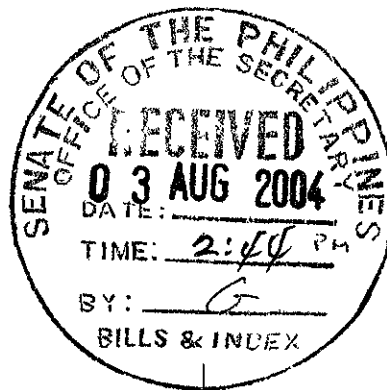


THIRTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
First Regular Session )

SENATE  
S.B. No. 1587



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Introduced by Senator Miriam Defensor Santiago

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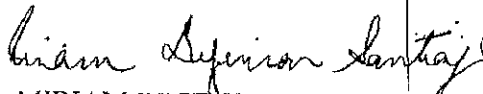
#### EXPLANATORY NOTE

The Constitution, Article 12, Section 1, provides that:

The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged.

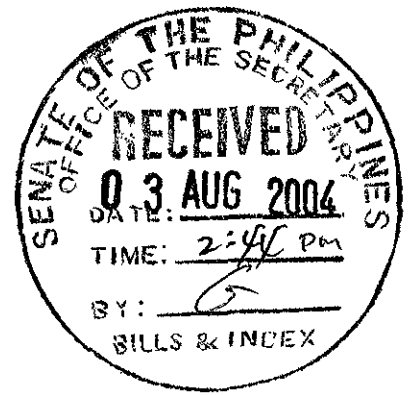
The dependence of the Philippines on imported petroleum creates a major strategic vulnerability for the nation, with majority of the energy supply of the country reliant on foreign sources. From economically damaging Arab oil embargoes of 1973-1974 and 1979 to the current recession precipitated by rising oil prices which began in 1999, the economic stability of the Philippines has too often been shaken by economic forces outside its borders.

This bill seeks to shift Philippines' dependence away from foreign petroleum as an energy source toward alternative, renewable, and domestic agricultural sources. Its aim is to convert the current petroleum trade deficit to a trade balance by replacing foreign sources of supply with steady increases of bio-based fuels through domestic production.

  
MIRIAM DEFENSOR SANTIAGO

THIRTEENTH CONGRESS OF THE REPUBLIC)  
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AN ACT  
TO PROVIDE FOR A BIOFUEL FEEDSTOCKS ENERGY RESERVE, AND TO  
AUTHORIZE THE SECRETARY OF AGRICULTURE TO MAKE AND  
GUARANTEE LOANS FOR THE PRODUCTION, DISTRIBUTION,  
DEVELOPMENT, AND STORAGE OF BIOFUELS

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

SECTION 1. *Short Title.* - This Act shall be known as the "Biofuels Energy Independence Act."

SECTION 2. *Definition of Terms.* - as used in this Act, the term:

(1) "Biofuels" – are fuels produced from dry organic matter or combustible oils produced by plants. This may include alcohol (from fermented sugar), black liquor from the paper manufacturing process, wood, soybean oil, etc.

(2) "Petroleum" – otherwise known as crude oil. It is a thick, flammable, yellow-to-black mixture of gaseous, liquid, and solid hydrocarbons that occurs naturally beneath the earth's surface which can be separated into fractions including natural gas, gasoline, naphtha, kerosene, fuel and lubricating oils, paraffin wax, and asphalt and is used as raw material for a wide variety of derivative products.

(3) "Feedstocks" - the actual crops to be used in energy generation.

(4) "Ethanol" – otherwise known as ethyl alcohol. It is made through fermentation and then distillation of starch and sugar crops such as maize, sorghum, potatoes, wheat, sugar-canes, even cornstalks, fruit and vegetable waste.

(5) "Biodiesel" – any liquid biofuel suitable as a diesel fuel substitute or diesel fuel additive or extender. It is typically made from oils such as soybeans, rapeseed, or sunflowers, or from animal tallow. It can also be made from hydrocarbons derived from agricultural products such as rice hulls.

(6) "CO<sub>2</sub>" – means carbon dioxide.

(7) "Secretary" – refers to the Secretary of Agriculture.

