

THIRTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

5 FEB -9 P2:05

SENATE  
S.B. No. 1907

BY \_\_\_\_\_

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Introduced by Senator Miriam Defensor Santiago

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EXPLANATORY NOTE

The dependence of the Philippines on imported petroleum creates a major strategic vulnerability for the nation, with majority of the energy supply of the country reliant on foreign sources. From economically damaging Arab oil embargoes of 1973-1974 and 1979 to the current recession precipitated by rising oil prices which began in 1999, the economic stability of the Philippines has too often been shaken by economic forces outside its borders.

This bill seeks to shift Philippines' dependence away from foreign petroleum as an energy source toward alternative, renewable, and domestic agricultural sources. Its aim is to convert the current petroleum trade deficit to a trade balance by replacing foreign sources of supply with steady increases of ethanol fuels through domestic production.

  
MIRIAM DEFENSOR SANTIAGO  
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AN ACT  
MANDATING THE USE OF ETHANOL AS ALTERNATIVE TRANSPORT FUEL,  
ESTABLISHING FOR THE PURPOSE THE NATIONAL FUEL ETHANOL PROGRAM,  
APPROPRIATING FUNDS THEREFOR

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. *Short Title.* — This Act shall be known as the “Fuel Ethanol Act of 2005.”

SECTION 2. *Declaration of Policy.* — It is declared the policy of the State to (a) ensure a continuous, adequate, and economic supply of energy with the end in view of ultimately achieving energy independence through the integrated and intensive exploration, production, management and development of the country’s indigenous, renewable energy resources, and to (b) pursue economic growth by providing opportunities for generating income, enhancing productivity, and promoting industrialization and employment based on sound agricultural development.

SECTION 3. *Definition of Terms.* - As used in this Act, the term:

(1) “Ethanol” – refers to the biofuel made through fermentation and then distillation of starch and sugar crops such as maize, sorghum, potatoes, wheat, sugar-canes, cornstalks, fruit and vegetable waste.

(2) “Program” – refers to the National Fuel Ethanol Program.

SECTION 4. *The Fuel Ethanol Program.* —

(1) A fuel ethanol program shall be established nationally to provide for the development, promotion and commercialization of fuel ethanol by implementing policies, mechanisms, and procedures that encourage research and development, technology transfer, and investments in fuel ethanol production, distribution, and utilization.

(2) The use of ethanol as alternative transport fuel shall be mandatory nationwide. In view thereof, all gasoline products, beginning January 1, 2007, shall have a mandatory 10% ethanol blend. This shall be increased to 25% ethanol blend by January 1, 2010.

(3) All new vehicles running on gasoline fuel produced, sold, and imported into the country beginning January 1, 2007 must have engines that can utilize 10% ethanol blend. In addition, beginning January 1, 2010, all gasoline-fed vehicles shall have engines that could utilize 25% ethanol blend.

(4) On the basis of these specifications, the Department of Energy (DOE), in coordination with other government agencies, shall conduct consultations with the various stakeholders including but not limited to oil companies, car manufacturers, and sugar and alcohol industry players.

SECTION 5. *Implementing and Coordinating Agencies.* —

(1) The DOE shall be the lead implementing agency and shall set the policy directions to meet the specific targets of the Program.

(2) The Program shall be established in coordination with relevant government agencies including but not limited to the following agencies and their respective functions in relation thereto:

- a. DEPARTMENT OF AGRICULTURE (DA). — It shall ensure increased productivity and sustainable supply of ethanol feedstocks. It shall institute a program which would guarantee that a certain percentage of the total national production of sugar shall be allocated for fuel ethanol production;

- b. DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR). — It shall facilitate the issuance of Environmental Compliance Certificates and other requirements related to the Fuel Ethanol Program and provide technical support related to emissions testing and standard-setting of ethanol vehicles with the view to improve the air quality;
- c. DEPARTMENT OF SCIENCE AND TECHNOLOGY (DOST). — It shall provide R&D and technical support in propagating feedstock cultivation and fuel ethanol production;
- d. DEPARTMENT OF TRADE AND INDUSTRY (DTI). — It shall ensure the inclusion in its Motor Vehicle Development Program the development and promotion of the manufacture and/or investment in production of gasoline-fed vehicles that could effectively utilize up to 25% ethanol blend;
- e. GOVERNMENT FINANCING INSTITUTIONS (GFIs). — GFIs shall make available preferential financing to investment/developmental activities with the view to accelerate the development of the fuel ethanol industry.

SECTION 6. *Implementing Rules and Regulations.* — The DOE shall, in consultation with the relevant government agencies mentioned in the preceding section, industry participants, non-governmental organizations and end-users, promulgate the implementing rules and regulations of this Act, within six (6) months from the effectivity of this Act.

SECTION 7. *Fuel Ethanol Fund.* — One percent (1%) of the total excise tax collected from the sale of fuel ethanol shall be set aside by the Bureau of Internal Revenue (BIR) to constitute a Fuel Ethanol Fund to support the development, promotion and commercialization of fuel ethanol. This fund shall be managed and administered by the DOE for these purposes.

SECTION 8. *Penalty Clause.* — The DOE shall formulate and promulgate appropriate penalties for any person or entity that willfully violates rules and regulations provided in this Act.

SECTION 9. *Separability Clause.* — If any provision or part hereof, is held invalid or unconstitutional, the remainder of the Act or the provision not otherwise affected shall remain valid and subsisting.

SECTION 10. *Repealing Clause.* — Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to, or inconsistent with the provisions of this Act is hereby repealed, modified or amended accordingly.

SECTION 11. *Effectivity Clause.* — This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,

/jpa