Energy developers form group to pool expertise in offshore wind operations

AN ASSOCIATION has been formed by energy developers to pool expertise and technical resources in offshore wind power, with the goal of accelerating the Philippines' clean-energy transition.

On Wednesday, Pilipinas Offshore Wind Energy Resource, Inc. (POWER) was launched by energy companies ACEN Corp., The Blue Circle, BlueFloat Energy, Citicore Renewable Energy Corp., Ignis ZA Global, and Marubeni Asian Power Philippines Corp.

"The primary aim is to collaborate. It's a group of developers with wind energy service contracts (WESCs). Having said that, these are developers that are supposed to design, develop, build, operate, and maintain" wind projects, POWER President and BlueFloat Energy Philippines Country Manager Raymund M. Pascual told reporters during the launch in Taguig City.

"We have our own common concerns, common issues, and of course, common interests," he added.

Asked if the members might form a consortium, he said: "Anything is possible at this point, also because of the very nature of projects — (which are in the) gigawatts."

According to Mr. Pascual, the members of POWER have projects with a combined capacity of up to 60 gigawatts (GW).

To date, the Department of Energy has awarded a total of 82 offshore wind projects with potential capacity of 63.359 GW.

These projects are located north of Luzon, west of Metro Manila, north and south of Mindoro, Panay, and the Guimaras Strait. All these WESCs are currently in the pre-development stage, undergoing resource, site sustainability, and project viability studies.

Energy Secretary Raphael P.M. Lotilla said that developing offshore wind will require the support of local government units as "there are local issues that we have to contend with."

"We need to be working together with not only the National Government… in the case of offshore wind, we would need to work with local government units as well," he said.

Mr. Pascual said the association is open to other WESC holders.

"With the support from offshore wind energy actors, POWER can accelerate offshore wind development over the next decade by providing technical assistance and advisory (services) to various government agencies; coalition-building and advocacy other stakeholders critical for a successful transition to renewable energy," POWER said in a statement. — **Sheldeen Joy Talavera**

Imported sugar helping keep millgate prices low — planters

SUGAR farmers said low sugar prices at millgate level are due to the preference by traders to deal in imports, according to the Confederation of Sugar Producers Associations, Inc. (CONFED).

In a statement, CONFED said that more imported sugar is being withdrawn by traders, resulting in prices realized by planters remaining at P2,300–P2,500 per 50-kilogram bag.

"Compared to locally refined sugar, imported refined sugar is cheaper, and so it will deliver more profit for importers and traders," CONFED President Aurelio J. Valderrama, Jr. said.

Citing data from the Sugar Regulatory Administration, it said that out of 209,408 metric tons (MT) of sugar withdrawn from stocks, 32% (66,608 MT) was locally refined sugar and 68% (142,800 MT) was imported.

Mr. Valderrama called for the intervention of the Department of Agriculture (DA) to grant priority to locally refined sugar.

It added that producers could suffer if locally refined sugar was not given priority as 40% of raw sugar is being withdrawn for refining.

"While millgate prices drop, retail prices remain high. Clearly, neither sugar farmers nor consumers are benefitting from this situation," CONFED said.

It added that millgate prices will continue to drop due to the oversupply of raw sugar. In recent weeks prices have declined from P2,500 to P2,300 per 50-kg bag.

The SRA has said that it was pushing for a suggested retail price for refined sugar of P85 per kg.

In September, the SRA issued Resolution No. 2023-159 which required importers to distribute their allocations by Oct. 15.

The resolution also reclassified 150,000 MT of imported refined sugar as buffer stock.

"Sugar farmers want to know now, how much of the 150,000 MT was actually distributed and how much was left undistributed as a result of the Board Resolution," CONFED said.

On Sunday, another producer's group called for government intervention due to the continued divergence of raw sugar millgate prices with retail prices, according to the United Sugar Producers Federation of the Philippines (UNIFED).

UNIFED said the government should engage in sugar purchasing to help farmers.

The regulator earlier projected a trading price for the commodity of P3,000 per 50-kg bag.

Meanwhile, Mr. Valderrama said his organization has also urged President Ferdinand R. Marcos, Jr. to provide fuel subsidies to sugar producers "because production inputs continue to rise even as sugar prices go down." — **Adrian H. Halili**

BCDA begins disposing of some residential lots

THE Bases Conversion and Development Authority (BCDA) said its subsidiary John Hay Management Corp. (JHMC) has started removing parts of Barangay Hillside in Baguio City from its jurisdiction.

In a statement, the BCDA and John Hay said they have started disposing of residential lots to qualified occupants.

"This is the first crucial step to jumpstart the process of excluding portions of Barangay Hillside from Camp John Hay," BCDA President and Chief Executive Officer Joshua M. Bingcang said.

