

'16 JUL 21 P2:14

SENATE

S. No. 801

REGISTERED BY: 

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Introduced by Senator Ralph G. Recto

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**AN ACT**  
**PROMOTING ENVIRONMENTALLY SUSTAINABLE TRANSPORT BY**  
**PROVIDING INCENTIVES FOR THE MANUFACTURE, ASSEMBLY,**  
**CONVERSION AND IMPORTATION OF ELECTRIC, HYBRID AND OTHER**  
**GREEN VEHICLES, AND FOR OTHER PURPOSES**

**Explanatory Note**

Road transportation accounts for about eighty percent (80%) of air pollution in Metro Manila. With the rapid rise in personal vehicle ownership, demand for fuel will continue to increase along with carbon emissions unless there is a shift in transportation.

Although the transport sector has a significant contribution to the Philippines' economic growth, it also poses a threat to our quality of life as it greatly impacts on our national health, energy, security and environment.

Air pollution primarily causes respiratory diseases including acute and chronic bronchitis, acute lower respiratory infection (ALRI) and pneumonia, and cardiovascular diseases. The economic cost of the health impacts of air pollution from road transport is estimated at US\$325 million per year.<sup>1</sup>

Our economy has been adversely affected by crude oil prices for the past decades. The Philippines being highly dependent on petroleum and petroleum products spend P721.8 billion<sup>2</sup> on 123.5 million barrels of imported oil annually.<sup>3</sup>

Given the extent of economic cost of using fossil fuels for transportation, it is imperative that the government help modernize the Philippine public transport system. The benefits of reducing that burden could easily outweigh the monetary cost of investments. Promoting green vehicles hold significant potential for increasing energy security, reducing carbon emissions, and improving local air quality. We can temper our dependence on petroleum and increase fuel savings. The riding public benefits too as the amount of fares will no longer be dictated by the volatility of fuel prices. At the same time, pollution-related diseases and productivity losses will be minimized.

The State recognizes its role in addressing the detrimental effects on the environment, safeguarding the welfare, and protecting the health of the people by improving air quality and by reducing the impact of greenhouse gas effects emitted from man-made sources such as vehicles operating on fossil fuels. Consequently, Administrative Order No. 254 issued on January 30, 2009, mandates the Department of

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<sup>1</sup> Pollution-free advocacy: Adopt an E-jeepney program. <http://jamesdeakin.ph/pollution-free-advocacy-adopt-an-ejeepney-program/>

<sup>2</sup> Indxmundi. <http://www.indexmundi.com/commodities/?commodity=crude-oil&months=300&currency=php>. (Accessed on 30 May 2013)

<sup>3</sup> Indxmundi. [www.indexmundi.com/g/g.aspx?v=93&c=rp&l=en](http://www.indexmundi.com/g/g.aspx?v=93&c=rp&l=en). (Accessed on 30 May 2013.)

Transportation and Communications (DOTC) to lead the formulation of an Environmentally Sustainable Transport (EST) strategy.<sup>4</sup> EST can only be achieved if every Filipino will take responsibility and get involved. The Congress takes an important role by crafting a bill that will facilitate the implementation of the National EST strategy.

As the title of the measure suggests, fiscal and non-fiscal incentives shall be granted to the importation and manufacture of green vehicles using clean energy sources such as, but not limited to, solar, wind, hydrogen fuel cell, methane, compressed natural gas or liquefied natural gas and liquefied petroleum gas. In addition to this, it will also exempt the owners of green vehicles from the payment of the Motor Vehicle User's Charge or the MVUC upon registration of their vehicles. Likewise, non-fiscal incentives shall be granted under this bill.

The bill's primary objective is to deploy more green vehicles such as E-jeepneys, e-tricycles, LPG taxis, CNG-powered buses and hybrid cars on the road in order to abate the level of air pollution in urban areas all over the country which can be translated to hundreds of thousands of tons of carbon dioxide emission eliminated.

Moreover, the use of green vehicles for public and private transport will encourage technology innovation, create green jobs, accelerate the deployment of green vehicles, increase fuel savings, promote better air quality and provide solutions to climate change. There are a variety of promising clean vehicle technologies and fuels in development and in use around the globe which, the Philippines can adopt. This market is still developing, however, and there are many challenges, particularly with technology integration, optimization, and scale-up.

The bill attaches sunset provisions on when the incentives expire. Any manufacturer or assembler of green vehicles has nine (9) years to avail of the incentives under this bill, thereby allowing the industry enough time to grow and develop.

