# Hydrogen developers may be required to disclose full project life cycle cost

THE Department of Energy (DoE) said it may require hydrogen developers to estimate decommissioning and disposal costs when proposing projects.

"This broader coverage ensures a comprehensive approach in managing the entire cycle of facilities involved in the production, storage, transmission, distribution, and utilization of hydrogen energy resources for various applications, be it power or non-power related," Patrick T. Aquino, director of the DoE-Energy Utilization Management Bureau, said in a public consultation last week.

According to a revised draft circular, decommissioning is "the permanent retirement of a hydrogen energy facility or unit from operation upon reaching its maximum economic life or discontinued operation in the facility."

Disposal is defined as the "physical removal of equipment or material used that are no longer needed."

Mr. Aquino said the DoE will have the authority to oversee decommissioning and disposal.

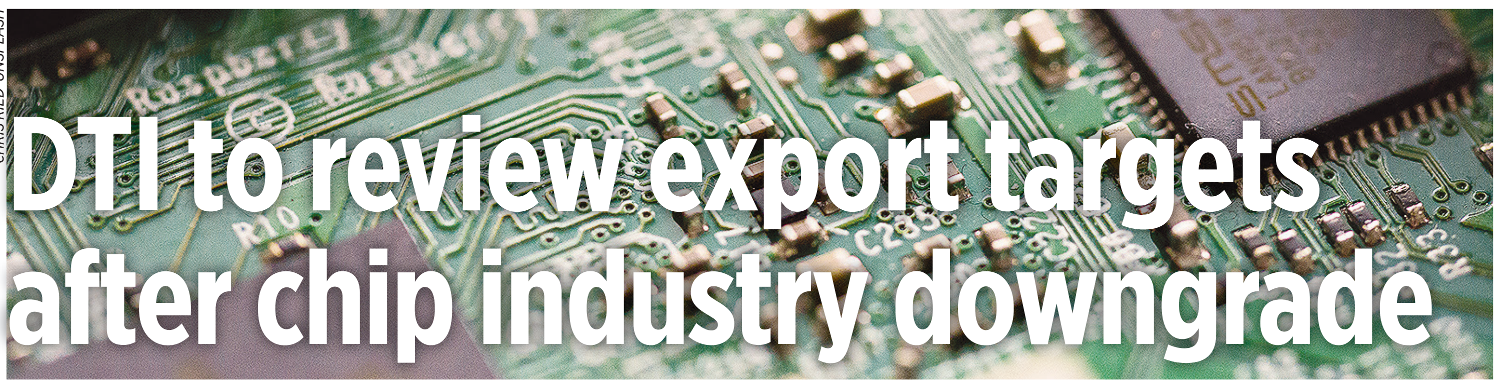
"The DoE, in collaboration with the DENR-EMB (Department of Environment and Natural Resources-Environmental Management Bureau) and other pertinent government agencies, (will) develop a separate guideline detailing the proper management of decommissioning and disposal activities specifically related to the hydrogen energy industry," he said.

Mr. Aquino also said the revised draft expanded the classification of hydrogen production methods by adding chemical reactions, among others, to the list of energy resources.

"The revision broadens this classification by incorporating additional methods like chemical reactions without limiting the potential resources used for energy production," he said.

The DoE seeks to introduce a national policy framework, roadmap, and guidelines for hydrogen in the energy sector. It recognizes hydrogen as "an innovative solution" for energy transition. — **Sheldeen Joy Talavera**

CHRIS RIED-UNSPLASH



# DTI to review export targets after chip industry downgrade

**By Justine Irish D. Tabile**
*Reporter*

THE Department of Trade and Industry (DTI) said it will review its exports targets after the Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) revised its target for the year.

"We will have to revisit our targets given that 60% of our merchandise exports are electronics," said Bianca Pearl R. Sykimte, director of the DTI's Export Marketing Bureau, in a Viber message.

