

Meralco renewables unit invests nearly P16B for SPNEC control

MERALCO POWERGEN Corp.'s renewable energy unit is investing P15.9 billion in listed solar energy developer SP New Energy Corp. (SPNEC) to develop solar and battery energy storage systems projects.

In a media release on Thursday, MGen Renewable Energy, Inc. (MGreen) said it had signed an investment agreement with SPNEC and its parent firm Solar Philippines Power Project Holdings, Inc.

"This will be one of the largest solar projects not just in Asia, but in the world," said Manuel V. Pangilinan, chairman and chief executive officer (CEO) of Manila Electric Co. (Meralco), the parent firm of the energy developer.

"The Department of Energy's vision is to have about 35% of the country's energy come from renewable energy, and this is one of Meralco's major contributions to this goal," he added.

Under the agreement, SPNEC will serve as the primary vehicle to develop 3,500 megawatts (MW) of solar panels and 4,000 MW of battery energy storage systems in Luzon.



SPNEC's Leandro L. Leviste (left) shakes hands with Meralco's Manuel V. Pangilinan during the signing of the investment agreement on Oct. 12.

"We are humbled and grateful for this opportunity to build this renewable energy platform with Meralco. We look forward to bring together Meralco's capabilities and our solar developments for the benefit of all stakeholders," SPNEC CEO Leandro L. Leviste said.

To enable investment, MGreen will subscribe to 15.7 billion common shares and 19.4 billion redeemable preferred voting shares in SPNEC.

SPNEC will apply to increase its authorized capital stock to allow the investment. The fresh injection of capital by MGreen will fund the construction and expansion of its solar projects.

Upon closing, MGreen's common and preferred voting shares will make the company the controlling shareholder of SPNEC with a total voting interest of 50.5%.

Transaction completion is subject to the satisfaction of certain conditions precedent,

including relevant regulatory approvals, Meralco said.

Separately, SPNEC told the local bourse on Thursday that its board of directors had approved the increase in its authorized capital stock to 75 billion common shares and 25 billion preferred shares.

Switzerland-based investment bank UBS acted as financial advisor in the transaction while SyCip Salazar Hernandez & Gaitmaitan and Gulapa Law acted as legal advisors to both Meralco and MGreen. King & Spalding and Picazo Law acted as legal advisors to Solar Philippines and SPNEC.

On the stock exchange on Thursday, Meralco's shares went down by P1 or 0.27% to close at P374 apiece.

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. — **Sheldeen Joy Talavera**

SEC,
from SI/1

Mr. Fernandez said that during Thursday's meeting, the representatives from PCCI and FFCC-CII apologized for the language and contents of the letter.

"They have conveyed apologies in terms of the manner that the letter was constructed," he added.

Mr. Fernandez said the SEC and business groups are looking at issuing a joint statement once the matter is resolved.

At the same time, SEC Commissioner Kelvin Lester K. Lee said the commission could justify its proposal to hike its fees and charges, since it is backed by data from market studies.

The SEC earlier said the current rates have not been adjusted since 2017 and were based on a 2014 proposal.

"Bottom line, I think we can make a very good case for justifying the direction we're going because it's done very well. We have to laud our technical team who has worked on this for an excessively long time," Mr. Lee said.

However, PCCI President George T. Barcelon said businesses should have been consulted on the proposed hike in SEC fees and charges.

"We can see the point of the SEC that they have not increased the charges ever since I believe it was 2014. But having said that, one of the concerns of the business sector is that the jump is quite high, the increase is quite high," Mr. Barcelon said at a media briefing on Thursday.

He said that the SEC and the private sector are willing to discuss the matter and come up with a compromise.

"It is not yet a closed book, so this is something that we'd like to have a say on because we also compare the rates charged by other countries since we are trying to be competitive in foreign investments," Mr. Barcelon said.