Member-countries of the Organisation for Economic Co-operation and Development (OECD) have allotted millions of dollars to support technologies to attain EST. They also provide incentives such as tax credits and exemptions as well as subsidies and policy support for all new energy vehicles.

Even if only a fraction of the funds are spent here or a shadow of the policies will be institutionalized, these will be enough to establish a vibrant domestic green vehicle industry that will reel in investors to set up shop and create jobs here. Our government should not lose this opportunity like what happened in the past wherein an internationally competitive auto industry for the Philippines failed to take off and make us the ASEAN hub of many international automakers like Thailand due to lack of economies of scale, limited supply base and high cost of production.<sup>5</sup> The growth of the green vehicle industry can spur our country's targeted inclusive growth to take the lead in expanding its allied industries and capture new jobs that would otherwise go to our competitors.

The passage of this bill supports the Fueling Sustainable Transport Program (FSTP) of the Department of Energy (DOE), which is an initiative on diversifying fuels for transport use in the Philippines. The program seeks to convert public and private vehicles from diesel and gasoline to low- and zero-emission vehicles to address the

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<sup>4</sup> University of the Philippines-National Center for Transportation Studies (NCTS). Final Report: Sustainable Transport Strategy. May 2011.

<sup>5</sup> Philippine Institute for Development Studies. "Globalization, competition, and international production networks: policy directions for the Philippine automotive industry." No. 2011-13 (June 2011). <http://dirp4.pids.gov.ph/ris/pn/pidspn1113.pdf> (Accessed June 4, 2013).

impact of increasing fuel prices and reduce carbon footprint on the transport sector.<sup>6</sup> Retrofitting the rest of public utility vehicles (PUVs) like jeepneys and buses can have a tremendous impact on clean environment. If the manufacturers can avail of the fiscal incentives to bring down their input costs, they can offer more competitive price of electric vehicles as compared to their existing gasoline-fed counterparts.

With this Bill, every Filipino citizen can take responsibility in improving the nation's environment, health and economy.

In view of the foregoing, immediate approval of this bill is earnestly requested.

  
RALPH G. RECTO

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<sup>6</sup> Department of Energy. Press Release. "Fueling sustainable transport program to mitigate fuel price Increases in the future." 6 April 2011. <http://www.gov.ph/2011/04/06/fueling-sustainable-transport-program-to-mitigate-fuel-price-increases-in-the-future/> (Accessed on June 4, 2013)



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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 "Green Vehicles Incentives  
2 Act of 2016".

3           **SEC. 2. Declaration of Policy.** - It is the policy of the State to safeguard life and  
4 environment by encouraging the use of clean energy sources for vehicles intended for  
5 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. The  
10 State shall recognize and address the detrimental effects on the environment, safeguard  
11 the welfare, and protect the health of the people by improving air quality and by reducing  
12 the impact of greenhouse gas effects emitted from man-made sources such as vehicles  
13 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 eco-friendly or  
16 green vehicles intended for public and private use is encouraged to promote innovation,  
17 energy efficiency, security and conservation, and to speed-up the deployment of cleaner  
18 technology.

19           C) The State recognizes the indispensable role of the private sector, encourages  
20 private enterprise, and provides incentives to needed investments. To accelerate  
21 economic 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 green vehicles.

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

2           (a) **Green Vehicle** shall refer to a vehicle that is considered to be environmentally  
3 friendly and have less of a damaging impact on the environment than conventional cars;  
4 it uses clean energy sources to fuel its engine, such as but not limited to: electric vehicle,  
5 hybrid vehicle, solar, wind, hydrogen fuel cell, compressed natural gas (CNG) or  
6 liquefied natural gas (LNG), methane and liquefied petroleum gas (LPG), other than  
7 conventional sources of energy like petroleum and gasoline for propulsion.

8           (b) **Electric Vehicle (EV)** shall refer to any vehicle that uses electric motors  
9 solely for propulsion.

10          (c) **Hybrid Vehicle (HV)** shall refer to any vehicle that combines the  
11 technologies of using internal combustion engine (ICE) with a battery-powered electric  
12 motor to gain advantages of both propulsion systems.

13          (d) **Manufacturer or Assembler** shall mean any individual, partnership,  
14 corporation or other entity engaged in the manufacture, assembly and conversion of  
15 electric, hybrid and other green vehicles incorporated, organized and existing under  
16 Philippine laws.

