PHL projects among regional drivers of gas industry expansion

THE Philippines' gas power projects in development are among the drivers of Southeast Asia's gas industry expansion, according to US energy think tank Global Energy Monitor (GEM).

"Vietnam, the Philippines, Indonesia, Malaysia, and Thailand are at the forefront of this push, with over 100 gigawatts (GW) of gas power capacity in development, 47 million tons per annum (MTPA) of LNG import capacity in development, and 16.7 MTPA of LNG export capacity in development," GEM said in a report released Thursday.

The report said that current gas expansion plans could lead to "a doubling of Southeast Asia's gas-fired power capacity and an 80% increase in its liquefied natural gas (LNG) import capacity."

The Philippines has over 25 GW of gas power capacity in development, according to the report. Of the total, two GW have entered the construction phase.

The Philippines also has 21 MTPA of LNG import capacity in development, with approximately seven MTPA already under construction.

"Like Vietnam, the Philippines also considers LNG a crucial ingredient for its energy transition," the report read.

Under the Philippine Energy Plan 2020-2040, the Department of Energy aims to facilitate LNG imports as the Malampaya gas field, the country's sole commercial natural gas source, is expected to be depleted by 2027.

In 2023, the Philippines commissioned its first two LNG import terminals — Linseed Field Corp.'s LNG terminal and FGEN LNG Corp.'s LNG terminal, both in Batangas.

In a statement, GEM said that massively expanding gas-fired power and LNG import and export "could lock the region into an economically volatile and insecure fuel and draw investment away from the energy transition."

"Energy demand is increasing across Southeast Asia as economies grow, but ramping up gas production is not a long-term solution," Warda Ajaz, project manager for Asia Gas Tracker at GEM.

"Meeting demand with cost-effective, renewable sources insulates the region from volatile gas prices and is a greener path forward," she added.

GEM said that international finance could support the development of solar and wind projects and the stability of the regional power grid instead of incentivizing the development of gas infrastructure. — **Sheldeen Joy Talavera**

Swiss companies briefed on PHL efforts to curb red tape

THE Philippine Embassy in Switzerland said it briefed Swiss businesses in Zürich this week on ease of doing business reforms in the Philippines.

In a statement Tuesday, the embassy said it and Asian Consulting Group (ACG) delivered a briefing on the business climate in the Philippines, hoping to attract investment.

"The Philippine government is actively addressing the issues of red tape which would hopefully 'roll out the red carpet' for Swiss and other companies from overseas to invest in the country." Raymon M. Abrea, founding chairman and chief tax advisor of ACG was quoted as saying in the briefing, according to an embassy statement.

At the briefing, Philippine Ambassador to Switzerland Bernard Faustino M. Dy reiterated that the Philippines is driving its economy to become a "regional hub for smart and sustainable manufacturing and services."

Swiss companies now see the Philippines as a more attractive investment destination due to the easing business conditions compared to past years, Swiss Federal Councilor and Minister of Foreign Affairs Ignazio Cassis said during his meeting with Philippine Foreign Affairs Secretary Enrique A. Manalo in February.

In January last year, the Philippines obtained $24.7 million in initial investment pledges from Swiss companies during a roadshow on the sidelines of the Philippines-European Free Trade Association and the Philippines-Switzerland Joint Economic Committee meetings in Switzerland.

According to the Board of Investments, Switzerland was the Philippines' 26th largest trading partner in 2021, 17th largest export market, and 29th largest source of imports. — **John Victor D. Ordoñez**

Yellow alerts raised over Luzon

YELLOW ALERTS were declared over the Luzon grid Thursday, breaking a run of three days of red alerts, as the gap between available capacity and demand widened, the National Grid Corp. of the Philippines (NGCP) said.

In an advisory, the NGCP said the Luzon grid was placed on yellow alert between 1 p.m. and 4 p.m. and 6 p.m. and 10 p.m.