The business groups had objected to "unreasonable, if not

'obscene' fees and charges," such as the proposal to charge corporate issuers one-fourth of 1% of total indebtedness when creating bonded indebtedness.

"Using 2022 numbers, SEC's fees would amount to P1.27 billion on the total bond issuances of P508 billion for that year," the groups said.

The business groups also opposed the proposed fee on the total transactions cleared and settled in the previous year by Securities Clearing Corp. of the Philippines and Philippine Depository Trust Corp. at 0.1 basis point (bp) and 0.05 bp, respectively.

Based on the transactions in 2022, the groups said this would mean P14.51 million and P7.25 million in additional friction cost for stock market investors.

According to the business groups, the current fee collections of the SEC far exceed the cost of its operations.

The business groups also noted the SEC's proposal to impose "unconscionable" increases on fees may discourage new investments in the country.

"The increased cost of doing business will also hurt small and medium enterprises covered by SEC due to the ripple effects of the fee increases," they added.

Aside from the PCCI and FFCC-CII, the letter to the SEC was also signed by the Management Association of the Philippines, Philippine Retailers Association, Philippine Franchise Association, Chamber of Thrift Banks, Philippine Exporters Confederation, Inc., Employers Confederation of the Philippines, Philippine Association of Legitimate Service Contractors, Stratbase ADR Institute for Strategic and International Studies, and Philippine Food Processors and Exporters Organization, Inc. — **Revin Mikhael D. Ochave and Justine Irish D. Tabile**

PAL says Cebu-Laoag route to start on Dec. 15

PHILIPPINE AIRLINES (PAL) is launching flights from Cebu to Laoag in December as part of its efforts to bring connectivity between Luzon and Visayas, the flag carrier said on Thursday.

"This brand-new service will help us open up a new market for tourist and business travelers by connecting the Ilocos Region via nonstop flights to Cebu, and beyond to other cities in the Visayas and Mindanao," Stanley K. Ng, PAL president

and chief operating officer, said in a media release.

PAL said on Dec. 15, it will start to operate its Cebu and Laoag flights twice a week.

The airline added that it is also anticipating more Mactan-Cebu flights in the future to accommodate the growing market demand.

"You can expect more convenient connections that boost tourism and help spur economic development in different areas of the Philippines, as we progressively

expand our domestic network. We expect to mount more flights in and out of our Mactan-Cebu hub in the coming months," Mr. Ng said.

Earlier this week, PAL said it would reopen more routes from Cebu to Bicol and Mindanao as it is expecting more passengers during the holiday season.

In May, PAL launched two special flights between Cebu and Laoag. Currently, it operates four times weekly Cebu-Baguio and Baguio-Cebu flights.

Data from the Manila International Airport Authority showed that domestic and international passenger volume at the Ninoy Aquino International Airport climbed 33.76 million as of September this year, exceeding 2022's full-year tally.

The passenger tally at the end of the period surpassed the 30.94 million full-year total in 2022. It was up 59% against the year-earlier period. — **Ashley Erika O. Jose**

Inflation,
from SI/1

"Aside from rate hikes, the government should explore solutions that will ensure stability in the production and supply of key commodities," he added.

Meanwhile, DBS Bank Senior Economist Radhika Rao said rising prices of food and fuel can "unhinge" inflationary expectations.

"Our base case is for a pause till yearend but the odds of an intermeeting hike or at the scheduled review has increased after the September inflation release as

well as pipeline risks of further adverse weather pushing by food inflation," she said.

"The FOMC (Federal Open Market Committee) review in early-November might also sway the timing and likelihood of further tightening by the BSP," she added.

The US Federal Reserve opted to keep the target Fed funds rate unchanged at 5.25-5.5% at its meeting last month. The FOMC is scheduled to meet from Oct. 31 to Nov. 1 to discuss policy.

China,
from SI/1

The Philippine economy is driven mainly by consumption. Household spending accounts for three-fourths of the economic growth.

HSBC expects Philippine GDP to average 4.8% this year and 5.2% in 2024.