"Most likely we will release a statement after the National Exporters Week, or by the second to third week of December," she added.

The DTI earlier projected exports of goods and services to grow by at least 5% this year, slightly more favorable than the Development Budget Coordination Committee's projected export growth target of 1% for goods and 6% for services.

Last week, SEIPI President Danilo C. Lachica said in a television interview that the organization estimated a 9-10% contraction versus 2022 levels at its recent board meeting.

Asked to elaborate, he said in a Viber message that the contraction is the result of "inventory correction and lower global demand due to political and economic factors."

For next year, he said that the outlook for electronics industry's exports is flat.

The Philippine Statistics Authority (PSA) reported that exports declined 6.3% to $6.73 billion in September.

In the nine months to September, export earnings amounted to $54.54 billion, representing a 6.6% decline from the same period last year.

The commodity group with the highest annual decline in September was electronic products which fell 9.4% to $4.09 billion.

The PSA is set to release the October International Merchandise Trade Statistics on Dec. 12.

# AmCham: New CREATE bill improves PEZA firms' flexibility in offering WFH

THE American Chamber of Commerce of the Philippines, Inc. (AmCham) said the new tax incentives legislation offers companies registered with the Philippine Economic Zone Authority (PEZA) more options to resort to 100% work from home (WFH) arrangements.

AmCham Executive Director Ebb Hinchcliffe last week said that the House of Representatives — approved bill, which will amend Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, checked many of the boxes on the US companies' wish lists.

"It's got most of the provisions we wanted — to help improve the work from home situation and to improve the elimination of red tape are some of it," said Mr. Hinchcliffe.

The CREATE MORE (CREATE to Maximize Opportunities for Reinvigorating the Economy) bill was approved at the House on Nov. 21.

The bill allows registered business enterprises in the information technology-business process outsourcing (IT-BPO) industry to be eligible for incentives even if they conduct business under alternative work arrangements, as long as they are compliant with the on-site requirements set by the investment promotion agencies (IPAs), such as PEZA.

PEZA currently proposes a 70% on-site and 30% WFH business model for its locators, who would remain eligible for incentives.

"This is livable, but it's not preferable for most. I mean, for manufacturing, they don't need it at all. But for the IT-BPO industry it is critical," Mr. Hinchliffe said.

"Companies have a decision to make. One certain company, that I can't name, is in the midst of hiring about 6,000-7,000 employees, but they don't want to be with the Board of Investments (BoI), they want to be with PEZA and they can't do it because of the WFH arrangement," he said.

The WFH workaround the government arrived at last year was to transfer PEZA companies to the BoI, which is less concerned with whether companies need to be located in economic zones.

Mr. Hinchcliffe added that employees nowadays don't want to come to the office now that they know that they have the WFH option.

Asked why companies prefer PEZA, he said: "PEZA does a very good job of working at the local government unit level, while BoI does an excellent job at a national level. But PEZA is very responsive."

"Both of them are really okay, it just depends if you're looking for the local market, then BoI is really good, if you're looking for export, PEZA really good," he added.

Asked to comment, PEZA Director General Tereso O. Panga said it wants to acquire the power to set its own WFH rules.

"What we really aspire to is for the Fiscal Incentives Review Board (FIRB) to give policy-making powers to the investment promotion agencies (IPAs) so we can formulate our own guidelines on WFH that are responsive to the needs of the IT sector," he said. — **Justine Irish D. Tabile**

# PHL touted as attractive emerging market for power after progress on energy transition

THE Department of Energy (DoE) said the Philippines is improving its position as an attractive emerging market for power due to the strides it has made in pursuing its energy transition.

In a statement on Sunday, the DoE was responding to the Philippines' fourth-place ranking in the Climatescope report issued by BloombergNEF.

"The Philippines moved up six places to number four after India, China and Chile following the country's significant progress in transitioning to renewable energy (RE) over the last two years," the DoE said.

