

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



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SENATE
S.B. No. 678

BY:

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

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

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 and ensuring that the Philippines leads in the growing electric vehicle manufacturing industry in the Asian region.

Policy support is needed to encourage investment in manufacturing facilities, enable technology demonstration and deployment and provide incentives to promote adoption and drive consumer demand for electric, hybrid and other alternative fuel vehicles. High initial costs, lack of fiscal incentives and vehicle registration and franchising issues are seen as major barriers to this emerging industry's growth.

Although EO 226, from which the Investment Priorities Plan (IPP) derives its legal basis, grants Income Tax Holiday (ITH) for the manufacture and assembly of electric vehicles (EVs) and alternative fuel vehicles (AFVs) including charging stations for electric vehicles, and while Executive Order No. 488, grants duty free importation for components, parts and accessories for the assembly of electric, hybrid, flexible fuel (bio-ethanol and bio-diesel) and compressed natural gas motor vehicles, high capitalization requirements were often cited as the reason for inability of investors in this emerging industry from availing these incentive.

The clamor by the industry for the grant of fiscal incentives which could bring down the acquisition cost of alternative fuel vehicles through exemption from taxes and duties for the purchase and importation of raw materials, spare parts, components and capital equipment, will take some time to be acted on by government owing to the Department of Finance's ongoing review and rationalization of fiscal incentives.

Since any form of incentives can provide additional boost needed to drive consumer demand for alternative fuel vehicles, non-fiscal incentives such as priority in registration and issuance of plate number, priority in franchise application, exemption from Unified

Vehicular Volume Reduction Program (UVVRP) or Number-Coding Scheme and provision for free parking spaces in new establishments could help influence consumers to choose these types of vehicles.

The enactment of this bill is earnestly requested as this will provide an enabling environment to promote the mainstream use of electric, hybrid and other alternative fuel vehicles.


Senator Paolo Benigno "Bam" A. Aquino IV

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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**
2 **Alternative Fuel Vehicles Promotions Act**".

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

8 A) It is the policy of the State to protect and advance the right of the people to a
9 balanced and healthful ecology in accord with the rhythm and harmony in nature.
10 The State shall recognize and address the detrimental effects on the environment,
11 safeguard the welfare, and protect the health of the people by improving air quality
12 and by reducing the impact of greenhouse gas effects emitted from man-made
13 sources such as vehicles operating on fossil fuels;

14 B) The State supports the need to promote the development of new technology to
15 accelerate social progress and promote human development. The use of alternative
16 sources of energy on vehicles intended for public and private use is encouraged to
17 promote innovation, energy efficiency, security and conservation and to speed-up
18 the deployment of cleaner technology; and

19 C) The State recognizes the indispensable role of the private sector, encourages private
20 enterprise, and provides incentives to needed investments. To accelerate economic
21 growth and generate employment, the state shall provide incentives to private
22 enterprises and individuals engaged in the manufacture, assembly, conversion, and
23 importation of electric, hybrid and other clean energy vehicles.

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

- 2 a) *Electric Vehicle (EV)* shall refer to any vehicle that uses electric motors solely
3 for propulsion;
- 4 b) *Hybrid Vehicle (HV)* shall refer to any vehicle that combines the technologies
5 of using internal combustion engine (ICE) with a battery-powered electric
6 motor to gain advantages of both propulsion systems;
- 7 c) *Other Alternative Fuel Vehicles (AFV)* shall refer to any vehicle using
8 alternative fuel such as but not limited to: solar, wind, hydrogen fuel cell,
9 compressed natural gas (CNG) or liquefied natural gas (LNG), methane and
10 liquefied petroleum gas (LPG), other than conventional sources of energy like
11 petroleum and gasoline for propulsion;
- 12 d) *Manufacturer or Assembler* shall mean any individual, partnership,
13 corporation or other entity engaged in the manufacture, assembly and
14 conversion of electric, hybrid and other alternative fuel vehicles
15 incorporated, organized and existing under Philippine laws; and
- 16 e) *Importer* shall mean any individual, partnership, corporation or other entity
17 engaged in the importation of completely built units (CBUs) of electric, hybrid
18 and other alternative fuel vehicles incorporated, organized and existing
19 under Philippine laws.

