

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

5 MAY 18 AM 11:43

SENATE  
S.B. No. 2007

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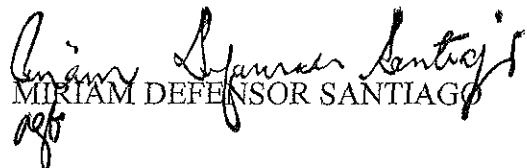
Introduced by Senator Miriam Defensor Santiago

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EXPLANATORY NOTE

This bill is proposed to expand the scope of the Bioethanol Bill by including biodiesel and promoting the development of other indigenous sources of biofuels. This bill comes at a propitious time because it addresses our three-pronged goal of: a) increasing energy independence by providing an indigenous alternative to gasoline by way of bioethanol and to diesel by way of biodiesel (particularly coconut methyl ester); b) improving air quality by providing cleaner-burning alternatives to fossil fuels; and c) spurring the growth of rural economies by creating and developing markets for agricultural crops such as coconut and sugar.

This bill seeks to mandate the use of bioethanol beginning at 5% within two years from the effectivity of this Act and a minimum of 10% within four years from the effectivity of this Act. It also mandates the use of biodiesel at a minimum blend of one (1%) and five percent (5%) within two and four years from the effectivity of this Act. This bill further grants incentives to the production and use of biofuels, identifies the powers and functions of key national government agencies involved, and imposes penalties on prohibited acts.

  
MIRIAM DEFENSOR SANTIAGO

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AN ACT  
TO MANDATE THE USE OF BIOFUELS IN THE TRANSPORT SECTOR, ESTABLISHING  
FOR THE PURPOSE THE NATIONAL BIOFUEL PROGRAM, APPROPRIATING FUNDS  
THEREFOR

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

SECTION 1. *Short Title.* – This Act shall be known as the “Biofuels Act of 2005.”

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to pursue a policy towards energy independence consistent with the country’s sustainable economic growth that would expand opportunities for livelihood, with due regard to the protection of public health and the environment by mandating the use of biofuels in the transport sector as a measure to:

- a) mitigate toxic and greenhouse gas (GHC) emissions;
- b) develop and utilize indigenous renewable energy sources to reduce dependence on imported oil; and
- c) increase rural employment and income.

SECTION 3. *Definition of Terms.* – As used in this Act, the following terms:

- a) “AFTA” – shall refer to the ASEAN Free Trade Agreement;
- b) “Bioethanol” – shall refer to ethanol (C<sub>2</sub>H<sub>5</sub>OH) produced from biomass;
- c) “Biodiesel: - shall refer to mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats for use in diesel engines;
- d) “Bioethanol Fuel” – shall refer to hydrous or any anhydrous bioethanol suitably denatured for use as motor fuel;

- e) "Biofuel" – shall refer to a liquid fuel made from biomass and primarily used to fuel vehicles, but can also fuel engines or fuel cells for electricity generation, and may include bioethanol and biodiesel, among others;
- f) "Biomass" – shall refer to any organic matter, particularly cellulosic or lignocellulosic matter, which is available on a renewable or recurring basis, including trees, crops and associated residues, plant fiber, poultry litter and other animal wastes, industrial wastes, and the biodegradable component of municipal solid waste;
- g) "DA" – shall refer to the Department of Agriculture created under Executive Order No. 116, as amended;
- h) "DOE" – shall refer to the Department of Energy created under Republic Act No. 7638, as amended;
- i) "DENR" shall refer to the Department of Environment and Natural Resources created under Executive Order No. 192, as amended;
- j) "Diesel" – a heavy mineral oil used as fuel in diesel engines;
- k) "DOTC" – shall refer to the Department of Transportation and Communication created under Executive Order No. 125-A, as amended;
- l) "DTI" – shall refer to the Department of Trade and Industry created under Executive Order No. 133;
- m) "Feedstock" – shall refer to organic sources or biomass used in the production of biofuels;
- n) "Gasoline" – shall refer to a complex mixture of relatively volatile hydrocarbons with or without small quantities of additives, blended to form a fuel suitable for use in spark-ignition engines and Research Octane Number (RON) of 90 or above;
- o) "Motor fuel" – shall refer to all volatile and inflammable liquids produced, blended or compounded for the purpose of, or which are suitable or practicable for, operating motor vehicles;
- p) "NBB or Board" – shall refer to the National Biofuel Board created under Section 8 hereof;

- q) "Renewable Energy Sources" – shall refer to energy sources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis, and whose renewal rate is relatively rapid to consider availability over an indefinite period of time; and
- r) "WTO" – shall refer to the World Trade Organization.