Climatescope provides an analysis of clean energy progress and attractiveness across 110 developing economies, which together accounted for nearly two-thirds of total global energy additions in 2022 and 82% of the world's population.

According to the report, the Philippines made the top five for the first time thanks to its auctions, feed-in tariffs, net-metering schemes, tax incentives, and strong targets for RE.

The DoE aims to increase the share of RE to 35% by 2030 and to 50% by 2040.

"Over the past two years, the Philippines' significant progress in transitioning to renewable energy propelled the market into Climatescope's top five," the report said.

The report highlighted the DoE's second green energy auction, in which it awarded 3.4 gigawatts (GW) of RE capacity. Of the total, 1.2 GW is earmarked for ground-mounted solar, rooftop solar, and onshore wind for 2024 to 2025. Some 2.2 GW is expected for 2026.

As of 2022, installed capacity and gross power generation from renewables amounted to 29% and 22%, respectively, according to the DoE.

The report also noted the release of an offshore wind roadmap and the removal of foreign ownership restrictions, which encouraged growth in offshore wind investment.

Clean energy investment rose 41% to P1.34 billion in 2022, the report said.

Meanwhile, the DoE is set to release the updated Philippine Energy Plan this year.

"The DoE is embarking on initiatives that would propel investment in the energy sector in different technologies and required capacities in the power generation mix by 2030 to 2050, underscoring its commitment to the global energy transition," the DoE said.

"This roadmap comprises crucial elements such as implementation of RE sources energy efficiency and conservation measures, advancing alternative fuels and emerging energy technologies, adopting ICT through advanced smart grid technologies, and fortifying energy infrastructure to be resilient and climate proof," it added. — **Sheldeen Joy Talavera**

OPINION

# Public-private partnerships reboot

**SUITS THE C-SUITE**
**JONALD R. VERGARA** *AND* **DONELLE JAY A. QUILATES**

Infrastructure development continues to be a key focus of the government to sustain economic growth — and rightfully so as it enhances market access, attracts investments, and creates jobs. But with significant capital needed for infrastructure projects, the government by itself may not be able to fund the required expenditures.

Public-Private Partnership (PPP) with companies addresses this key challenge. In addition to private-sector funding, PPP arrangements share the risks involved and reduce cost to the government.

While the Philippines is regarded as the first Asian country to institutionalize the participation of the private sector in its infrastructure development projects, according to a publication by Asian Development Bank (ADB), a number of challenges abound in the implementation of PPP projects. These include a clear legal and regulatory framework, the efficient resolution of land acquisition and right-of-way issues in public transport projects, and time constraints in participating in unsolicited proposals.

This is the sixth article in our series following the 2nd SGV Tax Symposium, which focused on how a sustainable and effective tax ecosystem can advance the sustainability agenda for both the public and private sectors. This article will discuss the PPP landscape in the Philippines and ongoing government initiatives to improve it.

### THE PPP LANDSCAPE

In the 2nd SGV Tax Symposium held on Oct. 25, the PPP Center speaker presented its policy initiatives to support PPPs which are sustainable and climate resilient. PPP Governing Board Resolution No. 2018-12-02 aims to facilitate the review process of the implementing agencies in PPP projects prescribing safeguards under prevailing laws. The Resolution aids the implementing agency in identifying requirements and ensuring safeguards are accounted for in a project's feasibility study, ensuring the approved terms in the PPP contract consider the safeguards and measures to mitigate identified concerns, and prescribing monitoring, evaluation and feedback for the safeguards embedded in the PPP contract as described in Section 2.2 under the PPP Governing Board Resolution.

The speaker also discussed the Resilience Roadmaps and Investment Portfolios for Risk Resilience (IPRR) developed by the PPP Center together with ADB and the Urban Climate Change Resiliency Trust Fund. The IPRRs include PPP projects in localities which are susceptible to climate change impacts. As the infrastructure is expected to be long term, PPP projects should be resilient because these will essentially provide key basic social services.