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

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

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

- 32 a. Secretary, Department of Trade and Industry – Chairperson;
33 b. Secretary, Department of Transportation and Communication - Vice-Chairperson;
34 c. Secretary, Department of Energy - Vice-Chairperson;
35 d. Secretary, Department of Finance – Member;
36 e. Secretary, Department of the Interior and Local Government – Member;
37 f. Secretary, Department of Science and Technology – Member;

- 1 g. Three (3) Representatives from the Industry Sector to be elected by the Council;
2 and
3 h. Three (3) Representatives from the Civil Society to be elected by the Council.

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

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

- 8 1. Formulate incentives to address the high acquisition cost of electric vehicles, hybrid
9 and other alternative fuel vehicles and operating cost of supporting infrastructures
10 particularly charging stations;
- 11 2. Develop and recommend standards and specifications which address the
12 performance, quality and safety issues of electric vehicles, battery, charging stations
13 and connectors, and repair and maintenance in accordance with international
14 standards;
- 15 3. Review and recommend appropriate classification for electric, hybrid and other
16 alternative fuel vehicles and the corresponding parameters for Motor Vehicle
17 Inspection System (MVIS) approval;
- 18 4. Review and recommend policy for allowing the entry of and promoting electric,
19 hybrid and alternative fuel vehicles fleet operations;
- 20 5. Recommend modalities for the utilization of the Special Vehicle Pollution Control
21 Fund (SVPCF), a special trust account managed by the Road Board created by virtue
22 of Republic Act No. 8794 or any sources of funds to implement air quality
23 improvement projects involving the use of electric, hybrid and other alternative fuel
24 vehicles;
- 25 6. Coordinate with local government units (LGUs) in identifying and allocating land and
26 property within their locality for use as public charging stations for electric or hybrid
27 vehicles or refuelling stations for alternative fuel vehicles;
- 28 7. Coordinate with the electric power industry stakeholders, particularly, the Energy
29 Regulatory Commission (ERC) and electric distribution utilities and cooperatives, in
30 the preparation of their electric systems and network to accommodate the
31 connection of electric or hybrid vehicles, charging equipment and stations;
- 32 8. Undertake Information and Education Campaign (IEC) on the proper use,
33 maintenance, repair and disposal of electric, hybrid and alternative fuel vehicles; and
- 34 9. Monitor resolution of issues affecting the electric, hybrid and alternative fuel vehicle
35 and undertake action as may be determined by the Council.

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

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

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

15 **SEC. 10. Exemption from the Payment of Motor Vehicle User's Charge (MVUC) -**
16 Electric, hybrid and other clean energy vehicles shall be exempt from the payment of the
17 Motor Vehicle User's Charge (MVUC) imposed by the Land Transportation Office (L TO)
18 under Republic Act No. 8794, otherwise known as "Motor Vehicle User's Charge (MVUC)
19 Act" for nine (9) years from the effectivity of this Act.

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

- 22 1. Priority in Registration and Issuance of Plate Number. – Registration and renewal of
23 registration of electric, hybrid and other alternative fuel vehicles shall be prioritized
24 by the Land Transportation Office (LTO) for nine (9) years from the effectivity of this
25 Act. A special type of vehicle plate to be prescribed by the LTO shall be exclusively
26 issued to all electric, hybrid and other alternative fuel vehicles upon registration;
- 27 2. Priority in Franchise Application. – Public Utility Vehicle (PUV) operators exclusively
28 utilizing electric, hybrid and other clean energy vehicles shall be granted priority by
29 the Land Transportation Franchising and Regulatory Board (LTFRB) in the approval of
30 applications for franchise to operate, including its renewal, for nine (9) years from
31 the effectivity of this Act;
- 32 3. Exemption from Unified Vehicular Volume Reduction Program (UVVRP) or Number-
33 Coding Scheme. – All electric, hybrid and other clean energy vehicles shall, for nine
34 (9) years from the effectivity of this Act, be exempted from the mandatory Unified
35 Vehicular Volume Reduction Program (UVVRP) or Number-Coding Scheme being
36 implemented by the Metro Manila Development Authority (MMDA) and other local
37 government units (LGUs) concerned; and

1 4. Provision for Free Parking Spaces in New Establishments. – Business and commercial
2 establishments to be constructed after the effectivity of this Act are mandated to
3 provide exclusive parking spaces free of charge for all electric, hybrid and other
4 alternative fuel vehicles. No building permit shall be issued for the construction of
5 business and commercial establishments that include parking spaces unless the
6 owner submits an affidavit that there shall be free parking spaces to be exclusively
7 designated for electric, hybrid and other alternative fuel vehicles for nine (9) years
8 from the effectivity of this Act.

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

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

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

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

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

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

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

Approved,