SECTION 4. *Mandatory Use of Biofuels.*—

- a) In pursuance of the above policy, the Department of Energy is hereby directed to immediately adopt a National Biofuel Program that will implement the following:
  - (1) a mandated blending of gasoline with bioethanol fuel. Within two (2) years from the effectivity of this Act, a minimum of five percent (5%) bioethanol fuel by volume shall be blended into all gasoline to be distributed, sold and used as motor fuel. Within four (4) years from the effectivity of this Act, a minimum of ten percent (10%) bioethanol fuel by volume shall be blended into all gasoline to be distributed, sold and used as motor fuel; and
  - (2) a mandated blending of diesel with biodiesel as motor fuel. Within two (2) years from the effectivity of this Act, a minimum of one percent (1%) biodiesel by volume shall be blended into all diesel to be distributed, sold and used as motor fuel. Within four (4) years from the effectivity of this Act, a minimum of five percent (5%) biodiesel by volume shall be blended into all diesel to be distributed, sold and used as motor fuel.
- b) Subsequently and every two (2) years thereafter, the National Biofuel Board shall review and assess the impact of the use of bioethanol fuel and biodiesel as well as the availability of local supply and shall determine the appropriate increase in the mandated minimum blend beyond ten percent (10%) and five percent (5%), respectively.
- c) Beginning January 1, 2015, only biofuel vehicles, engines and parts shall be manufactured, imported and sold in the Philippines, except for vehicles, engines and

pats that run on alternative fuels such as but not limited to, compressed natural gas, LPG, electricity, and fuel cells.

SECTION 5. *Incentive Scheme.* – To encourage private entities to invest in the production of biofuels and distribution of biofuel blends at and beyond the minimum mandated blends, the following incentive scheme is hereby provided:

a) Fiscal Incentives

(1) All entities engaged in the production of biofuel as may be certified by the Department of Energy shall, for a period of ten (10%) years from the effectivity of this Act, be exempted from the payment of tariff and duties in the important of all types of inputs.

b) Non-Fiscal Incentives

(2) Subject to the rules and regulations of the Board of Investments, all investments in the production of biofuel feedstocks and production and blending of biofuels within three years after the effectivity of this Act shall be classified as pioneering and/or preferred areas of investment under its annual investment priorities plan (IPP) and shall enjoy the applicable fiscal and non-fiscal incentives as may be provided for under the Omnibus Investment Code, as amended.

c) Financial Assistance

(1) Government Financial Institutions such as the Development Bank of the Philippines, Land Bank of the Philippines, Quedancor and such other government institutions providing financial services shall in accordance with and to the extent allowed by the enabling provisions of their respective charters or applicable laws, accord high priority to extend financing to entities that shall engage in activities involving production of biofuel and biofuel feedstock.

*SECTION 6. Powers and Functions of the Department of Energy.* – In addition to its existing powers and functions, the Department of Energy is hereby mandated to take appropriate and necessary actions to implement the National Biofuel Program. In pursuance thereof, the Department shall:

- a) Formulate within six (6) months from the effectivity of this Act the Implementing Rules and Regulations under Section 13 hereof;
- b) Prepare the National Biofuel Program consistent with the Philippine Energy Plan;
- c) Within six (6) months from the effectivity of this Act:
  - (1) Establish standards for biofuels and biofuel-blended gasoline and diesel; and
  - (2) Establish guidelines for the transport, storage and handling of biofuels;
- d) Impose fines and penalties against persons or entities found to have committed any of the prohibited acts under Section 10 (b) through (d) hereof;
- e) Confiscate gasoline and diesel sold in the market that are found to be not compliant with the specifications provided for under Sections 4 and 5 and corresponding issuances of the Department; and
- f) Conduct an information campaign (IEC) to promote the use of biofuels.

*SECTION 7. Creation of the National Biofuel Board.* – The National Biofuel Board is hereby created. It shall be composed of the Secretary of the Department of Energy or his designated Undersecretary as chairman and the Secretaries or the designated undersecretaries or assistant secretaries of the Department of Trade and Industry (DTI), Department of Science and Technology (DOST), Department of Agriculture and Food (DAF), and Department of Environment and Natural Resources (DENR); one (1) representative from the biofuel industry; and one (1) representative from the petroleum industry, duly endorsed by their respective industry associations and appointed by the President of the Republic of the Philippines, as members.

The DOE Secretary or his designated Undersecretary, in his capacity as Chairperson, shall, within one (1) month from the effectivity of this Act, convene the NBB.

The Board shall be assisted by a Technical Secretariat attached to the Office of the Secretary or the Office of the Undersecretary of the Department as the case maybe. It shall be headed by a Director to be appointed by the Board. The number of staff of the Technical Secretariat and the corresponding positions shall be determined by the Board, subject to approval by the Department of Budget and Management (DBM) and existing civil service rules and regulations.

