Philippine Stock Exchange index (PSEi) 6,534.91 ▲ 128.53 PTS. ▲ 2%

MONDAY, DECEMBER 23, 2024 BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P600.00	+P6.50	+1.1%
ACEN	ACEN Corp.	P4.00	+P0.22	+5.82%
AEV	Aboitiz Equity Ventures, Inc.	P33.70	+P0.70	+2.12%
AGI	Alliance Global Group, Inc.	P8.70	——	
ALI	Ayala Land, Inc.	P26.25	+P1.45	+5.85%
BDO	BDO Unibank, Inc.	P145.10	+P0.50	+0.35%
BLOOM	Bloomberry Resorts Corp.	P4.49	-P0.03	-0.66%
BPI	Bank of the Philippine Islands	P122.60	+P1.10	+0.91%
CNPF	Century Pacific	P41.35	-P0.65	-1.55%
CNVRG	Converge ICT Solutions, Inc.	P16.38	+P0.18	+1.11%
DMC	DMCI Holdings, Inc.	P10.52	+P0.20	+1.94%
EMI	Emperador, Inc.	P18.00	+P0.02	+0.11%
GLO	Globe Telecom, Inc.	P2,096.00	+P16.00	+0.77%
GTCAP	GT Capital Holdings, Inc.	P642.00	+P33.00	+5.42%
ICT	International Container Terminal Services, Inc.	P398.00	+P8.00	+2.05%
JFC	Jollibee Foods Corp.	P268.20	+P11.80	+4.6%
JGS	JG Summit Holdings, Inc.	P21.30	+P0.30	+1.43%
LTG	LT Group, Inc.	P10.50	+P0.02	+0.19%
MBT	Metropolitan Bank & Trust Co.	P74.80	+P1.70	+2.33%
MER	Manila Electric Co.	P486.00	+P34.00	+7.52%
MONDE	Monde Nissin Corp.	P8.18	+P0.42	+5.41%
NIKL	Nickel Asia Corp.	P3.25	+P0.12	+3.83%
PGOLD	Puregold Price Club, Inc.	P31.00	——	
SCC	Semirara Mining and Power Corp.	P33.00	-P0.10	-0.3%
SM	SM Investments Corp.	P900.00	+P17.00	+1.93%
SMC	San Miguel Corp.	P87.65	+P0.25	+0.29%
SMPH	SM Prime Holdings, Inc.	P25.15	+P0.35	+1.41%
TEL	PLDT Inc.	P1,255.00	+P3.00	+0.24%
URC	Universal Robina Corp.	P75.00	+P0.10	+0.13%
WLCON	Wilcon Depot, Inc.	P13.36	+P0.36	+2.77%

Rate cuts may reduce energy dev't costs and boost capacity

By Sheldeen Joy Talavera
Reporter

A SERIES of rate cuts totaling 75 basis points (bps) by the Bangko Sentral ng Pilipinas (BSP) this year could reduce the funding costs of energy companies and boost renewable energy capacity, analysts said.

"The recent string of rate cuts certainly lends a bit more breathing room to energy developers," Jayniel Carl S. Manuel, an equity trader at Seedbox Securities, Inc., said in a Viber message. "Lower borrowing costs can help ease some financial strain on projects that often demand hefty upfront capital and long repayment horizons."

Over time, the policy rate cuts could trim their expenses, "potentially making room for more competitive power rates down the line," he added.

Andrei G. Soriano, research associate at China Bank Securities Corp., said the cuts could help reduce energy project costs especially since most of these are partly financed by debt given significant capital expenditures.

The Philippine central bank last week lowered the key rate for a third straight time at its final policy meeting of the year, even as it signaled fewer cuts next year.

The Monetary Board cut the target reverse repurchase rate by 25 bps, bringing the policy rate to 5.75%, as expected by 13 of 16 analysts in a *BusinessWorld* poll.

The central bank has slashed rates by a total of 75 bps this year since it began its easing cycle in August.

April Lynn C. Lee-Tan, chief equity strategist at COL Financial Group, in a Viber message noted that the BSP had also cut the reserve requirement ratio, which is an "added liquidity for banks and should theoretically help reduce funding costs."

A developer typically takes out a loan for an energy project. Since the borrowing cost is a component of the project cost, it affects the developer's investment returns. Assuming other expenses stay the same, a project with lower borrowing costs will be more profitable.

"A reduction in interest rates reduces the cost of borrowing for energy firms, particularly those financing large-scale infrastructure and renewable energy projects," said Toby Allan C. Arce, head of sales trading at Globalinks Securities and Stocks, Inc. "This can encourage more investments."

"Cheaper credit may incentivize both domestic and foreign investors to fund energy projects, boosting capacity expansion," he added.

While the interest rate cuts provide some relief, analysts said these might not have a significant impact on large-scale energy investments.

