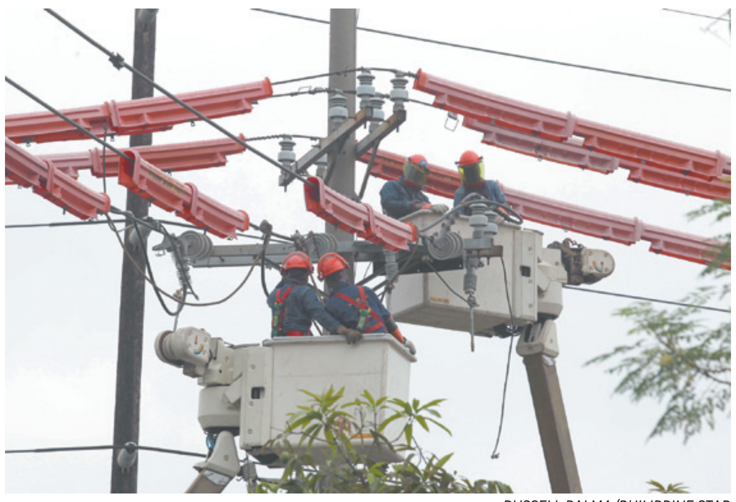
BusinessWorld
THURSDAY, MARCH 30, 2023

Meralco secures 1-year urgent power supply deal with SPPC


RUSSELL PALMA/PHILIPPINE STAR

MANILA Electric Co. (Meralco) has forged a 300-megawatt (MW) emergency power supply agreement (EPSA) for one year with South Premiere Power Corp. (SPPC).

In a statement on Wednesday, Meralco said the deal starts from March 26, 2023 until March 25, 2024.

The power utility giant has secured a certificate of exemption from the Department of Energy from the competitive selection process, which allows Meralco to immediately implement a power supply agreement.

Meralco said the EPSA has a two-part tariff composed of a P1.75 per kilowatt-hour (kWh) fixed cost and a variable cost indexed on fuel price movements.

The agreement partially replaces the 670-MW of capacity Meralco lost from SPPC, a unit of SMC Global Power Holdings Corp.

To recall, Meralco's contract with SPPC, which was forged in 2019 at P4.2455 per kWh, was subjected to a writ of preliminary injunction by the Court of Appeals, indefinitely suspending the power supply agreement.

Last year, SMC Global Power sought a temporary rate increase, jointly filed with Meralco, saying that SPPC and another unit San Miguel Energy Corp. incurred a combined loss of P15 billion. The rate increase was meant to recover part or P5 billion of the units' losses.

The company cited a "change in circumstance" when surging fuel costs breached the price range contemplated during the execution of the contracts with Meralco. But the Energy Regulatory Commission (ERC) denied the petition, saying this had no basis as the PSA is a fixed-rate contract.

This is the third time Meralco executed an EPSA after it lost the power capacity from SPPC.

Aboitiz Power Corp.'s GN-Power Dinginin Ltd. Co. previously supplied Meralco with a 300-MW capacity through an EPSA forged on Dec. 15, 2022 until Jan. 25, 2023 at a rate of P5.96 per kWh.

The contracting parties agreed on a second EPSA, which was secured on Feb. 3 to last until Feb. 25. The second deal has a full fuel pass-through structure with an implemented rate of P8.53 per kWh.

Meralco's controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT Inc. Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Ashley Erika O. Jose**

Maynilad starts daily water interruptions to ensure enough supply

MAYNILAD Water Services, Inc. has started to implement daily water interruptions to maintain adequate water supply during the looming El Niño phenomenon towards the second half of 2023.

The daily water service interruptions started on March 28 within its west zone concession area, the company said in a statement on Wednesday.

Maynilad said the water supply interruptions were meant to preserve the remaining water supply in the Angat and Ipo dams amid lesser rainfall to replenish them.

In an earlier statement, the water concessionaire said it had started to implement supply augmentation measures ahead of the projected surge in demand this summer.

Maynilad said it had been augmenting supply through a "cross-portal" arrangement with Manila Water Co., Inc. as less water had been reaching the Novaliches portal in Quezon City.