"There is considerable uncertainty around these forecasts, of course, as we have little visibility yet on what third-quarter performance was. We forecast growth of 4.7% year on year for the third quarter," Mr. Neumann said.

Pantheon Chief Emerging Asia Economist Miguel Chanco said their outlook for Philippine growth is still on the "high side" but not among the strongest in the region.

"We expect 4.5% in 2023 and 4% in 2024, which puts the Philippines more in the middle of the pack, rather than one of ASEAN's clear regional outperformers, which was the case pre-COVID-19, alongside the likes of Vietnam," he said in an e-mail.

"Certainly, the economy's structural growth prospects remain solid, but there's no denying that it's in the middle now of a cyclical growth slowdown, which will have a bearing on its regional position."

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said the Philippines is unlikely to post the fastest growth in the region.

"It would be good (if) the Philippines was the fastest-growing

economy, however, given significant headwinds, both domestic and international will likely mean we see growth slipping to 4.8% for the year," he said in an e-mail.

Pantheon's Mr. Chanco also noted that the government's 6-7% goal was "never in reach."

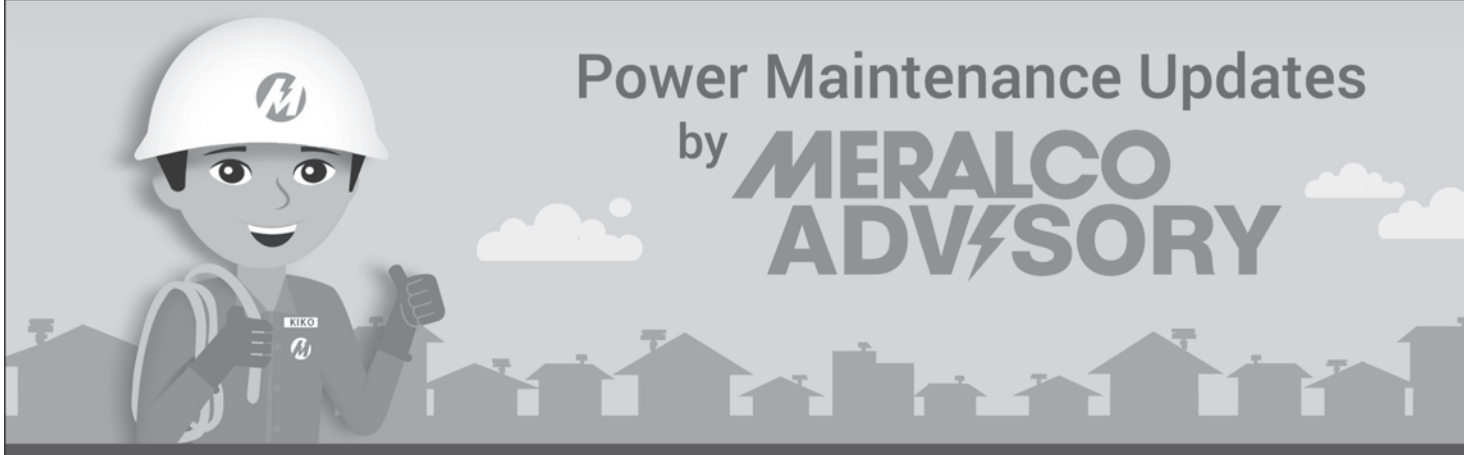
"Our current forecast for third-quarter GDP growth is south of 2% year on year, which implies a technical recession in quarter-on-quarter terms. Private consumption, the economy's main driver, is clearly wobbling, as it has fewer legs to stand on this year, versus last," he said.

ING Bank's Mr. Mapa said that growth may not even reach the lower end of the target for this year and 2024.

"The combination of moderating consumption due to fast-fading revenge spending and elevated borrowing costs will likely force growth to slow. We have yet to feel the brunt of Bangko Sentral ng Pilipinas (BSP) policy increases yet and we have already seen the negative impact on growth momentum," he added.

