# Plans for value-added activities in mining endangered by high power costs — legislator

HIGH POWER costs could derail plans to attract investment in the mining and mineral processing industries, a senior legislator said.

The industry could also be hurt by an export ban on unprocessed ores if domestic processing capacity is not built up, he added.

"If we cannot find a way for refining companies to access cheap power, we cannot build up a strong mining value chain," Albay Rep. Jose Maria Clemente S. Salceda told *BusinessWorld* via Viber.

"An ore export ban could create the opposite effect of discouraging investment in mining, especially without pre-existing domestic refining capacity," according to Mr. Salceda, a member of the House Natural Resources Committee.

The Philippines is estimated to have about $1 trillion worth of untapped mineral reserves.

Palawan Rep. Jose C. Alvarez, who is a vice-chair of the Natural Resources Committee, noted that the $1 trillion estimate for mineral reserves is low, noting that the actual valuation could be "several trillion."

"It's all about power costs," Mr. Salceda said, as electricity expenses account for "15% to 40% of the operating costs of mining, smelting, and refining."

The government could explore providing direct power access to mines and refineries to avoid diverting power supply from consumers, he said.

Terry L. Ridon, convener of the InfraWatch PH think tank, said providing mines and refineries direct access to power will require building dedicated power plants.

Mr. Ridon told *BusinessWorld* via Viber: "While it certainly would not compete with other grid users, mining firms should thoroughly assess whether this is commercially feasible."

However, microgrids are "a reasonable alternative," John Paolo R. Rivera, president and chief economist at Oikonomia Advisory & Research, Inc., said.

"An independent microgrid would be a good alternative for them to have a stable and unimpeded supply of power," Mr. Rivera told *BusinessWorld* in a Viber message. "However, this will have huge setup costs. It will take time for these industries to commence operations."

High power costs are due to the country's reliance on coal and fossil fuels as power sources, he said. "High power cost makes their cost of operation higher. This is already expensive, it is also environmentally unsustainable which compounds the problem."— **Kenneth Christiane L. Basilio**

## SteelAsia mill in Batangas approved for P8.3-billion loan by GSIS, banks

THE Government Service Insurance System (GSIS), the Development Bank of the Philippines, and the Philippine Business Bank have agreed to lend SteelAsia Manufacturing Corp. a combined P8.3 billion to help complete a steel mill in Batangas.

Projected to cost P18.3 billion, SteelAsia's P18.3-billion steel section mill, the country's first, will rise in Lemery, and will start production of beams and bars next year.

Benjamin Yao, SteelAsia chairman and chief executive officer, said that the Lemery Section Mill loan will help develop the steel industry.

"It will be fully commissioned in 2025 and will (compete with) imported steel section products like H beams, I beams, and angle bars that are used for infrastructure like bridges, railways, high-rises, industrial buildings, telco towers, and transmission towers," Mr. Yao said in a statement.

Mr. Yao said developing the steel industry holds the potential to bring construction costs down and create new manufacturing industries and thousands of jobs.

"We invest in infrastructure projects that not only drive economic growth and ensure stability but also provide long-term sustainable returns. The SteelAsia plant is a prime example of such an investment," GSIS President and General Manager Jose Arnulfo Veloso said. — **Justine Irish D. Tabile**

# Hybrid seed proposals added to campaign for RCEF extension

**By Beatriz Marie D. Cruz**
*Reporter*

THE GOVERNMENT must extend the life of the Rice Competitiveness Enhancement Fund (RCEF) while adding programs promoting the use of hybrid seed to enhance productivity, analysts said.

"We support the move to extend RCEF given that it has clearly not achieved its objective of enhancing the competitiveness of rice farmers vis-à-vis imports and ensuring their profitability following the liberalization of the rice market," Federation of Free Farmers National Manager Raul Q. Montemayor said in a Viber message.

Monetary Board member V. Bruce J. Tolentino also backed an RCEF extension and cited the need to fund and distribute hybrid seed.

"Over the past few years, the Philippines has been reaping record rice harvests. Fundamentally this is because of the increased access by farmers to good seed, distributed by PhilRice (Philippine Rice Research Institute) and funded by RCEF," he said in a Viber message.

"This is very important to continue and even expand the seed development, improvement, and distribution program under RCEF," he added.

On Monday, the Department of Agriculture (DA) will present to the House of Representatives Agriculture and Food panel its status report on the implementation of Republic Act No. 11203 or the Rice Tariffication Law of 2019, committee chairman and Quezon Rep. Wilfrido Mark M. Enverga said.

"We have requested a complete briefing on the efficacy of the law and the RCEF program five years running," Mr. Enverga said in a Viber chat.

RCEF receives P10 billion a year from rice import tariffs as a component of the Rice Tariffication Act, which liberalized rice imports but made traders pay tariffs on their rice shipments.

RCEF supports the distribution of machinery, seed, credit, and fertilizer for a six-year period. RCEF is set to expire in June.

"Improved yields not only increase production and domestic supply, but also decrease farm production costs and improve farmer incomes, enabling farmers to be more competitive with Vietnam or Thailand," Mr. Tolentino said.

University of Asia and the Pacific Senior Economist Cid L. Terosa said a review of the RCEF would help determine the "best use" of the funding.

"The RCEF has achieved some gains, but, in my opinion, much can still be done to maximize benefits from it," he said in an e-mail.

In its review, policymakers should look into RCEF as an "additional funding source for the whole DA rice program," and not a "separate program."

"RCEF funds should logically be coursed through the DA instead of being released directly to implementing agencies, to ensure that RCEF programs complement and do not duplicate or compete with DA rice program activities," Mr. Montemayor said.

He also expressed skepticism about the "pre-allocation" of funds for farming activities, which is "based on what legislators think farmers need and not what farmers think they need for themselves."