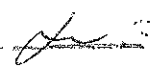


THIRTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

5 DEC -8 24.5

SENATE

RECEIVED BY: 

S. No. 2178

INTRODUCED BY THE HONORABLE MAR ROXAS

EXPLANATORY NOTE

This bill seeks to promote environment-friendly sources of fuel and modes of transportation by encouraging the development and use of alternative fuel and alternatively-fueled vehicles and by widening consumer acceptance of such forms of alternative fuels and vehicles by addressing the major barriers: the increased costs of alternative fuels and alternatively-fueled vehicles and the lack of adequate infrastructure to refuel the alternative-fueled vehicles.

The Philippines is a large and diverse geographic area that includes densely populated urban areas along with sparsely populated rural areas separated by long distances, and, as a result, Filipinos require reliable, efficient, and diversified modes of transportation.

Oil currently provides the largest share of world energy consumption than any other energy source and most of the growth in oil consumption is projected for the transportation sector, where few alternatives are currently economical.

The Philippines depends on oil as the primary fuel source for the transportation of people and goods and services. Since 1994, the Philippines has imported an annual average of 120 million barrels of crude oil and petroleum products. In 2004 alone, we imported at least 126 million barrels of crude oil & petroleum products valued at \$5 billion. This amount translates to about P280 billion yearly that could otherwise be spent to spur economic growth.


Moreover, the Philippines has a commitment to environmental reform and thus to better control over the emission of greenhouse gases, notably carbon dioxide, and of other air pollutants. Damage to the environment is caused by the emission of air pollutants by internal combustion engines using conventional fuels.

This heavy reliance on imported oil and the damage caused to the environment by conventional fuels demonstrate the need to accelerate development of advanced fuel cell technology, hybrid technology, and alternative fuels technology for new motor vehicles in the transportation of people, goods and services as an important means of helping to reverse the trends of increasing dependence on oil imports and non-attainment of air quality standards. Hence the current legislative efforts to develop and use alternative fuels such as bio-ethanol through the filing of Senate Bill Nos. 1677, 1907 and 2007, and House Bill No. 4629.

However, despite the increasing recognition of the need to develop and use cleaner alternative fuels and alternatively-fueled vehicles, consumer acceptance of such vehicles and fuels has been restrained by major barriers – high vehicle and alternative fuels costs and low availability of refueling infrastructure.

This bill seeks to lessen, if not remove, these barriers by providing financial incentives to manufacturers and purchasers of alternatively-fueled vehicles and to retailers of alternative fuels for a five-year period.

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

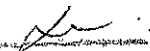


MAR Roxas
Senator

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

5 DEC -8 P4:29

SENATE

RECEIVED BY: 

S. No. 2178

INTRODUCED BY THE HONORABLE MAR ROXAS

AN ACT

TO PROMOTE THE PRODUCTION, DISTRIBUTION, AND USE OF ALTERNATIVE FUELS AND MOTOR VEHICLES POWERED BY FUEL CELL TECHNOLOGY, HYBRID TECHNOLOGY, ELECTRIC POWER TECHNOLOGY, OR OTHER ALTERNATIVE FUEL MOTOR VEHICLE TECHNOLOGIES, AND FOR OTHER PURPOSES.

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

Section 1. *Short Title*- This Act may be cited as the "Alternative Fuel Incentives Act of 2005."

Section 2. *Declaration of Policy*. - The purposes of this Act are to:

- (a) enable the accelerated introduction into the marketplace of new motor vehicle technologies without adverse emission impact, while retaining a policy of fuel neutrality in order to foster private innovation and commercialization and allow market forces to decide the technologies and fuels that are consumer-friendly, safe, environmentally sound, and economic;
- (b) provide, for a limited time period, financial incentives to encourage consumers nationwide to purchase or lease new fuel cell, hybrid, and alternative fuel motor vehicles;
- (c) increase demand of such vehicles so as to make the annual production by manufacturers and retail sale of such vehicles economically and commercially viable for the consumer;
- (d) promote and expand the use of such vehicles nationwide; and
- (e) promote a nationwide diversity of motor vehicle fuels for advanced and hybrid technology and alternatively fueled motor vehicles.

Section 3. *Definition of Terms*. For purpose of this Act, the following terms shall mean:

- a) "Alternative fuel" means compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, electricity, and any liquid at least 85 percent of the volume of which consists of methanol, ethanol, or methyl ester.