"We hope this development gives the public and the residents of Baguio the assurance that BCDA and JHMC are committed to deliver our obligations insofar as they are consistent with Republic Act 7227 or the BCDA Law," Mr. Bingcang said.

On Tuesday, the BCDA issued certificates of recognition to 39 bonafide occupants in Barangay Hillside who are pre-qualified to purchase parcels of land where they have been residing as early as 1991.

"We are dedicated to the progress of Barangay Hillside, ensuring that its residents are empowered through land ownership. This initiative reflects our commitment to uphold the law and prioritize the welfare of the community," JHMC President and Chief Executive Officer Allan R. Garcia said.

According to the BCDA, forested areas and water resources are to remain under the jurisdiction of both BCDA and JHMC while vacant lots are reserved as relocation sites for bonafide beneficiaries occupying forest areas, water resource areas and danger zones.

The state-owned firm said that it is aiming to commence the disposition of properties within the John Hay area which may be granted to qualified beneficiaries in accordance with applicable laws.

On Oct. 26, Baguio Rep. Mark O. Go filed House Bill 9428, which seeks to declare portions of Camp John Hay as alienable and disposable, and excluded from the coverage of the BCDA law.

The bill proposes that these sites, encompassing 12 barangays in Baguio City, to be open to disposition to qualified applicants, the BCDA said.

The bill has been with the House of Representative Committee on Natural Resources since Nov. 8. — **Justine Irish D. Tabile**

Monde Nissin signs up for program to train retirees in entrepreneurship

THE Department of Trade and Industry's Philippine Trade and Training Center (PTTC) said it has entered into a partnership with Monde Nissin Corp. to upskill the company's retirees.

The parties signed a memorandum of agreement on Wednesday at the PTTC offices in Pasay City.

Under the partnership, PTTC will provide expertise and capability-building measures to transition retiring employees into entrepreneurs.

PTTC Executive Director Nelly Nita N. Dillera said that the partnership will be pursued under an Enterprise Learning Pathways initiative known as ASCEND.

"We know that this will go a long way … We see the importance of embarking on a journey that aims to support retiring staff through entrepreneurship, offering them an opportunity to pursue new and fulfilling paths as they transition to the next phase of their lives," Ms. Dillera said.

Through the partnership, the PTTC will be Monde's first training provider for its Monde Nissin University School of Lifelong Learning.

"The School of Lifelong Learning expands the learning to skills that employees will need beyond their tenure at Monde. The program aims to provide its retirees with the financial skills needed to explore entrepreneurship in retirement," Monde said in a statement.

Lawrence Co, learning and people development head of Monde Nissin, said that the partnership's offerings will be available to the company's would-be retirees.

"With Monde's aspiration of improving the well-being of people in the planet by creating sustainable solutions for food security and PTTC's mission of supporting the development goals of micro, small, and medium enterprises through training and skills building, among others, the two parties are happy and excited to be entering this partnership," Mr. Co said.

Monde Nissin People and Culture Director Luz Mercurio said the company hopes the partnership serves as a model for other organizations' offerings to their staff.

"Our commitment to them does not stop with their productive employment. That is why we want to provide them with learning opportunities to prepare for their transformation and transition into a fulfilling retirement," Ms. Mercurio said. — **Justine Irish D. Tabile**

ERC integrates with energy one-stop shop

THE Energy Regulatory Commission (ERC) said it has integrated its permit system into the Energy Virtual One-Stop Shop (EVOSS).

"I am proud to say that we are now in EVOSS, and we are set to follow the mandated timelines as required by the law. In the next few weeks, we will go live," ERC Chairperson and Chief Executive Officer Monalisa C. Dimalanta said in a statement on Wednesday.

EVOSS is an online platform of the Department of Energy (DoE) that streamlines and expedites the processing of applications for energy projects.

According to the ERC, the processing time for ERC quasi-judicial rulings will be reduced to 270 calendar days under EVOSS, reduced from more than a year previously.

The integration is expected to speed up distribution utility application processing time for capital expenditure (capex) projects.

"The beauty of this shared platform lies not only in easier filing, but also the tracking of applications. Applicants can actually check the status of their requests. For certain permits, if we are not able to complete the processing within the prescribed timeline, it would be deemed approved," Ms. Dimalanta said.

ERC employees, along with resource persons from the DoE, trialed the EVOSS integration and workflow of capex applications on Dec. 7.

The ERC said it will hold an end-user walk-through and pilot-testing activities for applications to issue certificates of compliance, power supply agreements, point-to-point dedicated connection facility permits, ancillary services procurement agreement approvals, microgrid systems provider operations permits, as well as the licensing of retail electricity suppliers. — **Sheldeen Joy Talavera**

OPINION

New era for the Philippines: Membership in the BEPS Inclusive Framework

TAXWISE OR OTHERWISE
MAC KERWIN P. VISDA

On Nov. 8, the Philippines joined the Organization for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS). To date, the Framework has 145 member jurisdictions who have agreed on the Two-Pillar Solution in order to address the challenges posed by the digital economy by leveling the playing field in international taxation, thereby ensuring that multinational enterprises (MNEs) pay a fair share of tax wherever they operate. With its membership, the Philippines commits to participate in the implementation of the 15 action points-BEPS package and the Two Pillar Solution.

