

14 MAR -3 AIO :29

SENATE  
S.B. No. 2151

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Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

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**AN ACT PROVIDING INCENTIVES FOR THE MAINSTREAM USE, MANUFACTURE, ASSEMBLY AND  
CONVERSION OF ELECTRIC, HYBRID AND OTHER ALTERNATIVE FUEL VEHICLES AND FOR OTHER  
PURPOSES**

**Explanatory Note**

According to the latest *ASEAN State of the Environment Report (2009)*, "Southeast Asia is one of the world's most vulnerable regions to climate change impacts such as droughts, floods, typhoons, sea level rise, and heat waves."<sup>1</sup> The growing impact of climate change has made it crucial for governments and the private sector throughout the ASEAN region to invest in climate change adaptation and mitigation efforts while providing economic opportunities to empower poor and vulnerable sectors.

One big opportunity for the Philippines lies in the Alternative Fuel Vehicle (AFV) sector. According to a report released by international consulting firm Grant Thornton in 2012, "Asia is currently the largest market for hybrids/electrics (56%)."<sup>2</sup> Further: "The trend toward alternative fuels is visible in global sales of hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), projected to reach 5.4 million vehicles by 2021 (more than 6% of the automotive market), up from 810,000 vehicles in 2010 (approximately 2% of market share)."<sup>3</sup>

The same report states that, "Around a quarter of global companies (24%) have introduced or are considering vehicles that run on alternative fuels for their businesses... Companies in the ASEAN region (31%) were most likely to use or consider alternative-fuel vehicles."<sup>4</sup>

This regional trend is congruent with the Philippine government's moves to incentivize the manufacturing and use of AFVs. The Department of Energy's goal of putting 100,000 electric tricycles on the road by 2017 and the Electric Vehicles Association of the Philippines' (EVAP) goal of 1 million electric vehicles by 2020 represent key milestones toward dramatically reducing dependence on oil while ensuring that the Philippines leads in the growing electric vehicle manufacturing industry in the Asian region.

Moreover, the integration of the ASEAN Economic Community in 2015 presents a key opportunity for the Philippines to emerge as a leader in this sector and cater to a regional market. This can very well pave the way for more investments, jobs, and livelihood opportunities to reach more Filipinos.

In order to leverage on these potentials, we need stronger policy support to encourage investment in manufacturing facilities, enable technology demonstration and deployment, and provide incentives to promote the adoption of and drive consumer demand for electric, hybrid, and other alternative fuel vehicles.

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<sup>1</sup> Letchumanan, "Climate Change – ASEAN Experiences," 2009. Last accessed on February 26, 2014:  
[http://ec.europa.eu/clima/events/0052/presentation\\_raman\\_letchumanan\\_en.pdf](http://ec.europa.eu/clima/events/0052/presentation_raman_letchumanan_en.pdf)

<sup>2</sup> Grant Thornton, "Greener fleets: Companies consider alternative-fuel vehicles", 2012.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

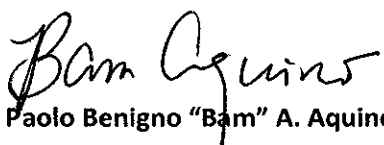
Thus, in order to bolster the benefits and the marketability of these vehicles, this Act provides non-fiscal incentives to drive consumer demand, including the following:

- a. Priority in registration and issuance of plate number;
- b. Priority in franchise application;
- c. Exemption from Unified Vehicular Volume Reduction Program (UVVRP) or Number-Coding Scheme; and
- d. Provision for free parking spaces in new establishments

It is recognized that while the costs of electric and hybrid vehicles are higher compared to those of regular vehicles, these non-fiscal incentives will make the acquisition and conversion of vehicles more attractive to consumers and manufacturers alike.