- b) "Alternative-fuel vehicle refueling property" means any property (not including a building and its structural components) if:
 - i) such property is of a character subject to the allowance for depreciation;
 - ii) (A) such property is for the storage or dispensing of alternative fuel into of a motor vehicle propelled by such fuel, but only if the storage or dispensing of the fuel is at the point where such fuel is delivered into the fuel tank of the motor vehicle; or (B) for the recharging of electric motor vehicles, but only if the property is located at the point where the motor vehicles are recharged.
 - iii) the original use of such property begins with the taxpayer.
- c) "Compressed Natural Gas vehicle" means any motor vehicle that operates solely on Compressed Natural Gas (CNG).
- d) "Electric vehicle" means any motor vehicle that operates solely on electric power.
- e) "Fuel cell vehicle" means any motor vehicle that operates on power derived from one or more cells which convert chemical energy directly into electricity by combining oxygen with hydrogen fuel stored on board the vehicle;
- f) "Gasoline liter equivalent" means, with respect to any alternative fuel, the amount of such fuel having a BTU (British Thermal Unit) content of 430,000.
- g) "Hybrid Vehicle" means any motor vehicle that operates on a combination of an internal-combustion engine and electric motor powered by gasoline/diesel and electric batteries.
- h) "Mixed-fuel vehicle" means any motor vehicle that operates on a combination of an alternative fuel and a petroleum-based fuel. This includes a:
 - i) Bio-ethanol vehicle designed to run on gasoline and a minimum ethanol content/blend of at least 20%
 - ii) Bio-diesel vehicle designed to run on diesel and a maximum biodiesel blend/content of at least 10%
- i) "Other alternative fuel vehicle" means any motor vehicle that operates solely on an alternative fuel and which vehicle is not specifically defined herein.
- j) "Retail alternative-fuel vehicle refueling property" means qualified alternative-fuel vehicle refueling property that is installed on property used in a trade or business of the taxpayer.
- k) "Sold at retail" means the sale, for a purpose other than resale, after manufacture, production, or importation.

Section 4. *Alternative Motor Vehicle Incentive.* (a) There shall be allowed as a deduction against the tax imposed on the purchase of any of the vehicles enumerated below an amount equal to the applicable percentage of the excess of the manufacturer's suggested retail price for such vehicle over such price for a gasoline or diesel fuel motor vehicle of the same model:

<i>Type of Vehicle</i>	<i>Deduction</i>
1. Hybrid vehicle 2. Mixed Fuel vehicle	2% of the excess price
1. Compressed Natural Gas vehicle 2. Electric vehicle 3. Fuel Cell vehicle 3. Other alternative fuel vehicle	5% of the excess price

Section 5. *Interaction With Air Quality and Motor Vehicle Safety Standards.* - A motor vehicle shall not be considered eligible for a deduction under Section 4 unless such vehicle has Certificate of Conformity under the Clean Air Act and is compliant with other applicable provisions of said Act.

Section 6. *Incentive for Manufacture of Alternatively-Fueled & Hybrid Vehicles.* - The excise tax levied, assessed and collected on automobiles in Section 149 of National Internal Revenue Code (NIRC), as amended by Rep. Act 9224, shall be limited to two percent (2%) if such automobiles are classified as any of the vehicles enumerated in Section 3, subsections (c), (d), (e), (g), (h), and (i) and has a maximum engine displacement of 3 liters.

Section 7. *Incentive for Installation of Alternative Fueling Stations.* - There shall be allowed as a deduction against the tax imposed for the purchase of any alternative-fuel vehicle refueling property an amount equal to 5% of the excess over the price of a similar refueling property used for regular fuel; *Provided, That,* such deduction shall not exceed 25% of the total tax due on the purchase of such alternative-fuel vehicle refueling property.

Section 8. *Incentive for Retail Sale of Alternative Fuels as Motor Vehicle Fuel.* - (a) The alternative fuel retail sales deduction for any taxable year is the applicable amount for each gasoline liter equivalent of alternative fuel that is sold at retail by the taxpayer during the following years:

<i>Year of Effectivity This Act</i>	<i>Applicable amount</i>
First year	₱0.15 per gasoline liter equivalent
Second and third year	₱0.10 per gasoline liter equivalent
Fourth and fifth year	₱0.05 per gasoline liter equivalent

(b) The deduction allowed under this Section for any taxable year shall not exceed the excess (if any) of the regular tax for the taxable year reduced by the sum of the deductions allowable under this Section over the tentative minimum tax for the taxable year.

Section 9. *Maximum Period of Deduction.* The incentives provided for in this Act shall be applicable only for the first five years after the effectivity of this Act.

Section 10. *Implementing Rules and Regulations.* The Department of Finance (DOF), in consultation with the Department of Energy (DOE) shall promulgate the regulations necessary to carry out the provisions of this Act.

Section 11. *Study of Effectiveness of Certain Provisions.* (a) The DOF, in coordination with the DOE, shall undertake an ongoing analysis of:

- (i) the effectiveness of the alternative motor vehicles and fuel incentives provisions under this Act, and
- (ii) the recipients of the tax benefits contained in such provisions, including an identification of such recipients by income and other appropriate measurements.

Such analysis shall quantify the effectiveness of such provisions by examining and comparing the Government's forgone revenue to the aggregate amount of energy actually conserved and tangible environmental benefits gained as a result of such provisions.

(b) The DOF Secretary shall report the analysis required under subsection (a) to Congress not later than one year from the effectivity of this Act and annually thereafter. Such analysis shall include a recommendation on whether the term of any incentive provided in this Act should be shortened or extended beyond the applicable periods provided herein.

Section 12. *Separability Clause.* - If any provision of this Act is held invalid, the other provisions of this Act not affected shall remain in force and effect.

Section 13. *Repealing Clause.* - All laws, decrees, rules and regulations, executive or administrative orders and such other presidential issuances as are inconsistent with any of the provisions of this Act are hereby repealed, amended or otherwise modified accordingly.

Section 14. *Effectivity Clause.* - This Act shall take effect fifteen (15) days following its complete publication in two (2) newspapers of general circulation or in the *Official Gazette*, whichever comes earlier.

Approved.