"While the rate cuts are a positive step, they alone are not enough to address the challenges faced by the energy sector," Mr. Arce said. "A combination of financial incentives, policy reforms, and infrastructure development is essential to ensure the long-term viability and growth of energy projects."

Mr. Manuel said obtaining an affordable loan is "only one piece of a much larger puzzle." That includes regulatory clarity, stable policy frameworks, and streamlined permitting processes, as well as improved infrastructure for grid integration especially for renewable energy projects, he said.

He said ensuring long-term contracts are honored and that tariff structures are predictable could have "a far greater impact than even a handful of rate cuts."

"While the cuts provide some relief, energy projects are capital-intensive and often require longer-term financing," Mr. Arce said. "The current cuts may not significantly offset the high costs of construction, especially for renewable projects relying on imported materials."

ERC caps reserve market price at P25/kilowatt-hour

THE Energy Regulatory Commission (ERC) has set the ceiling price for the power reserve market at P25 per kilowatt-hour (kWh), subject to review every five years.

The agency adopted a reserve offer price floor of P0 per megawatt-hour (MWh) and a cap of P25,000 per MWh, according to a document posted on its website.

The reserve market allows the system operator to buy power reserves from the wholesale electricity spot market (WESM) — the trading floor of electricity — to meet the reserve requirements of the energy system.

These reserves are services needed to maintain balance in the power system to ensure normal frequency and voltage levels in response to demand changes, variability of renewable energy and a possible loss of a large generating unit, according to the Energy department.

"The interim offer price floor and cap shall be reviewed and recomputed one year after its implementation, contingent on the collection of sufficient data from the annual submission of generation companies," the ERC said.

The commission said it would review the offer price floor and cap every five years, or earlier when needed. The full commercial operations of the reserve market started in January.

The Energy department temporarily imposed a price cap of P32,000 per MWh, which is equivalent to P32 per kWh, and a price floor of P0 per MWh. The ERC, however, deemed the offer ceiling "excessive."

In March, the ERC suspended the operations of the billing and settlement of the reserve market after the significant price increases in reserve costs for the month.

The commission ordered the settlement of 30% of the amounts in May to allow power generators to partially recover their costs.

The ERC then lifted the suspension in July to pave the way for the resumption of reserve trading for contracted and merchant plants.

But it ordered the Independent Electricity Market Operator of the Philippines to recalculate the amounts for the February and March billing periods.

Earlier this month, the ERC allowed the recovery of the remaining 70% or P3.05 billion for power generators that supplied the reserve market during the period, which will be collected from consumers starting next year. — **Sheldeen Joy Talavera**

DOON to launch motorbike rentals next year

By Beatriz Marie D. Cruz *Reporter*

DOON PH, a local car-sharing startup, plans to launch its motorbike rental service in the first quarter of 2025 in key tourist destinations, according to its chief executive officer (CEO).

"It will be an Airbnb for motorbikes," Enrique Hormillo, cofounder and CEO at DOON, told *BusinessWorld* in a virtual interview.

The company's motorbike rental feature will initially target island tourist destinations such as Boracay, Bohol, Palawan, and Siargao, he said.

Mr. Hormillo noted that tourists especially those who stay in high-end hotels often get overcharged for motorbike rentals.

"This has been in our pipeline for the last year already, just to prevent that," he said. "When you rent a bike on the app, it's one price and everybody sees it, whether you're in a nice hotel or a cheap hotel."

Mr. Hormillo and his cofounder and chief operating officer Miguel Locsin launched DOON in August 2023. Since then, the app has been downloaded more than 25,000 times, and has 15,000 active users.

Dubbed as an Airbnb for vehicles, owners can set up their idle cars for rent to earn extra income. People who temporarily need a car may rent one through the app at a lower rate.

DOON follows a pay-per-use "sachet" insurance model, which was developed in partnership with Pioneer Insurance. Car rentals average P2,300 a day.

This is more convenient than other car rental businesses, which typically require an upfront insurance payment of about P50,000 or P60,000 to insure a car annually, Mr. Hormillo said.

Through the app's "Kotsenometer," a car owner can see how much they will get paid. The car must be no more than 15 years old and have a fair market value of up to P3 million, he said.

Mr. Hormillo, a veteran in the car industry, got the idea for DOON after getting stuck in an airport in the UK during the holidays. Left with no other options, he downloaded a local car rental app.

"I just registered and signed up for this app, and within like 15 to 20 minutes, there was already a guy coming to meet me at the airport, bringing me his Tesla so I can drive around the UK for like three weeks," he said.

He thought of replicating the platform for the Philippine market.

"It's kind of a problem I've seen in the Philippines all my life," he said. "If you don't have a car, for example... but you have to go somewhere, it's really hard."

Despite the emergence of other ride-hailing apps, many roads in the Philippines remain inaccessible without a personal vehicle, he added.