17          (e) **Importer** shall mean any individual, partnership, corporation or other entity  
18 engaged in the importation of completely built units (CBUs) of electric, hybrid and other  
19 green vehicles incorporated, organized and existing under Philippine laws.

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

22          **SEC. 5. Incentives to Manufacturers or Assemblers.** - The provision of any  
23 special or general law to the contrary notwithstanding, the manufacture or assembly of  
24 completely knocked-down (CKD) parts of electric, hybrid and other green vehicles,  
25 including the conversion of vehicles into electric, hybrid and other green vehicles, shall  
26 be exempt from the payment of excise taxes and duties for nine (9) years from the  
27 effectivity of this Act.

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

32          **SEC. 6. Incentives to Importers.** - The provision of any special or general law to  
33 the contrary notwithstanding, the importation of completely built units (CBUs) of  
34 electric, hybrid and other green vehicles shall be exempt from the payment of excise  
35 taxes and duties for nine (9) years from the effectivity of this Act.

36          **SEC. 7. Exemption from the Payment of Motor Vehicle User's Charge (MVUC).** -  
37 Electric, hybrid and other green vehicles shall be exempt from the payment of the Motor  
38 Vehicle User's Charge (MVUC) imposed by the Land Transportation Office (LTO) under

1 Republic Act No. 8794, otherwise known as "Motor Vehicle User's Charge (MVUC)  
2 Act" for nine (9) years from the effectivity of this Act.

3 **SEC. 8. *Non-Fiscal Incentives.*** –

4 1. *Priority in Registration and Issuance of Plate Number.* - Registration and  
5 renewal of registration of electric, hybrid and other green vehicles shall be prioritized by  
6 the LTO for nine (9) years from the effectivity of this Act. A special type of vehicle plate  
7 to be prescribed by the LTO shall be exclusively issued to all electric, hybrid and other  
8 green vehicles upon registration.

9 2. *Priority in Franchise Application.* - Public Utility Vehicle (PUV) operators  
10 exclusively utilizing electric, hybrid and other green vehicles shall be granted priority by  
11 the Land Transportation Franchising and Regulatory Board (LTFRB) in the approval of  
12 applications for franchise to operate, including its renewal, for nine (9) years from the  
13 effectivity of this Act.

14 3. *Exemption from Unified Vehicular Volume Reduction Program (UVVRP) or*  
15 *Number-Coding Scheme.* - All electric, hybrid and other green vehicles shall, for nine (9)  
16 years from the effectivity of this Act, be exempted from the mandatory Unified Vehicular  
17 Volume Reduction Program (UVVRP) or Number-Coding Scheme being implemented  
18 by the Metro Manila Development Authority (MMDA) and other local government units  
19 (LGUs) concerned.

20 4. *Provision for Free Parking Spaces in New Establishments.* - Business and  
21 commercial establishments to be constructed after the effectivity of this Act are mandated  
22 to provide exclusive parking spaces free of charge for all electric, hybrid and other green  
23 vehicles. No building permit shall be issued for the construction of business and  
24 commercial establishments that include parking spaces unless the owner submits an  
25 affidavit that there shall be free parking spaces to be exclusively designated for electric,  
26 hybrid and other green vehicles, for nine (9) years from the effectivity of this Act.

27 **SEC. 9. *Registration, Implementation and Monitoring.*** - The Department of  
28 Finance (DOF) and Department of Trade and Industry (DTI) shall be responsible for the  
29 administration and implementation of the incentives granted under this Act.

30 Manufacturers, assemblers, converters and importers of electric, hybrid and other  
31 green vehicles shall register with DOF in order to avail of the incentives provided under  
32 this Act. For proper monitoring, DOF and DTI shall meet regularly to monitor and review  
33 the implementation of the incentives provided herein.

34 **SEC. 10. *Implementing Rules and Regulations.*** - The Department of Finance  
35 (DOF) in coordination with the Department of Trade and Industry (DTI) shall promulgate  
36 the necessary rules and regulations for the effective implementation of this Act.

1           **SEC. 11. *Separability Clause.*** - If any provision of this Act is declared  
2 unconstitutional or invalid, other parts or provisions hereof not affected thereby shall  
3 continue to be in full force and effect.

4           **SEC. 12. *Repealing Clause.*** - All other laws, orders, issuances, circulars, rules  
5 and regulations or parts thereof, which are inconsistent with the provisions of this Act are  
6 hereby repealed or modified accordingly.

7           **SEC. 13. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days  
8 following its publication in at least two (2) newspapers of general circulation or the  
9 *Official Gazette.*

          Approved,