It said the water elevation at the La Mesa dam had been going down in recent weeks, forcing Manila Water to gradually suspend the cross-portal supply sharing.

The recent development is expected to result in longer daily water service interruptions starting April 1 as supply declines.

Maynilad said it had a meeting on Wednesday with the Metropolitan Waterworks and Sewerage System (MWSS) and Manila Water to discuss the current water supply situation.

Maynilad said the cross-portal sharing will no longer be extended but the MWSS will request the National Water Resources Board to increase the water allocation of 52 cubic meters per second from April to May.

The move is meant to allow both Ipo and La Mesa dams to fully recover and increase the raw water conveyed to the Novaliches portal.

Maynilad said that with an increased raw water allocation, Manila Water can sustain cross-portal sharing.

"It will also increase the volume of raw water that reaches Maynilad's treatment plants, enabling us to suspend the daily service interruptions that are currently in place," Maynilad said.

MWSS previously said that it was confident supply would be adequate to meet the expected demand as the current water supply remains at a comfortable level.

Maynilad has projected demand to increase by about 5-6% during the summer months. It has yet to provide the current water demand data, but it serves about 1.5 million connections within its service area.

Maynilad, a concessionaire of the MWSS, serves the cities of Manila, except portions of San Andres and Sta. Ana. It also operates in Quezon City, Makati, Caloocan, Pasay, Parañaque, Las Piñas, Muntinlupa, Valenzuela, Navotas, and Malabon.

It serves the cities of Cavite, Bacoor, and Imus, and the towns of Kawit, Noveleta, and Rosario in Cavite province.

Metro Pacific Investments Corp., which has a majority stake in Maynilad, is one of three Philippine units of Hong Kong-based First Pacific Co. Ltd., the others being Philex Mining Corp. and PLDT Inc.

Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Ashley Erika O. Jose**

Ayala unit IMI partners with California-based Zero Motorcycles

PHILIPPINE-listed company Integrated Micro-Electronics, Inc. (IMI) tied up with Zero Motorcycles to increase access to full-sized all-electric motorcycles.

In a disclosure to the Philippine Stock Exchange, the company said that it partnered with the California-based company for the mass production of electric motorcycles, which it projected to start as early as the second quarter of 2023.

"We look forward to such amazing collaboration to help bring their innovative electric motorcycles to the world. This partnership aligns with our commitment to supporting companies in their growth and sustainability efforts while providing high-quality manufacturing services," IMI Chief Executive Officer Arthur R. Tan said.

Under the partnership, IMI will assemble Zero's electric motorcycle models and other assemblies in its facility in Laguna. It is in conjunction with the current manufacturing facilities of Zero in Scotts Valley, California.

"Expanding our manufacturing footprint into a new region allows us to efficiently scale up to meet the rapidly growing demand for our products and improve customer delivery and satisfaction in the fast-growing electronic vehicle market," Zero Chief Executive Officer Sam Paschel said.

"We are thrilled to partner with IMI and bring their expertise in electronics manufacturing and motorcycle assembly to the Zero Motorcycles lineup of products," he added.

IMI is the manufacturing arm of Ayala-led AC Industrial Technology Holdings, Inc. It specializes in "highly reliable and quality" electronics for long product life cycle segments such as automotive, industrial electronics, and the aerospace market.

Meanwhile, the California-based Zero is one of the global leaders in electric motorcycles and power trains.

IMI shares on Wednesday climbed by 3.53% or P0.17 to finish at P4.99 each. — **Justine Irish D. Tabile**

ANK KUMAR

UBS shares were indicated 2.3% higher in premarket activity on the Zurich stock exchange after the announcement of the rehiring of Sergio Ermotti.

UBS rehires Ermotti as CEO to steer Credit Suisse takeover

ZURICH — UBS Group AG has rehired Sergio Ermotti as Chief Executive Officer (CEO) to steer its massive takeover of neighbor Credit Suisse — a surprise move that seeks to take advantage of his experience in rebuilding the bank after the global financial crisis.

His immediate challenges will include laying off thousands of staff, cutting back Credit Suisse's investment bank and reassuring the world's wealthy that UBS remains the best place to park their cash.