To date, about 500 cars have been registered on the platform, available in 56 cities nationwide.

Mr. Hormillo said the average rental length is two to three days, while car rentals can be extended up to a month during the holiday season.

About 35% of customers who rent cars via DOON are foreigners. Cars are typically rented for family and group trips, mostly for business and site visits.

Mr. Hormillo said Metro Manila's worsening traffic congestion is not a major issue for DOON. "We're allowing them (owners) to put these cars on our app and then these cars go out of Manila. They get taken on out-of-town trips."

DOON users also have access to a free membership in the Automobile Association of the Philippines, which provides roadside assistance to motorists and discounts when they subscribe to Cartrack GPS.

DOON seeks to attract more hybrid and electric vehicles in 2025 and is developing a more "dynamic pricing" for car rentals.

"Our presence is not fully maximized yet," Mr. Hormillo said. "I want to be in every city in the Philippines that's got an airport and a seaport by the end of 2025. If you think about that, that's really us bridging the gap for travel."

PSE hikes max listing fee to P3.5M

THE Philippine Stock Exchange (PSE) has increased the upper limit of the annual listing maintenance fee by P1.5 million to P3.5 million.

In a notice posted on its website, the market operator said the new rate would take effect on Jan. 2, 2025 as approved by the Securities and Exchange Commission.

The listing fee is 1/100 of 1% of a listed company's market capitalization but not less than P250,000.

The bourse charges a P100 yearly listing maintenance fee for every P1-million market capitalization under the Small, Medium, and Emerging Board, for a minimum charge of P50,000 and a maximum of P250,000.

Under the PSE's consolidated listing and disclosure rules, the companies must pay the fee by Jan. 15 each year, with a grace period of a week.

Noncompliant companies must pay a P1,000 fine for every day of delay. A company that fails to pay by Feb. 15 will be slapped a trading suspension until April 15. The company will be considered for delisting if it still fails to pay the fee after that.

The fees charged by the PSE are exclusive of taxes.

The PSE's net income rose 11.2% to P640.25 million in the first nine months. Its other income climbed 90.8% to P326.17 million on higher fair value estimates of investments in equity funds and dollar-denominated bonds.

Revenue dropped 5.2% to P1.04 billion, while total expenses rose by 11.4% to P618.47 million. — **Revin Mikhael D. Ochave**

Regulation of Philippine crypto service providers may encourage adoption

By Revin Mikhael D. Ochave
Reporter

A PLAN by the Securities and Exchange Commission (SEC) to regulate cryptocurrency asset service providers in the Philippines could boost investor protection and entice more Filipinos to adopt the digital currency, analysts said.

"This marks an important step toward a more organized and secure crypto landscape in the Philippines," Arlone P. Abello, founding chairman at Innovative Movement of the Philippine Association of Crypto Traders, said in an e-mailed reply to questions.

"The proposed rules are an important milestone in providing investor protection, while creating a structure that can guide both new and established players in the crypto space," he added.

Mr. Abello, also the chief executive officer at Global Miranda Miner Group, a crypto education platform, said the draft rules are also critical for traders. "Clearer regulations will help prevent fraud, reduce risks for traders and foster a more transparent market."

"As the crypto industry in the Philippines continues to grow, these rules can help ensure that traders have a clearer understanding of their rights and obligations, creating a safer environment for everyone involved," he added.

On Dec. 20, the corporate regulator issued draft rules on crypto service providers. Comments on the draft rules may be submitted until Jan. 18, 2025.

Under the rules, crypto providers must be a SEC-registered stock corporation, have at least four staff members living in the Philippines and meet the minimum capital requirements.

Service providers must be able to prevent and detect market abuse. The rules prohibit market manipulation, insider trading and disclosure of material and nonpublic information.

"Overall, it is very good to see… local regulations toward crypto players," Jiro Luis S. Reyes, chief executive officer at crypto education platform Bitskwela, said in an e-mail. "I would like to stress the importance of support for educational efforts in the Philippines."

He suggested a separate subclassification for crypto service providers that operate differently, such as a company offering trading of crypto assets versus a marketing company.

Mr. Reyes also sought clearer rules on the circumstances where the SEC can remove a crypto asset on an exchange to protect investors. "The phrase 'in the interest of investor protection' has been misused locally and internationally a lot of times."

Nancy M. Ocampo-Omadto, chief legal counsel at crypto over-the-counter service Moneybees, said the SEC might have forgotten to include transitory provisions for the benefit of existing virtual asset service providers registered with the Bangko Sentral ng Pilipinas (BSP).

BSP Circular No. 1108, dated Jan. 26, 2021 treats crypto as virtual assets.

The government imposed a three-year moratorium on virtual asset service provider licenses due to risks to the financial system. The moratorium may be lifted next year.