

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

SENATE
OFFICE OF THE SECRETARY

5 DEC 13 AM 11:33

SENATE
S. No. 2179

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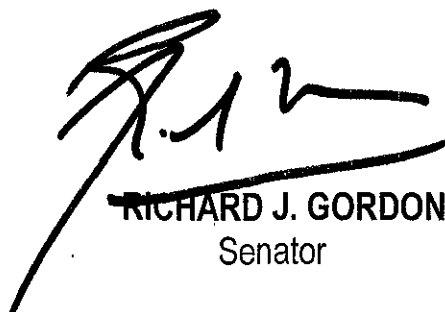
Introduced by **Senator Richard J. Gordon**

EXPLANATORY NOTE

The development of alternative renewal energy sources like biofuels from biomass under a sustainable system is a viable answer to the present oil crisis affecting our country today. Biofuel is an ideal fuel blend or additive for gasoline and diesel, which is environment-friendly. Studies also show that minimal amounts of biodiesel and bioethanol may easily be blended with or added to diesel or gasoline without requiring engine modification for practically all motor vehicles today.

Aside from lessening our dependence on imported oil and buffering us from the rising oil prices in the world market, the promotion of biofuels will encourage the creation of biofuel industries and spur agro-industrial employment. This translates to agro-technology development, increased investments, additional employment, increased government revenue, and a multiplier effect on support and downstream industries. Biofuels may also be a potential export product for our country, just like Brazil which pioneered ethanol fuel in the 1970s to combat rising energy costs but now exports to Japan and other countries.

The proposed Biofuels Act of 2005 will provide the necessary legal framework for the establishment of the National Biofuels Program, which shall provide for the mandatory blending of biofuels with gasoline and diesel. It also provides for incentives in addition to those granted by the Board of Investments, such as reduced excise tax on automobiles that run on biofuels, priority in government financing, and local government incentives, to encourage investments in biofuels and to promote the extensive use thereof.



RICHARD J. GORDON
Senator

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AN ACT TO PROMOTE THE USE OF BIOFUELS BY ESTABLISHING THE NATIONAL BIOFUELS PROGRAM AND PROVIDING INCENTIVES, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

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

2 Sec. 2. *Policy.* – It is hereby declared to be the policy of the State to develop
3 *alternative renewable energy sources from biomass under a sustainable system in order to*
4 *promote a balanced and healthful ecology, pursue independence from imported oil, and*
5 *create agro-industrial employment.*

6 Sec. 3. *Definitions.* – As used in this Act,

7 (1) “Biodiesel” refers to Fatty Acid Methyl Ester (FAME) derived from plant oil,
8 vegetable oil, or animal fat for use in diesel engines;

9 (2) “Bioethanol” refers to ethanol (C₂H₅OH) produced from biomass;

10 (3) “Biofuel” refers to a liquid fuel made from biomass primarily used to fuel vehicles,
11 but can also fuel engines or fuel cells for electricity generation, and may include bioethanol
12 and biodiesel, among others;

13 (4) “Biomass” refers to any organic matter, particularly cellulosic or lignocellulosic
14 matter, which is available on a renewable or recurring basis, including trees, crops and
15 associated residues, plant fiber, poultry litter and other animal wastes, including industrial
16 wastes, and the biodegradable component of municipal solid waste;

17 (5) “DA” refers to the Department of Agriculture;

18 (6) “DENR” refers to the Department of Environment and Natural Resources;

19 (7) “DOE” refers to the Department of Energy;

20 (8) “DOF” refers to the Department of Finance;

21 (9) “DOLE” refers to the Department of Labor and Employment;

- 1 (10) "DOST" refers to the Department of Science and Technology;
- 2 (11) "DOTC" refers to the Department of Transportation and Communications;
- 3 (12) "DTI" refers to the Department of Trade and Industry;
- 4 (13) "Diesel" refers to a heavy mineral oil used as fuel in diesel engines;
- 5 (14) "Feedstock" refers to organic sources or biomass used in the production of
6 biofuels;
- 7 (15) "Gasoline" refers to a complex mixture of relatively volatile hydrocarbons with or
8 without small quantities of additives, blended to form a fuel suitable for use in spark-ignition
9 engines and Research Octane Number (RON) of 93 or above;
- 10 (16) "Motor fuel" refers to all volatile and inflammable liquids produced, blended or
11 compounded for the purpose of, or which are suitable or practicable for, operating motor
12 vehicles; and
- 13 (17) "NBB" refers to the National Biofuels Board created under this Act;

14 Sec. 4. *Mandatory Use of Biofuels.* – In pursuance of the above policy, a National
15 Biofuels Program that will mandate the use of biofuels and promote the extensive use
16 thereof shall be adopted. As may be determined by the NBB, the National Biofuels
17 Program shall provide for:

18 (1) the mandatory blending of a minimum of percentage of bioethanol by volume into
19 all gasoline to be distributed, sold and used as motor fuel; and

20 (2) the mandatory blending of a minimum percentage of biodiesel by volume into all
21 diesel to be distributed, sold and used as motor fuel.