Mr. Ermotti, the current chairman of Swiss Re, will take the helm from April 5. He was chief executive of UBS from 2011 to 2020.

UBS shares were indicated 2.3% higher in premarket activity on the Zurich stock exchange after the announcement.

He takes charge weeks after UBS bought rival Swiss bank Credit Suisse in a shotgun merger engineered by Swiss authorities to stem turmoil after Credit Suisse ran aground.

That deal made UBS Switzerland's one and only global bank, underpinned by roughly 260 billion francs ($170 billion) in state loans and guarantees to underpin the new group, a risky bet that makes the Swiss economy more dependent on a single lender.

Vontobel analyst Andreas Venditti said Ermotti's experience paring back UBS's investment bank after the financial crash more than a decade ago made him well equipped for the job.

Current CEO Ralph Hamers was a notable absentee from the announcement of UBS's takeover of Credit Suisse on March 19 — a deal backed by more than 200 billion francs ($127 billion) of state cash and guarantees engineered by the government, central bank and regulators.

The next day, Mr. Hamers looked bleary eyed as he described the end of Credit Suisse as a "sad day" that nobody wanted.

Mr. Hamers, who succeeded Mr. Ermotti in November 2020, "has agreed to step down to serve the interests of the new combination, the Swiss financial sector and the country," UBS said in a statement.

"The board took the decision in light of the new challenges and priorities facing UBS after the announcement of the acquisition," UBS added.

UBS ditched Hamers, who had no big-ticket M&A experience under his belt and faced the task of combining two banks with $1.6 trillion in assets, more than 120,000 staff and a complex balance sheet.

Mr. Ermotti said he was looking forward to integrating UBS and Credit Suisse. "The task at hand is an urgent and challenging one," Mr. Ermotti said in a statement.

"In order to do it in a sustainable and successful way, and in the interest of all stakeholders involved, we need to thoughtfully and systematically assess all options."

A nearly 30-year veteran of Dutch lender ING, Mr. Hamers had been a surprise choice when he was appointed to lead UBS, as he had little experience in investment banking or wealth management. At ING, Mr. Hamers was seen as a tech-savvy boss who spurned the image of a stuffy banker for a young, modern and approachable CEO, and there he was credited with overseeing a digital transformation.

The digital success at ING is what attracted UBS's then-chairman Axel Weber to poach him, at a time that some analysts said UBS's progress was stagnating. — ***Reuters***

European aviation races to make green fuel

CARTAGENA, Spain/LEEDS, England — Energy giant Repsol has bought into Europe's drive for green jet fuel, but believes the €200-million ($217 million) plant it is building in southeast Spain faces a bumpier ride than if it was on the other side of the Atlantic.

Repsol says the plant, which transforms used cooking oil into so-called sustainable aviation fuel (SAF), has attracted plenty of customers. But it is concerned Europe's investment environment will complicate the industry's efforts to take off.

"(In Europe) there is a legal instability and a regulatory machinery that is very complex and very discouraging towards seeking new solutions," said Oliver Fernandez, Repsol's director for air fuel in Madrid.

"We see the US is very in favor of helping companies with financing and focusing on helping them to develop new things."

Repsol's worries echo those of Europe's aviation sector, much of which is tasked with boosting SAF use to 10% of all jet fuel by 2030, despite it currently costing up to five times as much.

As one of the only ways to decarbonize aviation, investors and regulators are pushing airlines to up SAF usage. Doing so could also determine whether airlines can ever be considered sustainable under the European Union's green finance rules, impacting their cost of raising money.

As it stands, SAF makes up less than 1% of jet fuel in use. Airlines, which operate on razor thin margins and are heavily indebted as they recover from the pandemic, say more needs to be done to boost production and lower the cost.

While US firms are benefiting from tax incentives to boost production, Europe has focused on mandating change rather than incentivising it, said Laurent Donceel, acting managing director of lobbying group Airlines for Europe.

"It seems the EU is more focused on window dressing and letting the United States eat it for breakfast," after the EU published its Net Zero Industry Act in mid March.

"Europe needs to step up and throw its weight behind a domestic SAF industry to ensure it does not fall behind."