Peak demand hit 12,478 megawatts (MW) against the available capacity of 13,591 MW.

A total of 3,154.3 MW were unavailable to the grid as 16 power plants have been on forced outage and eight are running derated.

The NGCP said capacity was boosted by additional solar power of around 200 MW and high-voltage direct current imports from the Visayas.

"The Visayas and Mindanao grids are under normal conditions," the grid operator said.

A yellow alert is issued when the operating margin is insufficient to meet the transmission grid's contingency requirement, the NGCP.

With the improvement in the overall supply situation, Manila Electric Co. (Meralco) said that it did not resort to manual load dropping or rotational power interruptions despite the declaration of a red alert on Luzon Wednesday.

The energy company said its commercial and industrial customers participating in the Interruptible Load Program (ILP) collectively de-loaded more than 260 MW.

With the declaration of the yellow alerts, Meralco advised ILP participants to be on standby in case the situation escalates to a red alert.

"We also call on the public to continue implementing energy conservation and efficiency practices to help manage overall demand. We are actively monitoring the situation and will provide updates as needed," Meralco Spokesperson and Head of Corporate Communications Joe R. Zaldarriaga said.

Separately, the Energy Regulatory Commission (ERC) ordered the lifting of the suspension of the Wholesale Electricity Spot Market for Luzon.

"The Commission made the decision based on its continuous monitoring and assessment of the conditions of the grid, as well as on information gathered from the National Grid Corp. of the Philippines – System Operator (NGCP-SO) and Independent Market Operator of the Philippines (IEMOP)," the ERC said in a statement.

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**

French participation sought in setting up proposed Bohol dairy, cheese facility

THE National Dairy Authority (NDA) said that it is hoping to seal a partnership with the French government to put up a dairy and cheese facility.

"We have a project ongoing still under consideration between a French company and the Philippine government," NDA OIC Administrator Galvino Alfredo C. Benitez said on the sidelines of a forum Thursday.

"They are planning put up a dairy farm and we can accommodate them in Bohol," he added.

Mr. Benitez said that the partnership would be conducted through a French private firm, which is now conducting feasibility studies.

"We should be finishing it this year. So probably there will be an implementation that will be starting by next year for both the dairy farm and as well as the cheese facility," he added.

He added that the French firm is also willing to conduct technology transfer and provide dairy cattle.

"The cheese facility is a new idea, and they are also pushing for it... it is still being written up for funding," he said.

The Philippines imports about 99% of its dairy requirement.

In 2023, dairy production amounted to 17,850 metric tons (MT), or about 0.8% of milk consumption of 1.94 million MT. The milk cow herd was 75,798 head.

Mr. Benitez said that the NDA is forecasting an "incremental increase" in dairy production during the year.

The government is aiming to increase dairy production to 80 million liters of milk per year by 2028.

"Increasing domestic milk production is seen as a strategy to promote food security, help solve malnutrition and increase the income of farmers in the dairy sector," he said.

He added that the NDA is hoping to persuade coconut farmers to try dairy production with funding from the coconut levy fund. — **Adrian H. Halili**

McDonald's top US executive denounces viral reports of runaway prices

MCDONALD'S top US executive denounced viral reports of runaway Big Mac prices as painting an inaccurate picture of the company, which has seen its profits surge by roughly a third since 2019 and is now preparing to roll out $5 combo meals.

"I can tell you that it frustrates and worries me, and many of our franchisees, when I hear about an $18 Big Mac meal being sold," said McDonald's USA President Joe Erlinger in an open letter published on the burger giant's website on Wednesday.

"More worrying, though, is when people believe that this is the rule and not the exception, or when folks start to suggest that the prices of a Big Mac have risen 100% since 2019."

McDonald's profits have increased by almost a third between 2019 and 2023. McDonald's gross profit in 2023 was slightly more than $14.56 billion. In 2019, it was nearly $11.18 billion.