22 Sec. 5. *Incentives.* – Subject to the implementing rules and regulations of the Board of
23 Investments under Executive Order No. 226 or the Omnibus Investments Code, as
24 amended, biofuel industries shall enjoy the optimum fiscal and non-fiscal incentives allowed
25 to be granted under the Omnibus Investments Code.

26 To encourage investments in biofuels and to promote the extensive use thereof, the
27 following additional incentives are hereby granted:

1 (1) *Reduced Excise Tax on Automobiles.* – Automobiles that have the capacity to use
2 higher blends of biofuels of at least thirty percent (30%) shall be subject to a reduced *ad*
3 *valorem* tax in accordance with the following schedule:

4 Engine Displacement (in cc.)			
	<i>Gasoline</i>	<i>Diesel</i>	<i>Tax Rate</i>
5			
6	Up to 1600	Up to 1800	7.5%
7	1601 to 2000	1801 to 2300	17.5%
8	2001 to 2700	2301 to 3000	25%
9	2701 or over	3001 or over	50%

10 (2) *Priority in Government Financing.* – Government Financial Institutions and such
11 other government institutions providing financial services shall, in accordance with and to
12 the extent allowed by the enabling provisions of their respective charters or applicable laws,
13 accord high priority to extend financing to entities that shall engage in activities involving
14 biofuels.

15 (3) *Local Government Incentives.* – Local Government Units are called to grant
16 additional incentives to entities that shall engage in activities involving biofuels.

17 **Sec. 6. *The National Biofuels Board.*** – The National Biofuels Board or NBB is hereby
18 created and it shall be composed of a representative of the DOE as Chairperson; one (1)
19 representative each from the DTI, the DOF, the DOTC, the DOST, the DA, the DENR, the
20 DOLE, the Sugar Regulatory Administration (SRA), the Philippine Coconut Authority (PCA);
21 one representative from the producers of feedstock for biofuels; one (1) representative from
22 the distillery industry; and one (1) representative from the petroleum industry, all duly
23 endorsed by their respective departments or industry associations and appointed by the
24 President of the Republic of the Philippines, as Members.

1 The Chairperson shall, within one (1) month from the effectivity of this Act, convene
2 the NBB. The NBB shall be assisted by a Technical Secretariat whose personnel shall be
3 on detail from the DOE and/or other departments/agencies comprising the NBB. The
4 Technical Secretariat shall be attached to the Office of the Secretary or the Undersecretary
5 of the DOE.

6 *Sec. 7. Powers and Functions of the NBB.* – The NBB shall have the following
7 powers and functions:

8 (1) Draft and promulgate, within six months from the effectivity of this Act, the
9 implementing rules and regulations of this Act;

10 (2) Prepare the National Biofuels Program which shall establish standards for biofuels
11 and biofuel blends, and guidelines for the storage, transport and handling of biofuels;

12 (3) Monitor and implement the provisions of this Act, its implementing rules and
13 regulations, and the National Biofuels Program; and

14 (4) Conduct an information and education campaign to promote the use of biofuels.

15 *Sec. 8. Prohibited Acts.* – The following are prohibited acts:

16 (1) Diversion of biofuels, whether locally produced or imported, to non-fuel uses;

17 (2) Distribution, sale and use of fuel without the proper biofuel blend mandated by the
18 NBB;

19 (3) Inappropriate and fallacious labeling of biofuels; and

20 (4) Noncompliance with the established rules and regulations, and standards and
21 guidelines of the NBB.

22 *Sec. 9. Penal Provisions.* – Any person, whether natural or juridical, who violates Sec.
23 8 or any provision of this Act or its implementing rules and regulations, shall suffer the
24 penalty of a fine of not less than fifty thousand pesos (P50,000.00) but not more than one
25 hundred thousand pesos (P100,000.00) per day of violation.

1 Motor fuel that is not compliant with the specifications provided by the NBB pursuant
2 to this Act shall be confiscated. The NBB may also close or suspend the operation of any
3 fuel distribution facility for failure to comply with this Act.

4 Sec. 10. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or
5 other issuances or parts thereof inconsistent with the provisions of this Act are hereby
6 repealed or modified accordingly.

7 Sec. 11. *Appropriation.* – The fund necessary for the initial implementation of this Act
8 shall be charged against the current appropriation. Thereafter, it shall be included in the
9 General Appropriations Act.

10 Sec. 12. *Separability Clause.* – If any portion or provision of this Act is declared
11 unconstitutional, the remainder of this Act or any provision not affected thereby shall remain
12 in force and effect.

13 Sec. 13. *Effectivity.* – This Act shall take effect after fifteen (15) days following the
14 completion of its publication either in the Official Gazette or in a newspaper of general
15 circulation in the Philippines.

16 Approved,