### ONGOING GOVERNMENT INITIATIVES

In June 2023, President Ferdinand R. Marcos, Jr. issued Executive Order (EO) 30, which changed the composition of the Public-Private Partnership Governing Board (PPPGB) to include a member from the private sector. The PPPGB is the overall policy making body on all PPP related matters, sets the strategic direction of the PPP Program, and creates an enabling policy and institutional environment for PPP. This addition seeks to empower the private sector to actively participate and help provide insights to the policy formulation and implementation by the PPPGB moving forward.

More recently, both the Senate and House ratified the Bicameral Conference Committee Report covering the PPP Code of the Philippines which reconciled House Bill 6527 and Senate Bill 2233. The proposed bill, which is awaiting the signature of the President, consolidates existing legal and regulatory framework governing PPP projects.

Among the highlights of the proposed PPP Code include:

• Allowing unsolicited proposals in the list of PPP projects without requiring new concept or technology, subject to reimbursement of the government's development costs.

• Updating project approval thresholds for Build-Operate-Transfer (BOT) projects (previously fixed 29 years ago) and giving authority to the NEDA Investment Coordination Committee to review, evaluate, and update these threshold amounts.

• Upholding local autonomy while providing mechanisms to ensure harmonized investment programming between local government units and the National Government.

• Establishing a clear pathway for the issuance of franchise exacting toll fees, fares, rentals and other charges and allowing the private contractor to recover any shortfall consistent with the agreed PPP contract and prevailing laws, rules and regulations.

• Restricting provisional injunctive reliefs issued by lower courts subject to limited exceptions to ensure continuity in project evaluation and implementation.

• Strengthening the enabling institutions for PPPs particularly the PPP Center, which is granted additional powers and functions towards a more efficient and effective performance of its mandate.

### PPPS AS A MEANS TO MANAGE INFRASTRUCTURE PROJECTS

ASEAN countries have shown increasing interest in PPPs as a way to fund and manage infrastructure projects. Studies show a direct correlation between infrastructure and gross domestic product (GDP) growth. According to a study by the World Bank, higher infrastructure growth generally equates to higher GDP growth, especially in developing countries.

The ADB projects that Asia will need to invest $26 trillion from 2016 to 2030 if it is to "maintain its growth momentum, eradicate poverty, and respond to climate change." Comprehensively, it is important to meet the funding demand for infrastructure projects in the succeeding years to augment or stimulate the country's production and protract its GDP growth trajectory.

The PPP Center has identified 106 PPP projects in the pipeline with total estimate project cost of P2.5 trillion from solicited and unsolicited proposals covering both local and national projects. Some of the notable ones include key infrastructure projects such as the NAIA PPP covering the rehabilitation, operation, optimization, and maintenance of NAIA airport, the Metro Manila Subway PPP covering operation and maintenance (O&M), North-South Commuter Railway O&M PPP, the Mindanao Railway project, the MRT 7 Project, and the Laguna Lake Rehabilitation and Development project. It is also promising to see proposed projects involving local government units covering bulk water supply and septage, waste to energy, subway and expressway, as well as reclamation and development.

The importance of PPP projects is emphasized by the fact that existing laws and regulations such as the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law, as implemented by the Strategic Investments Priorities Plan, grant tax incentives to qualified PPP projects. These incentives include income tax holidays with a maximum of seven years, enhanced deductions from gross income, enhanced net operating loss carryover, as well as duty and tax exemption on imports of capital equipment.

### IMPROVING ECONOMIC GROWTH THROUGH PPP

While the Philippines is trying to catch up with its neighbors in infrastructure development, ongoing initiatives of the government spearheaded by the PPP Center, legislation from Congress, and the support of both foreign and local institutions are set to help reel in funding from the private sector and drive future PPP projects.

*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 authors and do not necessarily represent the views of SGV & Co.*

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