the rise in prices.

The economy also grew less than expected in the second quarter of this year at 7.4%, lower than 8.2% in the previous quarter. It was the slowest growth in three quarters.

Meanwhile, the webinar participants rejected suggestions that deglobalization has started to reverse globalization. They did, however, acknowledge it as a looming threat.

"Even before the pandemic and the (Russia-Ukraine) war, there was a lot of angst against globalization. It's clear that globalization has led to increased income across the world... notably in Asia," Mr. Srinivasan said.

"But I think where more emphasis would have been placed is on redistribution in terms of winners and losers. So, public policy should be enough to compensate the losers."

Mr. Srinivasan also added that significant economic losses for the world, particularly in Asia, are inevitable if deglobalization is allowed to continue, noting the restrictions targeting energy and high technology as a result of the Russia-Ukraine conflict.

Ms. Chua added that data on the intensity of goods traded globally would disagree with the deglobalization narrative, going by the evidence of recent developments such as the Regional Comprehensive Economic Partnership (RCEP) agreement.

"We know that many poor countries can gain opportunities to specialize in production in different parts of the value chain when trade is facilitated," said Albert Park, chief economist of the ADB. "We hope that the RCEP agreement can help facilitate that going forward."

Earlier this year, the Philippine Senate failed to ratify RCEP, a free trade agreement involving Australia, China, Japan, South Korea, New Zealand, and Southeast Asia. — **Diego Gabriel C. Robles**

Rice prices set to rise as high input costs dampen farm output

A RICE shortage is looming if the government does not address rising input costs and low farmer incomes, rice industry analysts and representatives said.

"There is a threat that we might be lacking in rice. For us farmers, the first reason is because of low prices of palay (unmilled rice) and high input costs. Because of this, the harvest is not good. There is no motivation to harvest because farmers earn so little," Teodoro C. Mendoza, agronomist and a retired professor affiliated with the Institute of Crop Science at the University of the Philippines Los Baños, said in an online forum on Wednesday.

"Expect rice prices to increase. We are conditioning people to expect that rice prices will increase," he added.

The Alliance for Resilience, Sustainability and Empowerment (ARISE) in a statement called for an increase in the farmgate price of cleaned palay to P22 per kilogram and P25 for dried palay.

"Farmers would lose if their palay is bought at P19 per kilogram, which is the National Food Authority's (NFA) current buying price," it said, adding that the NFA price does not adequately compensate them for their labor.

Mr. Mendoza said that rice production has also been hampered by weather conditions and the conversion of farmland to roads or infrastructure.

"Farmers are not applying sufficient fertilizer due to its very high price. Even if there wasn't a typhoon, prices would still rise because farmers could not put in sufficient fertilizer," he said.

The price of a bag of urea fertilizer has risen to P2,850 from P1,000 pre-crisis, Mr. Mendoza said.

International rice prices have risen for the fifth straight month to a 12-month high, according to the United Nations Food and Agriculture Organization Food Price Index.

"The supply of rice is very tight. India usually supplies 21 million metric tons to over a hundred countries in the world. But now India won't export rice because they were caught by the drought. Their policy is that the buffer stock is for one year. Here, it is for six days," Mr. Mendoza said.

He also said land planted to rice is declining.

"How to stop land hemorrhage? Pass the National Land Use Act, implement the Agriculture and Fisheries Modernization Act of 1997, amend the local government code, and increase rice farmers' income," he said.

He said the availability of irrigation water is out of sync with the planting season.

"Farmers plant from early May to the first week of June. But they cannot plant early because rain is not sufficient to prepare the land, which is why fields need to be irrigated. We (should) criminalize the conversion of irrigated rice land," he said.

"We are in the climate change era. We have to adjust planting times due to climate change. Strong typhoons are happening in September. By mid-September, rice should have been harvested," he added.

According to ARISE, rice imports are projected to hit 3.9 million metric tons (MT) this year if the government does not intervene.

"The NFA's recent pronouncement that it will raise its palay buying price to P21 per kilogram is a welcome move for many farmers. However, this needs to be followed up with concrete action from top to bottom," the group said.

"The NFA has called for the support of legislators and (has asked) local government units (LGUs)... to engage in palay procurement. But NFA has also to increase its (procurement funds) capital and prepare the logistical support to enable LGUs to readily procure from farmers," it added.

"We must save the rice industry. Saving the industry saves the rice farmers," Mr. Mendoza added.

In a statement, the Department of Agriculture (DA) National Rice Program projected this year's palay production at 19.5 million MT.

