

Green energy auction pricing to involve two-stage evaluation

THE Energy Regulatory Commission (ERC) said the draft pricing rules for the upcoming green energy auction (GEA) round involve two sets of evaluations to assess the “reasonableness and prudence” of each price offer.

The regulator last week posted the draft price determination methodology (PDM) to seek comment from the public.

The ERC will set parameters for each type of renewable energy facility covered in the program. It is also required to establish “acceptable value ranges” to serve as thresholds for each parameter, and define the criteria for the weighted scoring system to be applied in its evaluation of price offers.

“Bids shall first undergo evaluation for compliance with the thresholds established for each parameter and to assess the reasonableness and prudence of the price offer,” the ERC said.

Those that meet the threshold will advance to the next stage of evaluation, which will involve two “checkpoints.”

Price offers will be first evaluated to determine whether the project development cost, net capacity factor, and weighted average cost of capital components meet the minimum score requirements for the primary parameters.

Bids that pass the initial evaluation will then be scored on each of the remaining parameters.

Next, each parameter will be assigned a predetermined weight depending on its impact on the tariff, and compliant bids will earn the corresponding score for each parameter.

“A total score of 90% is required to pass the evaluation, ensuring that all critical parameters are prioritized and complied with,” the regulator said.

Qualified bidders will be required to submit supporting documents such as a written explanation, the financial model, quotations and similar documents, and audited financial statements.

The regulator will endorse the price offers that pass evaluation to the Department of Energy (DoE) for confirmation as winning bidder.

The ERC is responsible for establishing the PDM that the bidders will adopt under the GEA program. The PDM is used to evaluate the price offered by bidders.

The GEA program is designed to increase renewable energy capacity, which will help the government meet its goal of 35% renewable energy in the power mix by 2035 and 50% by 2040.

In the last two years, the DoE conducted two GEA rounds, which generated a total of 5,306 megawatts (MW) of renewable energy commitments for delivery in 2024 to 2026.

This year, the DoE plans to auction renewable energy projects with a total capacity of 4,399 MW.

The third round of GEA will cover mostly technologies not eligible for the feed-in tariff (FIT) such as geothermal, impounding hydro, and pumped storage hydro.

It will also cater to run-of-river hydro, a FIT-eligible renewable energy technology. — **Sheldeen Joy Talavera**

BoC estimates foregone revenue due to rice tariff cut at P16 billion

THE Bureau of Customs (BoC) said revenue foregone in the second half due to the reduced rice tariffs is estimated at P16.34 billion.

In an e-mail to *BusinessWorld*, Customs Commissioner Bienvenido Y. Rubio said rice tariff collections in the six months to December will fall 57.45% to P12.1 billion under the new 15% tariff on imports of the staple grain.

“The BoC was projected to collect P28.447 billion using the (original) 35% tariff rate. Applying a 15% tariff rate reduces BoC collections to P12.103 billion... resulting in a decrease of P16.344 billion,” Mr. Rubio said.

In a bid to tame rice prices, President Ferdinand R. Marcos, Jr. slashed the tariff on rice imports to 15% from 35% until 2028 via Executive Order (EO) No. 62, which took effect on July 7.

In July, collections generated by imported rice dropped 27.9% to P889.13 million.

Had the government retained the 35% import tariff on rice, the BoC would have collected P2.15 billion that month, it said.

Meanwhile, Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said EO 62 has not succeeded in substantially lowering rice prices.

“As what we have pointed out from the outset, savings of importers from tariff reduction will not automatically translate to cheaper rice prices. Importers and traders are pocketing the sav-



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ings from the tariff reduction,” he said via Viber.

At the end of October, the price of imported regular-milled rice rose 73 centavos month on month to P45.22 per kilogram, according to Agriculture department price monitors.

On the other hand, well-milled rice at the end of October fetched P48.93 per kilo, down 38 centavos from a month earlier.

Rice import tariffs are allocated to the Rice Competitiveness Enhancement Fund (RCEF) under Republic Act No. 11203 or the Rice Tarification Law (RTL).

Under the law, P10 billion in tariff money is to be allocated to RCEF for six years to distribute machinery, seed, credit, and

fertilizer to farmers. The RCEF expired in June, but the President is due to sign amendments to the law seeking to extend its term and expand its allocation.