The BSP has kept its benchmark interest rate at a near 16-year high of 6.25% since March to tame inflation.

HSBC's Mr. Neumann noted that elevated inflation and high interest rates would weigh on household spending this year and in 2024, "though even then the Philippines will likely remain an outperformer in the region."



Power Maintenance Updates by MERALCO ADVISORY

The following are scheduled power interruptions necessary for the regular maintenance and upgrade of our power distribution facilities, to ensure the delivery of safe and reliable electricity to your areas. Rest assured that Meralco is doing everything to quickly restore your electricity according to schedule.

SUNDAY, OCTOBER 15, 2023	MONDAY TO TUESDAY, OCTOBER 16 – 17, 2023
<p>LAGUNA (LOS BAÑOS)</p> <p>BETWEEN 9:00AM AND 5:00PM – THE WHOLE OF CIRCUITS MAKBAN 54MB; AND NGCP – LOS BAÑOS 21LB & 24LB</p> <p>University of the Philippines Los Baños (UPLB) - Institute of Plant Breeding (IPB) in Bgy. Putho - Tuntungin. Forest Products Research & Development Institute (FPRDI), Ecosystems Research & Development Bureau (ERDB) and International Rice Research Institute (IRRI) in Bgy. Batong Malake.</p> <p>REASON: Retirement of facilities inside UP Los Baños Compound, Bgy. Putho - Tuntungin, Los Baños, Laguna.</p>	<p>QUEZON CITY (APOLONIO SAMSON)</p> <p>BETWEEN 11:00PM (MON., 10/16/23) AND 5:00AM (TUE., 10/17/23) – PORTION OF CIRCUIT BALINTAWAK 402E</p> <p>Portion of Kaingin Road from Sampaguita Road to near Interior Kaingin Road including Apolonio Samson Elementary School, Huansanwan Food Mart, Kilpatrick's Corp., Just Textile Finishing Corp., Orion Wire & Cable, ESC Industrial Corp., Sunflower Umbrella Mfg., Bake 2000 Food Products, Supertank International Co., Eragen Sales & General Merchandise and Distilleria Limtuaco & Co.</p> <p>REASON: Replacement of facilities along Kaingin Road in Bgy. Apolonio Samson, Quezon City.</p>
THURSDAY, OCTOBER 19, 2023	SATURDAY TO SUNDAY, OCTOBER 21 – 22, 2023
<p>BULACAN (MEYCAUAYAN CITY)</p> <p>BETWEEN 10:00AM AND 3:00PM – PORTION OF CIRCUIT MEYCAUAYAN 45YM</p> <p>Portion of Lim Seh Leng Ave. from Iba Road to and including Papertrend Ave., Sterling Ave., Central Ave. and Lexus Ave.; Tombow, Micro, Avery, Avanti, Orion, Acefree, Canon and Little Tikes Sts.; and Kendex Drive in Polyland Industrial, Meridian Industrial Park and Sterling Industrial Park Subds. in Bgys. Iba and Libtong.</p> <p>REASON: Installation, replacement and relocation of poles, installation and upgrading of facilities, and line reconducting works along Lim Seh Leng Ave. in Sterling Industrial Park Subd., Bgy. Iba, Meycauayan City, Bulacan.</p>	<p>VALENZUELA CITY (MALINTA)</p> <p>BETWEEN 11:00PM (SAT., 10/21/23) AND 5:00AM (SUN., 10/22/23) – PORTION OF CIRCUIT MALINTA 48YB</p> <p>Portion of MacArthur Highway from Meralco - Malinta station near Maysan Road to and including Flying V Gas Station, Valenzuela City Trade Center City Hall Annex, Valenzuela Special Education (VALSPED) Center and Targetline Marketing.</p> <p>REASON: Replacement of leaning pole along MacArthur Highway in Bgy. Malinta, Valenzuela City.</p>

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