In the 15<sup>th</sup> Congress, both the Upper and Lower Houses of Congress passed on Third Reading similar measures entitled, "An Act Providing Incentives For The Manufacture, Assembly, Conversion And Importation Of Electric, Hybrid And Other Alternative Fuel Vehicles, And For Other Purposes." Clearly, Congress recognizes that the emerging industry of alternative fuel vehicles (AFVs) can significantly contribute to investment generation, job creation, poverty reduction, and climate change mitigation.

In view of the foregoing, the passage and enactment of this bill is earnestly sought.

  
Senator Paolo Benigno "Bam" A. Aquino IV

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**AN ACT PROVIDING INCENTIVES FOR THE MAINSTREAM USE, MANUFACTURE, ASSEMBLY AND CONVERSION OF ELECTRIC, HYBRID AND OTHER ALTERNATIVE FUEL VEHICLES AND FOR OTHER PURPOSES***Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1. Title.** - This Act shall be known as the "***Electric, Hybrid and Other Alternative Fuel***  
2 ***Vehicles Promotions Act of 2014***".

3           **SEC. 2. Declaration of Policy.** - It is the policy of the State to safeguard life and environment by  
4 encouraging the use of alternative sources of energy for vehicles intended for public and private use. To  
5 protect the well-being and promote the economic condition of the people as well as to promote energy  
6 independence and security in the midst of development and innovation in technology, the following are  
7 hereby declared:

- 8           A) It is the policy of the State to protect and advance the right of the people to a balanced and  
9 healthful ecology in accord with the rhythm and harmony in nature. The State shall recognize  
10 and address the detrimental effects on the environment, safeguard the welfare, and protect the  
11 health of the people by improving air quality and by reducing the impact of greenhouse gas  
12 effects emitted from man-made sources such as vehicles operating on fossil fuels.
- 13           B) The State supports the need to promote the development of new technology to accelerate  
14 social progress and promote human development. The use of alternative sources of energy on  
15 vehicles intended for public and private use is encouraged to promote innovation, energy  
16 efficiency, security and conservation and to speed-up the deployment of cleaner technology.
- 17           C) The State recognizes the indispensable role of the private sector, encourages private enterprise,  
18 and provides incentives to needed investments. To accelerate economic growth and generate  
19 employment, the state shall provide incentives to private enterprises and individuals engaged in  
20 the manufacture, assembly, conversion, and importation of electric, hybrid and other clean  
21 energy vehicles.

22           **SEC. 3. Definition of Terms.** As used herein, the following shall mean:

- 23           a) *Electric Vehicle (EV)* shall refer to any vehicle that uses electric motors solely for  
24 propulsion.
- 25           b) *Hybrid Vehicle (HV)* shall refer to any vehicle that combines the technologies of using  
26 internal combustion engine (ICE) with a battery-powered electric motor to gain  
27 advantages of both propulsion systems.
- 28           c) *Other Alternative Fuel Vehicles (AFV)* shall refer to any vehicle using alternative fuel such  
29 as but not limited to: solar, wind, hydrogen fuel cell, compressed natural gas (CNG) or  
30 liquefied natural gas (LNG), methane and liquefied petroleum gas (LPG), other than  
31 conventional sources of energy like petroleum and gasoline for propulsion.

- 1 d) *Manufacturer or Assembler* shall mean any individual, partnership, corporation or other  
2 entity engaged in the manufacture, assembly and conversion of electric, hybrid and  
3 other alternative fuel vehicles incorporated, organized and existing under Philippine  
4 laws.  
5 e) *Importer* shall mean any individual, partnership, corporation or other entity engaged in  
6 the importation of completely built units (CBUs) of electric, hybrid and other alternative  
7 fuel vehicles incorporated, organized and existing under Philippine laws.

8 **SEC. 4. Coverage.** This Act shall cover electric, hybrid and other alternative fuel vehicles but  
9 shall not include vehicles powered by gasoline, petroleum, bio-diesel and bio-ethanol.