The decline in rice tariffs would also mean fewer subsidies for rice farmers, who are anticipating the looming effects of the La Niña weather pattern on production, Mr. Cainglet said.

“We are yet to approach peak harvest, and there is concern that the farmgate price of palay will further drop. Worse, the rice industry has been receiving significantly less from the RCEF,” he said.

In a Viber message, Federation of Free Farmers National Manager Raul Q. Montemayor said the foregone tariffs would mean farmers would receive less budgetary support under the Rice Farmer Financial Assistance Program (RFFA), one of the initiatives funded by excess tariff collections.

Under the RTL, if annual tariff revenues exceed P10 billion, extra revenues would be earmarked for the RFFA, the Expanded Crop Insurance Program on Rice, titling of agricultural rice lands, and the Crop Diversification Program.

At the end of September, BoC collections rose 4.59% to P690.7 billion, about 0.46% short of its P693.9-billion target for the nine-month period.

Customs aims to collect P939.7 billion in revenue for 2024. — **Beatriz Marie D. Cruz**

UK investors pitched on PHL gov’t bonds

THE Department of Finance (DoF) said it pitched British investors to increase their exposure to Philippine bonds ahead of the Philippines’ return to the JP Morgan bond index.

“The Euro market has been a vital source of financing for the Philippines, with our bond offerings consistently attracting exceptional demand. This strong appetite has enabled us to tighten pricing and trade above our credit rating,” Finance Secretary Ralph G. Recto said in a keynote speech during the Philippine Economic Briefing in London on Oct. 31.

“It certainly makes strategic sense for us to increase our financial integration, especially as we enter JP Morgan’s Bond Index soon,” Mr. Recto said.

The re-inclusion of peso-denominated government bonds in the index will help boost investor interest in Philippine government bonds, potentially lowering borrowing costs and improving market liquidity, the DoF said.

Mr. Recto has said the Philippines has been working with JP Morgan to rejoin the index. It has been removed due to declining liquidity.

The Philippines issued its first zero-coupon Euro bond in 2020.

Mr. Recto also urged British firms to invest in the Philippines, citing its young workforce, with reforms for their

upskilling boding well for foreign investment.

“The competitive advantage offered by our demographic sweet spot — a young median-age population of only 25 years — strategically makes us an ideal demographic partner for the UK whose median age is 40,” he said.

“We are committed to continuously upskilling our workforce through our Artificial Intelligence Strategy Roadmap to fully harness their talents and ensure that they can power up your forward-looking industries,” he added.

Mr. Recto also said that the Philippines’ high overseas remittances, tourist receipts and business process outsourcing revenues make it “resilient” during trade wars.

He noted that the government is expected to sign amendments to the Corporate Recovery and Tax Incentives for Enterprises Act, increasing the appeal of strategic projects like the Luzon Economic Corridor.

The corridor is expected to be a “perfect nexus for British investors involved in manufacturing, semiconductor supply chains, renewable energy, and sustainable agribusiness.”

He added that declining inflation and the continuation of the central bank’s easing cycle shows the Philippines is on track to achieve upper middle-income status next year. — **Beatriz Marie D. Cruz**

OPINION

Key components for strategic risk management

IN BRIEF:

- Board surveys reveal a pressing need for more effective risk management, with several boards recognizing room for improvement.
- The strategic empowerment of CROs is essential to navigate the complex risk landscape and capitalize on emerging opportunities.
- Implementing a connected risk approach and embracing technology are key steps to advancing risk management practices and driving organizational value.

In an era where risk landscapes are rapidly evolving, the role of Chief Risk Officers (CROs) has never been more crucial. The 2023 EY Global Board Risk Survey revealed a stark reality: 60% of boards agree that emerging risks are insufficiently addressed in risk management. Looking ahead, the survey suggests that boards need to strengthen their governance structures, processes and knowledge to improve oversight of both risks and opportunities.

The survey further echoes the urgency for robust risk management, identifying various risks poised to severely impact organizations in the upcoming year. From geopolitical events and supply chain disruptions to cyberattacks and changing customer demands, the array of threats is diverse and daunting. Notably, while certain risks such as changing customer demands have decreased in perceived importance since 2021, others like misaligned culture and increased remote working have surged in significance.