As of Sept. 15, the DA's 2022 rice supply outlook estimated supply in the year to date at 17.36 million MT and consumption at 15.14 million MT. — **Luisa Maria Jacinta C. Jocson**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <bit.ly/Rice092922>

OPINION

100% WFH for the IT-BPO industry: The best is yet to come

TAXWISE OR OTHERWISE
AIMEE ROSE DELA CRUZ

Since the Fiscal Incentives Review Board (FIRB) issued its resolution requiring one hundred percent (100%) onsite work for the Information Technology-Business Process Outsourcing (IT-BPO) industry effective April 1, significant developments and discussions have taken place left and right. This is understandable considering the industry's contributions to our economy — policymakers take care not to make bad decisions on matters concerning the sector.

First, the Philippine Economic Zone Authority (PEZA) turned "no" into "on" by issuing PEZA Board Resolution 22-052, allowing up to 30% of the workforce of IT-BPO Registered Business Enterprises (IT-BPO RBEs) to continue working from home (WFH) beginning April 1, provided a prior Letter of Authority (LoA) is secured and the latter's conditions are satisfied.

The LoAs issued were effective only until Sept. 12, which was then the last day of the state of calamity before it was extended to Dec. 31 via Proclamation 57.

As mentioned above, the LoA sets forth conditions. Specifically, IT-BPO RBEs adopting the 30% WFH scheme are required to submit the following:

1. PEZA Farm-out Form (Form 8106) for all IT equipment taken out of the premises;
2. Surety bond for all IT equipment taken out for WFH purposes to cover taxes and duties that may be payable if they are not returned to the IT zone after the termination of the WFH arrangement;
3. Certified list with complete details of all IT equipment brought out of the site for WFH use;
4. Total number of employees and the number of employees working from home;
5. Notarized Undertaking to adhere to the IATF, labor, data protection and PEZA rules while adopting the WFH arrangement.

As proof of compliance, every fifth day of the following month, IT-BPO RBEs must submit online the WFH monitoring form to PEZA's Information Technology Sector – Report Compliance System.

Pending the FIRB's confirmation of the PEZA-issued LoAs, the BIR had tried to run after potential violators by issuing mission orders authorizing revenue officers to check compliance with 100% onsite requirement, taking the view that allowing IT-BPO RBEs to engage in their registered activity outside the economic zone with continued incentives lacks legal basis. For the same reason, the Bureau of Customs required payment of taxes and duties upon withdrawal of IT equipment for use in WFH.

To resolve this standoff, the FIRB issued memorandum 17-2022 which confirmed the PEZA resolution allowing WFH up to 30% until Sept. 12. The FIRB recognized the authority of Investment Promotion Agencies like PEZA to adopt temporary measures in the event of exceptional circumstances like the pandemic and the contribution of the IT-BPO sector to employment generation and job preservation.

Following the FIRB's confirmation, the BIR issued Revenue Memorandum Circular No. 102-2022 to implement the FIRB memorandum.

In anticipation of their expiration, PEZA requested the FIRB to extend the validity of the WFH LoAs. On Sept. 9, the FIRB extended the WFH policy, not for just one day, but indefinitely until such time that a conclusive resolution is reached on PEZA's request for extension. The extension was recently announced to be effective until the end of this year to coincide with the extended end of the state of calamity, but the formal memorandum on this has yet to be issued.

In any case, this extension has certainly given IT-BPO RBEs a brief reprieve from worrying about how to structure their operations going forward. Considering the uncertain nature of the WFH setup, the industry is wary of the danger of losing their incentives. Revenues in excess of the 30% threshold are subject to regular corporate income tax and local business tax. Because of this, most IT BPO RBEs have considered the possibility of canceling their registration with PEZA, as the demand for WFH from their clients and employees continues to grow.

The good news is, the FIRB recently announced that IT-BPO RBEs will be allowed 100% WFH while retaining their incentives, by allowing their registrations to be transferred from PEZA to the Board of Investments (BoI). Unlike PEZA RBEs which are required to operate within a PEZA-registered IT building/facility, BoI registrants are not subject to such requirements. This is a welcome development as previously, the policy was to disallow the direct transfer of registration from PEZA to BoI without the loss of incentives.

The IT-BPO industry is now eagerly anticipating the release of the FIRB memorandum to officially document the recent announcement, as well as to lay down the guidelines for the transfer from PEZA to BoI. Once issued, the guidelines are expected to provide more detailed information on the administrative procedures and requirements for the transfer, the transition from PEZA to BoI once the transfer application is approved, availment of incentives, among others.

What was once a temporary measure brought on by a contagious disease has since reinvented our way of working and doing business not just for the IT-BPO industry.

As life goes on with us living through the pandemic, it seems WFH is most likely here to stay.

The views or opinions expressed in this article are solely those of the author and do not necessarily represent those of Isla Lipana & Co. The content is for general information purposes only, and should not be used as a substitute for specific advice.

AIMEE ROSE DELA CRUZ is a director at the Tax Services department of Isla Lipana & Co., a Philippine member firm of the PwC network.
+63 (2) 845-2728
aimee.rose.d.dela.cruz@pwc.com