10 **SEC. 5. Creation of the Coordinating Council for Promotion of Electric, Hybrid and Other**  
11 **Alternative Fuel Vehicles.** – The Department of Trade and Industry (DTI) shall constitute a Coordinating  
12 Council for Electric, Hybrid and Other Alternative Fuel Vehicles as a sub-committee under the Industry  
13 Development Council (IDC), to expedite identification, prioritization, and resolution of issues affecting  
14 the entire supply chain of the electric vehicle, hybrid and alternative fuel vehicle industry by formulating  
15 a shared implementation plan and monitoring system.

16 **SEC. 6. Composition of the Council.** – The council shall be composed of the following members:

- 17 a. Secretary, Department of Trade and Industry – Chairperson  
18 b. Secretary, Department of Transportation and Communication - Vice-Chairperson  
19 c. Secretary, Department of Energy - Vice-Chairperson  
20 d. Secretary, Department of Finance – Member  
21 e. Secretary, Department of the Interior and Local Government – Member  
22 f. Secretary, Department of Science and Technology – Member  
23 g. Three (3) Representatives from the Industry Sector to be elected by the Council  
24 h. Three (3) Representatives from the Civil Society to be elected by the Council

25 Representatives from the other agencies of the government may be invited as resource persons  
26 during the meetings of the Council.

27 **SEC. 7. Duties and Responsibilities of the Council.** – The Council shall have the following duties  
28 and responsibilities:

- 29 1. Formulate incentives to address the high acquisition cost of electric vehicles, hybrid and other  
30 alternative fuel vehicles and operating cost of supporting infrastructures particularly charging  
31 stations.  
32 2. Develop and recommend standards and specifications which address the performance, quality  
33 and safety issues of electric vehicles, battery, charging stations and connectors, and repair and  
34 maintenance in accordance with international standards.  
35 3. Review and recommend appropriate classification for electric, hybrid and other alternative fuel  
36 vehicles and the corresponding parameters for Motor Vehicle Inspection System (MVIS)  
37 approval.  
38 4. Review and recommend policy for allowing the entry of and promoting electric, hybrid and  
39 alternative fuel vehicles fleet operations.  
40 5. Recommend modalities for the utilization of the Special Vehicle Pollution Control Fund (SVPCF),  
41 a special trust account managed by the Road Board created by virtue of Republic Act No. 8794  
42 or any sources of funds to implement air quality improvement projects involving the use of  
43 electric, hybrid and other alternative fuel vehicles.

- 1 6. Coordinate with local government units (LGUs) in identifying and allocating land and property  
2 within their locality for use as public charging stations for electric or hybrid vehicles or refuelling  
3 stations for alternative fuel vehicles.
- 4 7. Coordinate with the electric power industry stakeholders, particularly, the Energy Regulatory  
5 Commission (ERC) and electric distribution utilities and cooperatives, in the preparation of their  
6 electric systems and network to accommodate the connection of electric or hybrid vehicles,  
7 charging equipment and stations.
- 8 8. Undertake Information and Education Campaign (IEC) on the proper use, maintenance, repair  
9 and disposal of electric, hybrid and alternative fuel vehicles.
- 10 9. Monitor resolution of issues affecting the electric, hybrid and alternative fuel vehicle and  
11 undertake action as may be determined by the Council.  
12

13 **SEC. 8. Incentives to Manufacturers or Assemblers.** - The provision of any special or general law  
14 to the contrary notwithstanding, the manufacture or assembly of completely knocked-down (CKD) parts  
15 of electric, hybrid and other clean energy vehicles, including the conversion of vehicles into electric,  
16 hybrid and other clean energy vehicles, shall be exempt from the payment of excise taxes and duties for  
17 nine (9) years from the effectivity of this Act.

18 The imposition of the Value Added Tax (VAT) for the purchase and importation of raw materials,  
19 spare parts, components and capital equipment used in the manufacture or assembly of electric, hybrid  
20 and other clean energy vehicles shall be suspended for nine (9) years from the effectivity of this Act.

21 **SEC. 9. Incentives to Importers.** - The provision of any special or general law to the contrary  
22 notwithstanding, the importation of completely built units (CBUs) of electric, hybrid and other clean  
23 energy vehicles shall be exempt from the payment of excise taxes and duties for nine (9) years from the  
24 effectivity of this Act.