SECTION 3. *Benefits of Biofuels.* - The benefits of biofuels are as follows:

(1) ENERGY SECURITY-

(a) Biofuels hold potential to address our dependence on foreign energy sources immediately. With agricultural surpluses, commodity prices have reached record lows. Concurrently world petroleum prices have reached record highs and are expected to continue rising as global petroleum reserves are drawn down over the next twenty five (25) years. It is also clear that economic conditions are favorable to utilize domestic surpluses of bio-based oils to enhance the nation's energy security.

(b) In the short term, biofuels can supply at least one-fifth (1/5) of current Philippine fuel demand using existing technologies and capabilities. Additional plant research, newer processing and distribution technologies, and placing additional acres under cultivation can yield even greater results.

(c) Biofuels can be used with existing petroleum infrastructure and conventional equipment.

(2) ECONOMIC SECURITY-

(a) Continued dependence upon imported sources of oil means our nation is strategically vulnerable to disruptions in our oil supply.

(b) Renewable biofuels domestically produced directly replace imported oil.

(c) Increased use of renewable biofuels would result in significant economic benefits to rural and urban areas and also reduce the trade deficit.

(3) ENVIRONMENTAL SECURITY-

(a) The use of grain-based ethanol reduces greenhouse gas emissions from thirty five (35%) to forty six percent (46%) compared with conventional gasoline. Biomass ethanol provides an even greater reduction.

(b) Ethanol reduces tailpipe carbon monoxide emissions by as much as thirty percent (30%).

(c) Ethanol reduces exhaust volatile organic compounds emissions by twelve (12%) percent.

(d) Ethanol reduces toxic emissions by thirty percent (30%).

(e) Ethanol reduces particulate emissions, especially fine particulates that pose a health threat to children, senior citizens, and those with respiratory ailments.

(f) Biodiesel contains no sulfur or aromatics associated with air pollution.

(g) The use of biodiesel provides a seventy eight point five percent (78.5%) percent reduction in CO<sub>2</sub> emissions compared to petroleum diesel and when burned in a conventional engine provides a substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter.

#### SECTION 4. *Loans and Loan Guarantees.* –

(1) IN GENERAL- The Secretary may make and guarantee loans for the production, distribution, development, and storage of biofuels.

#### (2) ELIGIBILITY-

(a) IN GENERAL- Except as provided in paragraph (2), an applicant for a loan or loan guarantee under this section shall be eligible to receive such a loan or loan guarantee if--

(i) the applicant is a farmer, member of an association of farmers, member of a farm cooperative, municipal entity, or nonprofit corporation, and

(ii) the applicant is unable to obtain sufficient credit elsewhere to finance the actual needs of the applicant at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time.

(b) LOAN GUARANTEE ELIGIBILITY PRECLUDES LOAN ELIGIBILITY- An applicant who is eligible for a loan guarantee under this section shall not be eligible for a loan under this section.

(iii) LOAN TERMS-

(aa) INTEREST RATE- Interest shall be payable on a loan under this section at the rate at which interest is payable on obligations issued by the Philippines for a similar period of time.

(bb) REPAYMENT PERIOD- A loan under this section shall be repayable in not less than five (5) years and not more than twenty (20) years.

(iv) REVOLVING FUND-

(aa) ESTABLISHMENT- The Secretary shall establish a revolving fund for the making of loans under this section.

(bb) DEPOSITS- The Secretary shall deposit into the revolving fund all amounts received on account of loans made under this section.

(cc) PAYMENTS- The Secretary shall make loans under this section, and make payments pursuant to loan guarantees provided under this section, from amounts in the revolving fund.

(v) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS - For the cost of loans and loan guarantees under this section, there are authorized to be appropriated to the revolving fund established under subsection (d) of this section such sums as may be necessary for fiscal years 2005 through 2010.

