Exporters see lower PDP goal out of reach with US chip tariff

THE Philippine Exporters Confederation, Inc. (Philexport), said the export targets set by the Philippine Development Plan (PDP) will be difficult to achieve if the US imposes tariffs on semiconductors.

"The Philippine Export Development Plan (PEDP) was not achievable... so we adapted the PDP (target), which is lower," Philexport President Sergio Ortiz-Luis, Jr. told reporters last week.

"That is the target we are now following; officially we haven't changed the target, but that is what we are looking at, and even that is difficult to achieve ... I am not even sure if we will meet it, because exports of electronics to the US will drop," he added.

Under the PEDP, Philippine merchandise and services exports are projected at $163.6 billion in 2025. The corresponding PDP target was initially $113.42 billion, rising to $115.49 billion in the midterm PDP update.

This month, US President Donald J. Trump said he will be imposing a levy on semiconductors entering the US market in a bid to revive US chip production.

"We are very worried. We hope that there will be some breaks, but it is quite dim at the moment. We were hoping that electronics would save us, but I think our major competitors have lower tariffs, and that is the problem," Mr. Ortiz-Luis said.

He said the hope is for Philippine chip exports to be exempt but noted that the Philippines has little leverage with nothing to offer the US.

"We might have to change our geopolitics because we are being left behind by our neighbors," he added.

He said exporters have been trying to diversify their markets for the last 20 years but are failing due to lack of support.

"Our neighbors have complete support for research and development, policy, and promotions. If there are export exhibitions, our exporters won't join because... our booths will look pathetic," he said.

"Unless the government seriously says we will support exports and really puts money into it... I don't see anything happening," he added.

However, he said that the free trade agreements (FTAs) are helping cushion the impact of the US tariff.

"At least here in ASEAN, Korea, and Japan, the FTAs are helping somewhat, but we only have about four, and the others have more," he said.

Aside from the US, he said that the other potential big markets for Philippine exports are Greater China and Japan. — **Justine Irish D. Tabile**

MIC, Saudi energy firm in off-grid RE collaboration

THE Maharlika Investment Corp. (MIC) said it signed an agreement with Saudi Arabian energy company ACWA Power to develop renewable energy (RE) projects for off-grid locations in the Philippines.

"No specific island was targeted yet. We're doing our assessment on which to aim at first," MIC President and Chief Executive Officer Rafael D. Consing, Jr. told *BusinessWorld* via Viber.

The memorandum of understanding (MoU) signed on June 30 allows both parties to explore the development of renewable energy and energy storage projects for off-grid Philippine islands.

In a separate statement, ACWA Power said the collaboration involves joint technical, commercial, and financial studies to assess the feasibility of developing power generation and energy storage infrastructure in the islands.

"These studies will identify potential project sites, system sizing, transmission requirements, and offtake arrangements," ACWA Power said.

ACWA Power operates as a developer, investor, and operator of renewable energy and green hydrogen projects. It is also the world's largest private water desalination company.

"We are excited to partner with Maharlika Investment Corp. in exploring renewable energy solutions for communities in the Philippines. This MoU reflects our shared commitment to inclusive energy access and sustainable development," ACWA Power Chief Investment and Development Officer Thomas Brostrøm said.

Ahead of the MoU signing, Meralco PowerGen Corp. (MGen), the power generation subsidiary of Manila Electric Co. (Meralco) entered into a partnership with ACWA to jointly explore solar power development opportunities in the Philippines and across Southeast Asia.

The partnership was formalized on the sidelines of the ASEAN Summit in Kuala Lumpur.

MIC said it has deployed a portion of its P75 billion in funding and the balance will be invested within the year.

In January, the MIC signed a deal to acquire a 20% stake in Synergy Grid & Development Phils., Inc. for P19.7 billion or about P15 per preferred share, giving it a "foothold" in the National Grid Corp. of the Philippines. — **Aubrey Rose A. Inosante**

PSA approval process eyed for streamlining

THE Energy Regulatory Commission (ERC) is proposing to amend the rules governing the power supply agreements (PSA) of distribution utilities and power suppliers to streamline the approval process to shore up investor confidence.

In a draft resolution, the ERC said the proposed changes are meant to expedite resolution of PSA applications and facilitate the entry of new generating capacities to support growing demand.

A PSA is a contract entered into by a distribution utility (DU) and a power supplier to procure a certain capacity for a price as a result of a competitive selection process (CSP). The CSP policy requires DUs to procure power through a transparent bidding exercise to secure least-cost supply.

One of the ERC's proposed amendments is the immediate approval of the lowest bid under the executed PSA resulting from the CSP, as long as it complies with the guidelines and shows no indication of anti-competitive behavior.

