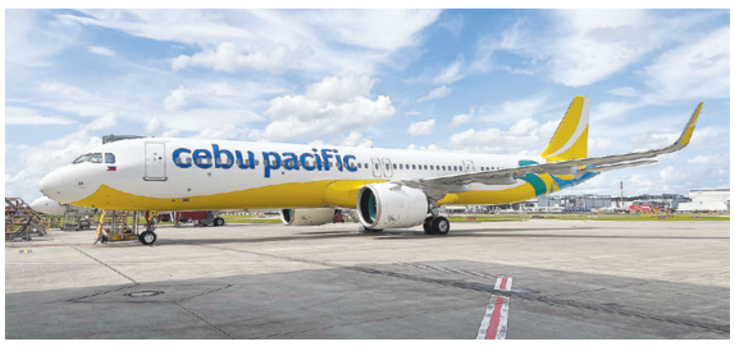
Cebu Pacific expects 'green' fuel cost to drop as suppliers scale up

By Ashley Erika O. Jose
Reporter



DEMAND for sustainable aviation fuel (SAF) is expected to grow in the coming years as it becomes cheaper when fuel companies scale up production, a Cebu Pacific Air official said.

Alex B. Reyes, chief strategy officer of Cebu Pacific, said the industry remains positive about adopting SAF, though prices remain high for the time being with SAF production still low.

"As more investment goes in... as you put technology behind it, you scale up, prices will go down over time," Mr. Reyes told reporters on the sidelines of the 2023 Aviation Summit in Pasay City.

SAF can help reduce emissions from air transportation and is made from non-petroleum feedstock like agricultural waste and used vegetable oil.

"We are seeing high prices today because actual production is tiny and most of the plants built are small scale, eventually it will come down, overtime. It takes you three to five years to build an SAF plant... it will take a while before (the additional scale is) will be reflected in pricing," he added.

The Department of Energy (DoE) has said it hopes to draft regulations on SAF to accelerate industry adoption.

"These are steps in the right direction. We want more, ideally a lot more engagement from the DoE, from all of the stakeholders. It is a very complicated supply chain," he added.

The airline's short-term target is to incorporate more SAF in regular operations, Mr. Reyes said, adding that for this year almost all of the company's flights have been fueled with a blend of SAF.

He said that the airline will not set a specific target for SAF blends to hit by a certain year.

"We have seen other airlines doing so, but our circumstances in the Philippines are different. SAF industries are more developed in the US and Europe. In the Philippines there are no plants producing SAF," Mr. Reyes said.

Instead of setting a minimum SAF blend like most countries do, Mr. Reyes proposed that the government offer incentives to encourage airlines to use more SAF.

"Our view is, let's develop all of the policies and incentives to make sure that there is a response from the market rather than mandate it, it should really come from the producers. There is nothing like the profit incentive to drive that kind of growth and investments," Mr. Reyes said.

PHL warned of inflation risk from unrestrained spending

A HOUSE of Representatives think tank has warned of runaway inflation if the government of President Ferdinand R. Marcos, Jr. fails to rein in spending.

"Given the present level of inflation and the inflationary pressure accumulated in the past three years, the risks associated with maintaining a high public spending strategy are not insignificant and, perhaps more importantly, growing over time," the Congressional Policy and Budget Research Department (CPBRD) said in a report this month.

"The observed relationship between government spending and inflation (or lack thereof) over the past dozen years lends urgency to the necessity of developing a rule-based framework to govern monetary and fiscal policies — particularly to stabilize inflation," it added.

The CPBRD said that government spending has steadily increased since 2010, indicating that the government does not consider inflation in its spending plan.

The Bureau of the Treasury reported that the government spent P1.52 trillion in 2010, P1.56 trillion in 2011, P1.78 trillion in 2012, P1.88 trillion in 2013, and P1.98 trillion in 2014.

It spent P2.23 trillion in 2015, P2.55 trillion in 2016, P2.82 trillion in 2017, P3.41 trillion in 2018, P3.80 trillion in 2019, P4.23 trillion in 2020, and P4.68 trillion in 2021.

In 2022, government expenditures increased by 10.35% to P5.16 trillion.

"The government constantly runs the risk of exacerbating inflationary pressures and, by extension, heightening the severity of economic contractions," the CPBRD said.

Inflation in August was 5.3%, the 17th consecutive month in which inflation surpassed the BSP's 2-4% target range.

In order to ensure proper spending without the risk of inflationary pressures, the government must promote "strategic resource allocation and operational efficiency," by spending in sectors that give the "largest multiplier effects."

"A set of rules that compels the government to moderate its spending during times of surging inflation, for example, will likely prove beneficial in managing overall inflationary pressure," the CPBRD said.

"Perhaps more importantly, enforced rules would make it difficult for political actors to engage in politically profitable but economically costly spending strategies," it added. — **Beatriz Marie D. Cruz**

PHL among top climbers in global innovation index

THE PHILIPPINES was named one of the top climbers of the decade following the release of the Global Innovation Index (GII) 2023, in which it placed 56th out of 132 economies, the World Intellectual Property Organization (WIPO) said.

