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

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SENATE
S. No. 2083

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

Global warming has reached an alarming stage. It is not an understatement that increasing amounts of carbon dioxide and other greenhouse gases are heating up the earth's climate and that inaction could be catastrophic.

Amidst this looming scenario, our economy is growing at a considerable pace. The challenge before us then is to accelerate economic growth without compromising the state of our environment.

Thus, this bill introduces the concept of "low carbon economy." The idea is to pave the way for a cleaner environment by limiting the release of greenhouse gases by the industrial and commercial sector.

Upon consultation with the industrial sector, the Department of Natural Resources in collaboration with the Department of Trade and Industry, shall set a cap on the greenhouse gas emissions of companies. To cushion the impact of a cap on companies, this bill allows them to trade credits with each other. Allowances for greenhouse gas emissions will be issued to companies which, in turn, may be freely traded by them in a market-driven system. Companies with excess greenhouse gas emissions may buy allowances from the market, while companies with less greenhouse gas emissions may sell their allowances to the market. This trading mechanism allows for a pseudo-financial market that allows for companies to transact with each other but with an additional benefit of maintaining the target emissions in the economy.

The emission cap-and-trade system is a constructive and business-friendly approach to countering global warming. Ultimately, a market for companies that emit greenhouse gases shall compete to clean up our air.

Undoubtedly, a low carbon economy would accelerate reduction of greenhouse gas emission, encourage use of new climate change-related technologies, and ensure benefits to consumers from the trading in allowances.

In view of the above, passage of this bill is earnestly sought.

LOREN LEGARDA
Senator

FOURTEENTH CONGRESS OF THE)
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S E N A T E
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AN ACT
TO PROMOTE A LOW CARBON ECONOMY ESTABLISHING FOR THIS PURPOSE THE EMISSION CAP-AND-TRADE SYSTEM IN THE INDUSTRY SECTOR TO REDUCE GREENHOUSE GAS EMISSIONS AND PROTECT THE CLIMATE

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

SECTION 1. *Title.-* This Act shall be known as the "Low Carbon Economy Act."

SEC. 2. *Declaration of Policy.-* It is the policy of the State to promote sustainable development. Towards this end, this bill seeks to maximize the contribution of the industrial and commercial sector in reducing greenhouse gas emissions and minimize the adverse effects of climate change on small businesses through the establishment of a market-driven system of greenhouse gas tradable allowances.

SEC. 3. *Definition of Terms.-* For purposes of this Act, the following shall have the corresponding meanings:

A) *"Carbon Dioxide Equivalent"* shall refer to the quantity of greenhouse gas that makes the same contribution to global warming as one (1) metric ton of carbon dioxide, as determined by the Department of Environment and Natural Resources (DENR) Secretary, taking into account the global warming potentials published by the Intergovernmental Panel on Climate Change;

B) *"Greenhouse Gas"* shall refer to the following gases: carbon dioxide, methane, nitrous oxide, hydroflourocarbons, perflourocarbons, sulfur hexafluoride, perflourocarbons, sulfur hexafluoride, or any other anthropogenically-emitted gas that is determined by the DENR Secretary to contribute to global warming; and

C) *"Covered Sector"* shall refer to the industry and commercial sectors.

SEC. 4. *Emission Reduction Measures/ Targets.* – Emission reduction measures shall be adopted by the DENR Secretary to achieve maximum technologically feasible and cost-effective reductions in greenhouse gas emissions.

Annual emission reduction targets shall be set for each calendar year by the President, through the Department of Natural Resource in collaboration with the Department of Trade and Industry, upon consultation with other agencies having jurisdiction over sources of greenhouse gases.

SEC. 5. *Cap on Greenhouse Gas Emissions.* – To achieve the emission targets set pursuant to this Act, a cap shall be imposed on the greenhouse gas emissions of the covered sector with –
(A) the highest greenhouse gas emissions;
(B) the most cost-effective opportunities to reduce emissions:

SEC. 6. *Allowances.* – The DENR Secretary shall issue each year a quantity of greenhouse gas emissions allowances equivalent to the emissions allowed under the cap imposed for such year. Each such allowance shall authorize the emission of one metric ton of carbon dioxide, or in the case of a global warming pollutant other than carbon dioxide, a carbon dioxide equivalent. Such an allowance does not constitute a property right.

SEC. 7. *Distribution of Allowances.* – The allowances shall be distributed by the DENR Secretary to the covered sector by allocation.

SEC. 8. *Trading System.* – There shall be established a trading system under which allowances issued under this Act may be sold, exchanged, purchased or traded by any person or entity.

SEC. 9. *Monitoring.* - The DENR Secretary shall ensure that greenhouse gas emissions and the use of allowances issued under this Act are accurately tracked, reported and verified, to ensure that the cap-and-trade system established under this Act is fully implemented.

The initial database on greenhouse gas emissions by covered sectors shall be established within six months from the effectivity of this Act.

SEC. 10. *Enforcement.* - In case of excess greenhouse gas emissions by an entity during any calendar year, the entity shall:
A) submit allowances for such emissions during the following calendar year; and
B) pay a civil penalty.

SEC. 11. *Penalties.-* For each quantity of excess greenhouse gas emissions constituting carbon dioxide or one carbon dioxide equivalent, the amount of civil penalty shall be twice the market price for an allowance at the end of the calendar year in which the excess emissions occurred. The DENR Secretary shall establish the method of determining such market price.

SEC. 12. *Climate Reinvestment Fund.-* There is established a fund to be known as the Climate Reinvestment Fund, hereafter referred to the Fund. The fund shall consist of the amount of civil penalties assessed under Section 11 of this Act. It shall be administered by the DENR and to be used exclusively for activities addressing global warming.

SEC. 13. *Appropriations.-* The amount necessary for the initial implementation of this Act shall be taken from existing allocations of the DENR. Thereafter such sums

as shall be necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

SEC. 14. *Implementing Rules and Regulations* - The Department of Environment and Natural Resources and the Department of Trade and Industry are hereby empowered to issue implementing rules and regulations necessary, in coordination with other relevant and appropriate government agencies within sixty (60)days after its approval. Failure to issue rules and regulations shall not in any manner affect the executory nature of the provisions of this Act.

SEC. 15. *Separability Clause.-* If for any reason any section or provision of this Act is declared by the Court as unconstitutional or invalid, the other sections or provisions thereof shall not be affected thereby.

SEC. 16. *Repealing Clause.-* All laws, ordinances, rules and regulations, and other issuances or parts thereof which are inconsistent with this Act, are hereby repealed or modified accordingly.

SEC. 17. *Effectivity.-* This Act shall take effect upon its complete publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,