Meanwhile, for PSAs resulting from direct negotiation, the ERC will review for reasonableness in terms of costs, risk allocation and other contractual terms "to ensure compliance with the least-cost obligation of the DU."

Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 tasks the ERC with promoting competition, encouraging market development, and expanding consumer choice in the electric power industry.

The law also requires the Department of Energy (DoE) to facilitate and encourage reforms in the structure and operations of DUs for greater efficiency and lower costs.

In 2015, the DoE issued a circular requiring DUs to undergo CSP in securing their PSAs to ensure "transparent and reasonable prices of electricity in a regime of free and fair competition and full public accountability."

In a recent open commission meeting, ERC Chairman and Chief Executive Officer Francis Saturnino Juan questioned the agency's current evaluation methodology for PSAs.

He said the ERC still reviews rates based on cost-based methodology, even if contracts came via tendering or selection processes.

"Is our failure to honor the result of the CSP conducted in accordance with the DoE circular a violation of the DoE circular itself?" he said.

Mr. Juan said backlogs may affect investor confidence as they could end up not pursuing the power supply contracts because the bids are not honored.

"Maybe it is high time that we engage the stakeholders on a possible amendment to our existing guidelines," he said. — **Sheldeen Joy Talavera**

More local government units express interest in ecozone development

LOCAL government units (LGUs) have signified their interest in building new economic zones (ecozones), according to the Philippine Economic Zone Authority (PEZA).

In a Facebook post, PEZA Director General Tereso O. Panga said that these include Naga City, Los Baños City, and San Pablo City.

"We certainly welcome these new host LGUs to join the PEZA network of 427 operating ecozones (and counting) all over the country," he added.

This week, he said PEZA visited three proposed ecozones in San Andres, Quezon (135 hectares), Pamplona, Camarines Sur (60 hectares), and Libon, Albay (40 hectares) to conduct due diligence and hold consultation meetings.

"These three ecozones are strategically located along the Bicol and Bondoc Peninsulas, fronting the Ragay Gulf — the third-largest gulf in the Philippines," he said.

"By providing for port connectivity among San Andres, Pasacao, and Pantao ports, this will stimulate regional economic growth, as the goods produced and raw materials needed in the ecozones can be facilitated through barge deliveries," he added.

He said the ports can serve as gateways for domestic and international commerce, tourism, and inter-island transportation.

He expects more LGUs to embrace ecozones to spur growth with the Philippines continuing to be one of the best-performing economies in the region. — **Justine Irish D. Tabile**

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/ypb3xumd>

OPINION

A just energy transition powering a more energy independent Philippines

IN BRIEF:

- Philippine organizations are continuously advancing towards transitioning to more renewable energy sources while also considering fairness to its end-users.
- Businesses have implemented various strategies and innovations in transitioning to more just energy operations.

SUITS THE C-SUITE

BENJAMIN N. VILLACORTE *and* **BONAR A. LAURETO**

For private and industry leaders, the energy transition is not only a risk mitigation strategy through emissions reduction. It also presents a strategic opportunity in securing a sufficient, reliable energy future, fostering energy resilience.

Amid the increasing demand for energy accompanying a developing economy, both the public and private sectors in the Philippines continue to advance the transition toward a sustainable, energy-independent economy, adhering to the principles of a 'Just' Energy Transition (JET).

JET entails promoting social well-being, including the protection of vulnerable groups, while achieving cleaner and more efficient models to safeguard environmental integrity and create opportunities for new economic growth.

Bringing together industry leaders, policymakers, and sustainability experts, the SGV Knowledge Institute, together with SGV Sustainability, hosted a conference, "Building a Sustainable Future Through Just Energy Transition." The event covered innovative strategies, best practices, and collaborative frameworks in both the supply and demand side of the power sector. The sector seeks to achieve its ambition to aid economic stability by reducing dependence on global market volatilities tied to imported fuel.

Achieving a just transition requires prioritizing energy independence. Driving investment to utilize indigenous and renewable energy sources is essential for reducing the Philippines' reliance on volatile fossil fuel imports. The economic implications of relying on external sources for traditional energy components were also highlighted. In July, fuel imports amounted to $1.40 billion or over 12% of total imports, equivalent to more than one-third of the trade deficit.

The conference emphasized the vulnerability and volatility of the Philippine energy system to spikes in energy prices, driven by external factors such as global market shocks, supply constraints, geopolitical tensions, and currency fluctuations. These factors have further triggered increases in interest rates and the cost of capital, while simultaneously reducing foreign investment interest. By diversifying and developing indigenous renewable resources, we can strengthen supply resilience, energy affordability, and accessibility, thereby paving the way for a JET.