This year's edition of the GII put the Philippines up three spots with a GII score of 32.2 out of 100. Its ranking in 2022 had been 59th.

The index measures the innovation capacity of economies based on two sub-indices — innovation input and innovation output.

In innovation input, the index gauges the ability of the economy to facilitate innovative activity in institutions, human capital and research, infrastructure, market and business sophistication.

On the other hand, the innovative output sub-index measures the economies' ability to enable innovative activity based on knowledge and technology outputs and creative outputs.

The Philippines ranked 69th in innovation inputs, from 76th a year earlier. It ranked 52nd in innovation outputs, one place lower from 2022.

The Philippines received its top grades in business sophistication, knowledge and technology outputs, and market sophistication, while its weakest grades were in human capital and research, infrastructure, and institutions, WIPO said.

Among 37 lower-middle income economies, the Philippines' innovation capability was ranked fourth just behind India (40), Vietnam (46) and Ukraine (55). It was 11th among 16 economies in Southeast Asia, East Asia, and Oceania.

Reacting to the results, Intellectual Property Office of the Philippines Director General Rowel S. Barba said that the Philippines needs to produce more knowledge assets to address the decline in innovation outputs.

"Filipinos need to urgently produce more knowledge assets that positively impact markets and society, in effect, reversing the decline of our innovation outputs to 52nd from 51st in 2022 and 40th in 2021," Mr. Barba said.

"But we recognize that innovating in these times will also be challenging amid high inflation, monetary tightening policies and geopolitical tensions," he added.

He said that the improved innovation ranking is a "welcome development" but added that "we have to continue being dissatisfied."

"Dissatisfied not just in our current posture in the global innovation map but in the current way of things around us, whether products, solutions, systems, processes or practices," he said.

"We need to develop among Filipinos a mindset that continuously innovates to challenge the norm until such a time that innovating becomes our norm," he added.

Leonardo A. Lanzona, Jr., an economics professor at the Ateneo de Manila, said that the jump in ranking is mainly due to exposure to digital technology.

"A number of our workers are employed in online labor platforms which means that transactions are undertaken through the internet," Mr. Lanzona said in an e-mail.

However, he said that the engagement does not mean that Filipino workers are better off than those in other countries as much of their work involves lower value-added activities and poor working conditions, which result in high underemployment.

"This means that we are not productively using our seemingly advanced exposure to these technologies. People are engaged in these transactions for the simple reason that they have no other option," he added.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the improvement may have to do with the further reopening of the economy.

He added that there are "no more large lockdowns since 2022" and "the final resumption of in-person schooling since August 2022 after being restricted for nearly 2.5 years (also helped improve) productivity and innovation," Mr. Ricafort.

He added that the second-biggest business process outsourcing industry after India will also help drive innovation.

"The harnessing of technology and innovation to further strengthen its competitiveness in the higher end of the global supply and value chain would be required and inevitable ... especially with the emergence of AI and the need to adopt the use of AI-related technologies," he added. — **Justine Irish D. Tabile**

DoE says still on track to hit renewables goal

THE Department of Energy (DoE) said the Philippines is on track to hit its target for the increased share of renewable energy (RE) in the power generation mix, to 35% by 2030 and to 50% by 2040.

"In summarizing the clean energy scenario for Philippine Energy Plan (PEP) 2020 to 2040, which is also the minimum for the Philippine Energy Plan for 2023 to 2050, we have 35% of power generation through renewables by 2030 and the RE lines up to 50% by 2040," Energy Undersecretary Felix William B. Fuentebella said at an energy investment forum.

"It's good to note that we are on track as far as these targets in renewable energy are concerned," he added.

At the end of 2022, RE accounted for 22.1% of the energy mix, while coal took up 59.6%. Natural gas and oil-based energy sources accounted to 16% and 2.3% respectively. The 50% target for RE is part of the updated PEP Clean Energy Scenario (CES), under which natural gas, coal, and oil reduce their shares of the power mix to 26.6%, 23.1%, and 0.1%, respectively, by 2040.

"We are looking into a greater clean energy scenario where we have the penetration of offshore wind and nuclear, and another scenario where we have a higher penetration of offshore wind technology," he said.

Mr. Fuentebella said that the DoE has "integrated everything" into the updated energy plan which is set to be completed this month.

Aside from RE targets, he said that the DoE has set a "conservative" target of 5% energy savings on oil products and electricity by 2040, as well as 10% electric vehicle penetration rate in road transport by 2040.

"We will exponentially increase our targets once we synergize all these strategies with information, communication technology and we protect it with our energy resilience policies," he said.

Mr. Fuentebella said that achieving the goal would require investment of about $153 billion, with $97 billion for RE, including the pre-development and construction of power plants. — **Sheldeen Joy Talavera**