Supporters of Europe's approach argue that the profitable energy industry should be able to ensure supply, adding that the harmonized US tax system is better designed to benefit from incentives, such as those in the Inflation Reduction Act, than Europe's patchwork of national systems.

PRODUCTION CHALLENGES

Producers say they are struggling to front the investment costs needed to scale up. Repsol has only created enough SAF so far to power test flights for IAG-owned carrier Iberia.

"They (governments) would need to bind themselves to certain prices for 10 to 15 years, because otherwise your producer doesn't have the investment security ... that's the problem," said Ralf Diemer, managing director of industry group, the eFuel Alliance.

Finland-based Neste, the world's largest SAF producer, says it is expanding its facilities in Europe and elsewhere, but points to challenges including sourcing raw materials.

Even with investment, new plants take years to build, it adds, leaving little time to make the volumes needed to meet the European targets.

"In 2026, we will have over six and a half million tons... of renewable [product] capacity, of which one third will be SAF capacity. That's 2.2 million tons. That's a bit under 1% of global aviation fuel demand," said Jonathan Wood, Neste's vice-president of renewable aviation.

British Airways-owner IAG says it has committed to $865 million in investments to purchase SAF and support production, but has only guaranteed around 25% of its 2030 supply target. That means it will likely have to spend billions more to reach its goals.

"America's program of both federal and state incentives for SAF production is the mark of global leadership on the net-zero transition," IAG told Reuters.

"This is a brilliant model, but if Europe cannot keep up it will have to import SAF. Let's not import SAF — let's create it everywhere we need it."

HOME GROWN

Smaller producers, like Velocys and Fulcrum, are hoping to build facilities and scale-up SAF in the years to come.

And even if their new projects do not do enough to get aviation to 10%, SAF production will still go up markedly, experts said.

"Most companies we speak with have already secured sufficient SAF supply to meet at least half of their 2030 procurement targets, which is exactly the market signal needed to support further SAF scale up," said Joe Horrocks-Taylor, climate analyst at Columbia Threadneedle Investments.

Back at Repsol's plant in Cartagena, the first batch of jet fuel made from used cooking oil will be shipped out of the refinery in the fourth quarter of this year. And the firm is confident much more will get made — and sold — soon.

It's already investing an additional €103 million in another plant to make synthetic jet fuel made out of CO2, which will open in 2025.

"It will be impossible to distinguish chemically from the jet fuel made from oil," said Emilio Mayoral, the lead engineer overseeing some 750 workers building distillery towers and giant reactors.

"It will be in very high demand." — ***Reuters***

Apple launches 'buy now, pay later' service in US

APPLE, Inc. on Tuesday launched its "buy now, pay later" (BNPL) service in the United States, a move that threatens to disrupt the fintech sector dominated by firms like Affirm Holdings and Swedish payments company Klarna.

The service, Apple Pay Later, will allow users to split purchases into four payments spread over six weeks with no interest or fees, the company said. It will initially be offered to select users, with plans of a full roll-out in the coming months.

Users can get loans between $50 and $1,000 for online and in-app purchases made on iPhones and iPads with merchants that accept Apple Pay, according to the company.

More than 85% of US retailers accept Apple Pay, the company said.

"Apple Pay Later will absolutely wallop some of the other players. Other companies would've taken a look at Apple's announcement today because they are an ubiquitous name. This will take a bite out of the market share of other players," said Danni Hewson, head of financial analysis at AJ Bell.

BNPL firm Affirm's shares fell more than 7%, while PayPal closed about 1% lower.

In 2020, pandemic-related lockdowns turned shoppers to online payment platforms, bolstering demand for fintech companies offering BNPL services, especially to millennials and Gen Z customers.

Digital payments behemoths including PayPal and Block Inc SQ.N have expanded into the sector through acquisitions, while Affirm went public in a multi-billion dollar listing.

The sector's fortunes have since turned as rising interest rates and red-hot inflation dampened purchasing power and forced consumers to tighten their purse strings.

Apple Pay Later is enabled through the Mastercard Installments program, the company said, adding that Goldman Sachs was the issuer of the Mastercard payment credential. — ***Reuters***