SUPPLY-SIDE INNOVATION

Keynote speaker Felix William Fuentebella, Undersecretary of the Department of Energy, highlighted the strategic direction of 'ARC': Access and Affordability, focusing on energy provisioning; Reliability and Resiliency of energy infrastructure; and Clean and Sustainable Energy. This approach aims to increase renewable energy capacity and address the energy trilemma of security, affordability, and sustainability. By creating a balance between energy growth, access, and cost, it advances energy self-sufficiency and accelerates the transition to renewable energy usage.

In their respective presentations, a speaker from a regional multilateral development bank highlighted support for indigenous energy such as geothermal through the Geothermal Resource De-Risking Facility, allowing for a financing mechanism and tool to augment risk implications associated with geothermal exploration. Through its financing services, the bank remains committed to helping the Philippines meet climate goals while ensuring inclusive and sustainable development.

On the other hand, ACEN Corp., one of the key players in the energy industry, highlighted the rapid expansion of renewable energy capabilities in both the Philippines and in the Asia-Pacific (APAC) region, while pioneering innovative financing instruments such as transition credits and the Energy Transition Mechanism (ETM).

ACEN highlighted the significant impact of having clean, reliable, and affordable energy. It noted that renewable energy ensures energy pricing stability, unlike traditional sources that are affected by volatile global markets. Additionally, ACEN emphasized the importance of keeping a long-term mindset for both consumer and investors, citing that while traditional coal may still be cheaper in the present, the volatility of coal prices may cause rising costs in the future.

Meralco PowerGen (MGen) President and CEO, Emmanuel V. Rubio, highlighted the importance of addressing the Energy Trilemma (Security, Affordability, and Sustainability), with initiatives such as the MTerra Solar project and LNGPH facility. MTerra is set to be the world's largest integrated solar photovoltaic (PV) and battery energy storage system (BESS) facility, and LNGPH, the country's first and most expansive LNG facility to date, reaffirms commitments to further integrate renewable energy initiatives in operations.

REALIZING VALUE IN THE NEW ENERGY ECONOMY

In the latter part of the program, a speaker from a large global development institution emphasized that sustainability is not only a corporate responsibility but a competitive advantage. The institution's climate-smart investment opportunities in the Philippines were introduced through their 30-by-30 Zero Program, which aims to help financial institutions scale their climate-related lending to 30% of their portfolios while reducing coal exposure to near zero by 2030.

According to Dennis Ng, CEO and Founder of Mober Technology Pte., Inc., Mober's sustainable journey is embedded in the group's logistics strategy, powering the country's green logistics revolution. Mober offers its electric vehicle (EV) fleet mobility solutions to business-to-business (B2B) customers, which helps them curb their scope 1 emissions while also offering the services at price parity compared to non-renewable energy-based logistics service providers. Its zero-emission last-mile delivery for a low-carbon economy aims to optimize e-mobility and increase the integration of renewable energy in logistics operations, while addressing climate and social risks and impacts of going green. Mober's approach to sustainability transformation is partnering with industry leaders and small trucking companies to make green logistics easier to enter.

LOOKING AHEAD

Indigenous energy sources such as tidal, solar, and wind energy are among the most common renewable sources of energy. However, these energy sources can be disrupted depending on environmental events. Through continuous innovation and emerging technologies such as green hydrogen and nuclear energy, such limitations will be circumvented. Innovations in energy sources will further aid the transition and capacity addition through supporting intermittency commonly attributed to renewable sources, and being able to electrify and decarbonize hard-to-abate sectors.

In parallel, the energy transition demands a shift in consumption, with greater focus on operational efficiency through the reduction of energy waste, such as through strategic electrification of facilities and fleets.

However, achieving JET will require substantial financial investments, with large-scale infrastructure projects often being prohibitive for the private sector to undertake on its own. De-risking support from financial institutions through innovative financing mechanisms such as carbon credits, sustainability-linked loans and guarantees are essential, accompanied by stakeholder capacity building. Supporting communities reliant on the fossil fuel industry necessitates investments in retraining, social safety nets, and development to ensure an equitable transition.

For private and industry leaders, the energy transition is not only a risk mitigation strategy through emissions reduction. It also presents a strategic opportunity in securing a sufficient, reliable energy future, fostering energy resilience in the country. Diverting away from import dependence towards energy independence further strengthens the Philippine energy system, removing volatility and dependencies from global and external knock-on effects, and instilling foreign investor confidence through stable energy market prices.

Strategic planning and innovation are essential alongside the support of expert guidance to navigate challenges and considerations toward a just energy transition. By leveraging professional expertise and experience, businesses can take advantage of the opportunity presented while adapting to regulatory and policy changes.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the authors and do not necessarily represent the views of SGV & Co.

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