McDonald's has in recent months emphasized itself as a value brand. This month the company confirmed it would roll out a $5 combo meal for a limited time this summer.

Prices at McDonald's are set by franchises, which run 95% of the company's more than 13,700 stores in the US, according to the company. The $18 Big Mac, widely reported in the media, was sold at a franchised store in Darien, Connecticut, a town where the median household income is more than $250,000, according to US Census Bureau figures from 2021.

Mr. Erlinger said the average price of a Big Mac in the US is $5.29, up 21% since 2019, as opposed to far larger increases suggested by "poorly sourced" reports.

An infographic accompanying the letter cited "myths" attributed to, among others, social media posts and an article in the *Minneapolis Star Tribune* newspaper.

Erlinger said McDonald's built its brand on affordability and is "committed to living up to that legacy — especially at a time when our customers need it most."

McDonald's and other fastfood restaurants with reputations for meals working people can afford have recently been targeted by people complaining about inflation and "greedflation" in the US. — ***Reuters***

Buried fortune of old copper wire is worth billions to telcos

AT&T. INC., BT Group Plc, Orange SA and their global peers are preparing to tap a rich new source of revenue: their old copper wiring.

In the migration to fiber-optic cable, telecommunications companies could recover as much as 800,000 metric tons of copper over the next decade, worth more than $7 billion at today's prices, according to estimates from TXO, a UK-based firm that provides engineering services to the industry.

"We've got all of this material, sitting redundant," said David Evans, who runs asset recovery at TXO. The firm is working with BT, and Mr. Evans says discussions are under way with more than a dozen telcos worldwide about copper recovery. "It's an enormous commercial opportunity."

A critical component of electric-vehicle batteries, wind turbines, and other clean-energy infrastructure, annual demand for copper could grow more than 50% by 2040, according to estimates from BloombergNEF. At the same time, mining is becoming more difficult and expensive.

That anticipated squeeze has already driven prices up 50% from pre-pandemic levels. Even the highest recovery estimates would make up a tiny fraction of annual copper demand, possibly less if the migration to fiber-optic is only partial, or some copper cables have to remain to avoid major disruptions, including maintaining access to critical health services in some places. Still, the additional supply would be welcomed.

AT&T says it is thinking strategically about where it focuses its copper recycling efforts. Between 2021 and 2023, the company recycled more than 14,000 tons of copper and expects the business to grow.

"With copper prices where they are, we are scaling quite significantly," said Susan Johnson, an executive vice-president at AT&T leading its copper recovery and resale efforts. The company is currently working with four copper reclamation centers in the US and plans to add more.

Openreach Ltd., a subsidiary of BT that runs its network infrastructure, estimates it can recover up to 200,000 tons of copper through the 2030s. "Recovering the copper cables generates a net income, even after the costs of extracting the cables and processing them," a spokesperson said via e-mail.

After the cables are pulled out of the ground, they have to be stripped and cleaned to obtain the copper, which can then be sold to domestic and international buyers. At prices between $6,000 to $9,000 per ton, profit can top 30% after extraction, recovery and processing costs, said TXO's Evans.

Copper is widely used in industries ranging from electronics to construction. Between 2009 and 2019, more than 30% of the red metal was recycled, according to the International Copper Association. — ***Bloomberg LP***

China gears up to make a deal with Europe as EV tariffs loom

BEIJING/BRUSSELS — The European Commission's expected move to hike tariffs on Chinese electric vehicles (EVs) is set to kick off a round of talks that Chinese executives hope will soften the blow for the world's biggest EV industry.

The provisional tariffs, expected to be announced by June 5, will be a sticker shock representing billions of dollars in new costs for Chinese electric carmakers.

But both Europe and China have reasons for wanting to strike a deal.

China's EV industry needs profitable exports to the world's third-largest economy to counter falling margins at home, while German automakers want access to China's auto market and EV partnerships to drive costs down.