SECTION 5. *Biofuels Feedstocks Energy Reserve Program.* -

(1) IN GENERAL- The Secretary of Agriculture may establish and administer a reserve of agricultural commodities for the purpose of--

(a) providing feedstocks to support and further the production of energy from biofuels; and

(b) supporting the biofuels energy industry when production is at risk of declining due to reduced feedstocks or significant commodity price increases

SECTION 6. *Purchases.* --

(1) IN GENERAL- The Secretary may purchase agricultural commodities at commercial rates, subject to subsection (b), in order to establish, maintain, or enhance the Biofuels Feedstocks Energy Reserve when--

(a)(i) the commodities are in abundant supply; and

(ii) there is need for adequate carryover stocks to ensure a reliable supply of the commodities to meet the purposes of the reserve; or

(b) it is otherwise necessary to fulfill the needs and purposes of the biofuels energy reserve program.

(2) LIMITATION- The agricultural commodities purchased for the Biofuels Feedstocks Energy Reserve shall be--

(a) of the type and quantity necessary to provide not less than 1-year's utilization for renewable energy purposes; and

(b) in such additional quantities to provide incentives for research and development of new renewable fuels and bio-energy initiatives.

SECTION 7. *Release Of Stocks.* -

(1) IN GENERAL- Whenever the market price of a commodity held in the Biofuels Feedstocks Energy Reserve exceeds one hundred percent (100%) of the economic cost of producing the commodity (as determined by the Economic Research Service using the best available information, and based on a 3-year moving average), the

Secretary shall release stocks of the commodity from the reserve at cost of acquisition, in amounts determined appropriate by the Secretary.

SECTION 8. *Storage Payments.* -

(1) IN GENERAL- The Secretary shall provide for the storage of agricultural commodities purchased for the Biofuels Feedstocks Energy Reserve by making payments to producers for the storage of the commodities. The payments shall--

(a) be in such amounts, under such conditions, and at such times as the Secretary determines appropriate to encourage producers to participate in the program; and

(b) reflect local, commercial storage rates, subject to appropriate conditions concerning quality management and other factors.

(2) ANNOUNCEMENT OF PROGRAM-

(a) TIME OF ANNOUNCEMENT- The Secretary shall announce the terms and conditions of the storage payments for a crop of commodity by such dates of harvest time for each crop.

(b) CONTENT OF ANNOUNCEMENT- In the announcement, the Secretary shall specify the maximum quantity of a commodity to be stored in the Biofuels Feedstocks Energy Reserve that the Secretary determines appropriate to promote the orderly marketing of the commodity, and to ensure an adequate supply for the production of biofuels.

(3) RECONCENTRATION- The Secretary may, with the concurrence of the owner of a commodity stored under this program, reconcentrate the commodity stored in commercial warehouses at such points as the Secretary considers to be in the public interest, taking into account such factors as transportation and normal marketing patterns. The Secretary shall permit rotation of stocks and facilitate maintenance of quality under regulations that assure that the holding producer or warehouseman shall, at all times, have available for delivery at the designated place of storage both the quantity and quality of the commodity covered by the producer's or warehouseman's commitment.

(4) MANAGEMENT- Whenever a commodity is stored under this section, the Secretary may buy and sell at an equivalent price, allowing for the customary location and grade differentials, substantially equivalent quantities of the commodity in different locations or warehouses to the extent needed to properly handle, rotate, distribute, and locate the commodity. The purchases to offset sales shall be made within 2 market days following the sales. The Secretary shall make a daily list available showing the price, location, and quantity of the transactions.

(5) REVIEW- In announcing the terms and conditions under which storage payments will be made under this section, the Secretary shall review standards concerning the quality of a commodity to be stored in the Biofuels Feedstocks Energy Reserve, and such standards should encourage only quality commodities, as determined by the Secretary. The Secretary shall review inspection, maintenance, and stock rotation requirements and take the necessary steps to maintain the quality of the commodities stored in the reserve.

SECTION 9. *Appropriations.* – To carry out the provisions of this Act, such amount as may be necessary is hereby authorized to be appropriated from the National Treasury.

SECTION 10. *Regulations.*- Not later than 60 days after the date of the enactment of this Act, the Secretary shall promulgate and issue such regulations as are necessary to carry out the provisions of this Act.

SECTION 11. *Separability Clause.* – If any provision or part hereof, is held invalid or unconstitutional, the remainder of the Act or the provision not otherwise affected shall remain valid and subsisting.



SECTION 12. *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 13. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,

/JP Antes