SECTION 8. *Powers and Functions of the NBB.* – The National Biofuel Board shall have the following powers and functions:

- a) Approve the National Biofuel Program;
- b) Monitor and review the implementation of the National Biofuel Program;
- c) Monitor the supply and utilization of biofuels and biofuel blends and recommend appropriate measures in cases of shortage of feedstock supply for approval by the Secretary of DOE;
- d) Evaluate plans for further expansion of the program;
- e) Review and increase the minimum mandated biofuel blends as it deems appropriate;
- f) Recommend specific actions concerning the implementation of the National Biofuel Program to be executed by the Department and other appropriate agencies of government.

SECTION 9. *Role of Government Agencies.* – To ensure the effective implementation of this program, concerned agencies shall perform the following functions:

- a) The Department of Finance shall:
  - (1) In coordination with the Tariff Commission, create and classify a tariff line for biofuels and blends harmonized with the WTO and AFTA agreements.
  - (2) Review existing levels of specific tax on petroleum products, and re-align to consider the biofuel blends vis-à-vis other petroleum products.

- (3) Identify suitable incentives to encourage investments in domestic production of biofuels and to cause the petroleum companies operating in the Philippines to blend and retail biofuel blends.
  - (4) Monitor the production and importation of biofuels through the Bureau of Internal Revenue and the Bureau of Customs.
  - (5) Through the Bureau of Internal Revenue and Bureau of Customs, impose fines and penalties to any person or juridical entity committing the prohibited act under Section 10(a) of this Act and coordinate with the Department of Energy on enforcement of specifications and standards for biofuels and biofuel-blended gasoline and diesel.
- b) The Department of Science and Technology (DOST) and the Department of Agriculture (DA) shall coordinate in identifying and developing viable feedstock for the production of biofuels.
- c) The DOST through the PCIERD shall develop and implement a research and development (R&D) Program supporting a sustainable improvement in biofuel production and utilization technology. It shall also publish and showcase related technologies developed locally and abroad.
- d) The DA through its relevant agencies shall:
- (1) Within six (6) months from the effectivity of this Act, develop a national program for the production of crops for use as feedstock supply.
  - (2) Ensure increased productivity and sustainable supply of biofuel feedstocks. It shall institute a program that would guarantee that a sufficient and reliable supply of feedstock is allocated for biofuel production.
  - (3) Publish information on available and suitable areas for cultivation and production of such crops.

The Secretary of DA shall instruct the Administrators of the Sugar Regulatory Administration and the Philippine Coconut Authority, and other DA-attached agencies to, within their authority, develop and implement policies supporting the National Biofuel Program.



- e) *The Department of Trade and Industry shall ensure the inclusion in its Motor Vehicle Development Program the development and promotion of the manufacture and/or investment in production of biofuel vehicles.*
- f) *The Local Government Units (LGUs) shall assist the Department in monitoring the distribution, sale and use of biofuels and biofuel blends.*

SECTION 10. *Prohibited Acts.* – *The following acts shall be prohibited:*

- a) *Diversion of biofuels, whether locally produced or imported;*
- b) *Distribution, sale and use of straight gasoline or diesel and biofuel-blended gasoline or diesel not complying with the requirement under Section 4 of the Act;*
- c) *Non-compliance with the establishment standards and guidelines of the DOE; and*
- d) *Inappropriate and fallacious labeling of biofuels and biofuel-blended gasoline and diesel.*

SECTION 11. *Penal Provisions.* – *Any person, including but not limited to the chief operating officer, chief executive officer of the partnership, corporation or any entity involved, who violates any provision of this Act shall suffer the penalty of three (3) months to one (1) year imprisonment and a fine ranging from fifty thousand pesos (P50,000.00) to three hundred thousand pesos (P300,000.00).*

*In addition, the DOE shall confiscate any amount of gasoline which is not compliant with the specifications provided for under Sections 4 and 5 hereof and corresponding issuances of the DOE. The DOE shall stop the operation of businesses for refusal to comply with any order or instruction of the DOE Secretary in the exercise of his function under this Act.*

SECTION 12. *Appropriations.*– *The fund necessary for the initial implementation of this Act shall be charged against the current appropriations of the Department. Thereafter, the fund necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.*

SECTION 13. *Implementing Rules and Regulations.* – The Department, through the National Biofuel Board, in consultation with the Committees of Energy of the Senate and the House of Representatives, the stakeholders and other agencies concerned, shall, within six (6) months after the effectivity of this Act, promulgate the implementing rules and regulations of this Act: *Provided*, That the draft of the implementing rules and regulations shall be posted in the DOE Website for one (1) month.

SECTION 14. *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 15. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,