25 **SEC. 10. Exemption from the Payment of Motor Vehicle User's Charge (MVUC)** - Electric, hybrid  
26 and other clean energy vehicles shall be exempt from the payment of the Motor Vehicle User's Charge  
27 (MVUC) imposed by the Land Transportation Office (LTO) under Republic Act No. 8794, otherwise  
28 known as "Motor Vehicle User's Charge (MVUC) Act" for nine (9) years from the effectivity of this Act.  
29

30 **SEC. 11. Non-Fiscal Incentives to Users of Electric, Hybrid and Other Alternative Fuel Vehicles.**

- 31 1. Priority in Registration and Issuance of Plate Number. – Registration and renewal of registration  
32 of electric, hybrid and other alternative fuel vehicles shall be prioritized by the Land  
33 Transportation Office (LTO) for nine (9) years from the effectivity of this Act. A special type of  
34 vehicle plate to be prescribed by the LTO shall be exclusively issued to all electric, hybrid and  
35 other alternative fuel vehicles upon registration.
- 36 2. Priority in Franchise Application. – Public Utility Vehicle (PUV) operators exclusively utilizing  
37 electric, hybrid and other clean energy vehicles shall be granted priority by the Land  
38 Transportation Franchising and Regulatory Board (LTFRB) in the approval of applications for  
39 franchise to operate, including its renewal, for nine (9) years from the effectivity of this Act.
- 40 3. Exemption from Unified Vehicular Volume Reduction Program (UVVRP) or Number-Coding  
41 Scheme. – All electric, hybrid and other clean energy vehicles shall, for nine (9) years from the  
42 effectivity of this Act, be exempted from the mandatory Unified Vehicular Volume Reduction  
43 Program (UVVRP) or Number-Coding Scheme being implemented by the Metro Manila  
44 Development Authority (MMDA) and other local government units (LGUs) concerned.
- 45 4. Provision for Free Parking Spaces in New Establishments. – Business and commercial  
46 establishments to be constructed after the effectivity of this Act are mandated to provide

1 exclusive parking spaces free of charge for all electric, hybrid and other alternative fuel vehicles.  
2 No building permit shall be issued for the construction of business and commercial  
3 establishments that include parking spaces unless the owner submits an affidavit that there shall  
4 be free parking spaces to be exclusively be designated for electric, hybrid and other alternative  
5 fuel vehicles for nine (9) years from the effectivity of this Act.

6 **SEC. 12. *Implementation and Monitoring.*** – The Department of Trade and Industry (DTI) shall  
7 be responsible for the administration and implementation of the non-fiscal incentives granted under this  
8 Act.

9 Manufacturers, assemblers, converters and importers of electric, hybrid and other clean energy  
10 vehicles shall register with DTI in order to avail of the incentives provided under this Act. For proper  
11 monitoring, DTI shall meet regularly with the Department of Finance (DOF) to monitor and review the  
12 implementation of the incentives provided herein.

13 **SEC. 13. *Administrative Support.*** The Department of Trade and Industry (DTI) shall provide  
14 overall administrative support to the Council by appropriating the corresponding budget needed for the  
15 effective implementation of this Act.

16 **SEC. 14. *Implementing Rules and Regulations.*** The Department of Trade and Industry (DTI) shall  
17 promulgate the necessary rules and regulations.

18 **SEC. 15. *Separability Clause.*** – If any provision of this Act is declared unconstitutional or invalid,  
19 other parts or provisions hereof not affected thereby shall continue to be in full force and effect.

20 **SEC. 16. *Repealing Clause.*** – All other laws, orders, issuances, circulars, rules and regulations or  
21 parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified  
22 accordingly.

23 **SEC. 17. *Effectivity Clause.*** This Act shall take effect fifteen (15) days following its publication in  
24 at least two (2) newspapers of general circulation or the Official Gazette.

Approved,