Every additional 10% in European Union tariffs on top of the existing 10% levy would cost China's EV exporters about $1 billion based on 2023 trade data. That cost will grow this year as Chinese EV makers expand exports to Europe.

Past EU subsidy investigations on imports from China of other products have resulted in extra duties ranging from about 9% to 26% for companies cooperating with the investigation. Analysts see EV tariffs broadly in that range. The duties would be imposed from early July but could apply retroactively for the three prior months.

China has signaled it is readying alternatives for the bargaining ahead. The EU provisional duties could be challenged, or even dropped if a large enough share of EU governments oppose them after four months.

The China Chamber of Commerce to the EU, a trade group, said last week Beijing was considering hiking tariffs on large-engine car imports to 25%. China has also floated the idea of lowering tariffs on EU auto imports to 10% from 15%, two people with knowledge of the matter said. The European Commission has warned BYD, SAIC, and Geely that they did not provide enough information in response to its investigation of subsidies. That could clear the way for higher tariffs on those companies, a reference that will be used to set levies for the rest of the industry in China.

The trade group said the investigation was flawed from the start and had demanded information Chinese automakers could not provide. That included details on suppliers, including CATL, who were not part of the investigation, one person with knowledge of the investigation said. CATL did not immediately respond to a request for comment.

In a statement to Reuters, the trade group said there could be an opening to negotiate. "The ball may be on the European side," it said.

Analysts expect both sides to look for a deal.

"I expect the Chinese side to, and we're already seeing this, use a combination of carrots and sticks to convince some key member states to push back against the Commission," said Noah Barkin, a Rhodium Group senior adviser.

The European decision would come after the United States quadrupled tariffs on Chinese EVs to 100% — a move Tesla's Elon Musk denounced after previously warning Chinese automakers were on track to "demolish most other car companies." Tesla, the largest EV exporter from China, also faces the threat of higher EU tariffs.

TRADE WARS AND TRANSFORMATION

European automakers have teamed with newer Chinese EV makers to bring EVs to market more cheaply and quickly. Volkswagen and BMW in April pledged more than $5 billion to expand research and production in China. In 2023, almost 29% of cars made by German automakers were sold in China, trade data shows.

Europe is the most important overseas market for Chinese EV makers. With cutthroat competition squeezing margins in China, EV makers such as BYD can sell cars in Europe for more than twice the China price. That leaves some room to absorb additional tariffs, analysts say.

Chinese EV makers and suppliers are also investing in Europe. Xpeng entered the French market this month. At the opening of Nio's Amsterdam showroom last week, founder William Li said the Chinese EV maker would forge ahead in Europe. BYD is building an EV plant in Hungary and eyeing a second European plant. Chery Auto, China's largest automaker by export volume, is partnering with Spain's EV Motors to open its first European plant in Catalonia. State-owned SAIC, China's second-largest auto exporter, is searching for its first Europe plant.

CATL, the world's largest battery maker, has ramped up production in Europe. Other Chinese battery suppliers are helping France build its "battery valley."

German Chancellor Olaf Scholz said during his visit to China in April that it would be better for Europeans to press China on lowering its auto import tariffs than to start a trade dispute.

Accompanying Mr. Scholz on his China trip were the CEOs of Mercedes-Benz and BMW, both of whom spoke against trade barriers and argued German automakers can handle Chinese competition. A joint venture between Stellantis and Leapmotor — through which the Franco-Italian automaker will sell the Chinese EV maker's cars abroad — shows how established automakers can pivot on whether China represents a threat or an opportunity.

Stellantis CEO Carlos Tavares, who previously called for higher tariffs on Chinese EVs before partnering with Leapmotor, said this month that tariffs were "a major trap."

"We will try to be Chinese ourselves," Tavares said in Munich. "Instead of being purely defensive vis-à-vis the Chinese offensive, we want to be part of the Chinese offensive." — ***Reuters***