I have been monitoring this Two Pillar Solution since 2019. At that time, the discussions were still preliminary, and the rules were not yet concrete, although there was a blueprint in place. However, the pandemic has intensified interest in these solutions as COVID-19 boosted demand for digital goods and services. With the membership of the Philippines in the Framework, we can finally say that the Two-Pillar Solutions has finally come to our shores. This is a game changer in our taxation landscape. This may create unfamiliar territory for taxpayers, whether MNEs or domestic businesses, and also for our tax administrators. The most common question might be — what does it mean for the Philippines?

To simplify, Pillar I will cover the largest and most profitable MNEs that have at least 20 billion euros in revenue. The covered MNEs must allocate their residual profit to market jurisdictions using a formula. For the Philippines, although there may be none or very few headquarters within the threshold located here, it will be a new source of revenue for us. If we are considered a qualified market jurisdiction for these MNEs' digital businesses, profit can be allocated to us from our subscriptions to these online goods and services.

Meanwhile, Pillar II may be more interesting for Philippine taxpayers. Because of the lower threshold (750 million euros), Framework members are taking steps to implement this as early as next year. Pillar II has four rules: (1) the Subject-To-Tax Rule (STTR), (2) the Qualified Domestic Minimum Top-up Tax (QDMTT), (3) the Income Inclusion Rule (IIR), and (4) the Under-Payment Tax Rule (UPTR). The last two rules are more known collectively as the GloBE (Global Anti-Base Erosion) Rules.

STTR applies to items like interest, royalties, and the like that may be subject to a reduced tax rate or exempted from corporate income tax by virtue of tax treaty. STTR allows the government to tax these income payments at a rate equivalent to the difference between the nominal rate and the 9% STTR floor rate if the tax treaty limits the rate at which these items can be taxed.

Meanwhile, GloBE Rules introduced a 15% global minimum effective tax rate (ETR). For the Philippines, while we have headline corporate income tax rates of 20% or 25%, MNEs operating here can have an ETR lower than 15% after all the deductions, exclusions and credits provided under our Tax Code. We also have income tax holidays granted to MNEs that can reduce their ETR to 0%. This is the situation that GloBE Rules try to eliminate — that in order to compete for inbound investment, aggressive tax incentives are offered. The interlocking IIR and UPTR are designed to address this specific issue. The immediate parent entity needs to pay the top-up tax for the low-taxed income of its constituent entity (whose ETR is less than 15%) under the IIR. Under the UPTR, the Ultimate Parent Entity (UPE) may be denied some deductions or be required to adjust its taxable income to a certain level equivalent to that situation in which the income of low-taxed constituents is to be collected even if it is not subjected to IIR.

Applying these to the income tax holiday granted to Philippine entities, the tax savings here of an MNE will just be paid somewhere else. This creates a situation where the Philippines will not be able to collect the top-up tax on the income earned by a constituent entity operating here if the immediate parent (for IIR) or the UPE (for UPTR) of the MNE is established in a different country. Hence, the Framework also introduced the QDMTT.

QDMTT allows the Philippines to collect a top-up tax to the businesses operating in the country. This top-up tax reduces the amount of top-up tax to be paid by MNEs somewhere else under the IIR and UPTR. On a side note, even the MNEs not within the scope of Pillar II should monitor how Congress interprets the rule when it drafts the necessary bills to implement the QDMTT, since the current rules provide that QDMTT can be applied even to purely domestic groups.

Currently, although this membership to the Framework is a big step for the Philippines, our neighbors are also moving ahead on this. Japan finalized its 2023 tax reform and the implementation of the IIR will take effect in 2024. South Korea also adopted its version of the GloBE Rules while Singapore is expected to implement them starting 2025. Thailand, Taiwan, Indonesia, Vietnam, and Hong Kong have proceeded with their legislative processes to adopt Pillar II.

It may be too early in the game for this Two-Pillar Solution as more countries are still taking a wait-and-see approach, but it is also clear that our tax incentives must be reviewed in line with this development, especially Pillar II. Since our tax incentives will no longer be a competitive edge in attracting foreign direct investment, the government may now consider using the additional funds that can be collected from both Pillars I and II to foster a more sustainable and suitable business environment. Tax certainty and administrative feasibility, true ease of doing business, having climate change-proof infrastructure, and need-based skilled workers can be the next steps toward this new era for the Philippines.

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.

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