EMPOWERING THE CHIEF RISK OFFICER

Successful risk management lies in the

SUITS THE C-SUITE

CHRISTIANE JOYMIEL C. SAY-MENDOZA

and JOSEPH IAN M. CANLAS

As organizations strive for resilience amid escalating risks, empowering CROs is essential. They must break down silos, foster collaborative interactions, adopt a connected risk approach, and harness technology to modernize risk management strategies.

empowerment of the CRO. In many non-regulated sectors, this role is not formally recognized within the C-suite, despite the intense demands on risk leaders. As the complexity of the risk environment evolves, the need for CROs to collaborate closely with executive management and the board becomes paramount.

Boards now expect executive management to identify risks and uncover the opportunities they may present. For example, a competitor's new joint venture could be seen as a threat, but from a strategic standpoint, it might also represent an acquisition target or potential partnership. Additionally, boards are calling for a deeper understanding of interconnected risks and their second-order impacts, such as the multifaceted challenges posed by climate change.

CROs must be fully integrated into the business strategy and kept abreast of emerging megatrends that could affect the organization. Their insights are invaluable for mitigating downside risk and seizing

“upside” opportunities. To be effective, CROs need clear and open communication channels with other senior executives and should be involved in regular management reporting, including strategies, business plans, and investment proposals.

Successful risk stewards are characterized by their ability to break down organizational silos and work across all lines of defense. They understand the cultural risk appetite and can motivate leaders to adopt a common risk definition. Their experience in prioritizing risk outcomes is crucial for organizational performance.

CONNECTED RISK APPROACH

A connected risk approach leverages improved data access to risk taxonomy, implements dynamic risk assessment methods that adapt to the changing business environment, and coordinates risk response and reporting across all Three Lines (e.g., management, risk and compliance teams and internal audit). This approach unifies data on a common platform, offering continuous refresh capabilities and creating value through analytics and dashboards for better risk management planning.

To execute a connected risk approach, an integrated risk taxonomy is essential. It provides a single view of risk by connecting data from traditionally siloed functions across the Three Lines. This enables rapid identification and assessment of risks that matter. Building a dynamic risk assessment is a collaborative effort that must be comprehensive and flexible, incorporating new data and market changes for agility.

The dynamic risk assessment process includes orienting the mandate to manage risk, identifying risks through data-

driven inputs, prioritizing current risks, and responding in a manner that fits the organization's risk posture. It incorporates qualitative assessments, quantitative metrics, risk performance leveraging a common taxonomy, and external data to challenge internal risk assessments.

TECHNOLOGY-ENABLED RISK MANAGEMENT

The 2023 EY Global Board Risk Survey indicates that only 31% of boards say their oversight of risks related to digital transformations is very effective, while 19% say it is slightly or less effective. Traditional risk management, which relied on professional judgment and manual processes, must evolve to take advantage of automation and data analysis capabilities.

Integrated Risk Management treats risk and compliance activities as an enterprise-wide responsibility, promoting transparency and better decision-making. Automation technology can process low-value manual tasks and free up management time to enable them to focus on emerging risks, while data collection and monitoring can be automated to occur in real time to flag issues earlier. Cloud and AI technologies can execute complex scenario analyses and reveal insights into risk interdependencies.

An integrated risk platform is foundational for connected risk capabilities, storing and modeling relationships between various data sources. This unified technology solution provides better insights, enabling a common risk ecosystem, consolidating risk management activities, and managing customer expectations through informed risk-taking.

FOSTERING RESILIENT RISK LEADERSHIP

To be risk resilient, the boards need to understand the full spectrum of current and emerging risks that could impact the organization. CROs can swiftly generate value by aggregating risk registers to form a comprehensive risk landscape and conducting collaborative sessions to unify risk definitions across the organization. This establishes a centralized framework and common taxonomy, essential for integrating risk management with strategic and operational planning. By embedding risk considerations into decision-making and employing technology for automation, CROs enhance the organization's proactive risk posture, turning risk management into a strategic asset for resilience and success.

As organizations strive for resilience amid escalating risks, empowering CROs is essential. They must break down silos, foster collaborative interactions, adopt a connected risk approach, and harness technology to modernize risk management strategies. The strategic empowerment of CROs is not just beneficial — it is imperative for safeguarding and driving value.

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CHRISTIANE JOYMIEL C. SAY-MENDOZA and JOSEPH IAN M. CANLAS are business consulting partners of SGV & Co.