

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

SENATE
S. No. 1608

DATE: _____
BY: _____

Introduced by **Senator Richard J. Gordon**

EXPLANATORY NOTE

Energy that powers our country's transportation, heat and light, and manufacture of all kinds of products mostly comes from fossil fuels, such as petroleum, coal, and natural gas, a large part of which is sourced from imported oil. These are nonrenewable sources of energy, meaning that once these natural resources are used up, they are gone forever. In addition, the process of gathering these sources of energy can be harmful to the environment. Fossil fuels are put through a process called combustion in order to produce energy that releases pollution, such as carbon monoxide and sulfur dioxide, which contributes to acid rain and global warming.

Pollution problems and shrinking resources mean alternative sources of energy will have to be found that will provide us a sustainable energy supply with due regard to health and the environment. Renewable energy resources that can be used over and over again include solar energy, wind, geothermal energy, biomass and hydropower. They generate much less pollution – both in gathering and production – than nonrenewable sources.

This bill, which is largely based on the extensive work by the Senate Committee on Energy in the 13th Congress, seeks to institute a national renewable energy policy and program through promoting the use of renewable energy systems, providing incentives for renewable energy projects, and creating a trust fund for renewable energy research and development.




RICHARD J. GORDON
Senator

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Introduced by **Senator Richard J. Gordon**

AN ACT PROMOTING AND ENHANCING THE EXPLORATION, DEVELOPMENT, UTILIZATION, AND COMMERCIALIZATION OF RENEWABLE ENERGY RESOURCES

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

CHAPTER I

TITLE AND DECLARATION OF POLICIES

SECTION 1. *Short Title.* – This Act shall be known as the “Renewable Energy Act of 2007.”

Sec. 2. *Declaration of Policy.* – It is the policy of the State to:

- (a) promote the development of renewable energy resources to further reduce the country's reliance on generation systems powered by imported fuels to minimize exposure of the economy to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
- (b) increase the utilization of renewable energy by institutionalizing its use, including the development of national and local capabilities in the use of renewable energy systems, by providing fiscal and non-fiscal incentives; and
- (c) establish the necessary infrastructure and mechanism to carry out the mandates specified in this Act and other related laws.

Sec. 3. *Scope.* – This Act shall establish the framework for the advancement and accelerated development of renewable energy resources, including the grant of fiscal and non-fiscal incentives to all renewable energy activities, and the program to increase its utilization.

Sec. 4. *Definition of Terms.* – As used in this Act,

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- 1 (a) *Biomass Energy Systems* shall refer to energy systems which use biomass
2 resources to produce heat, steam, mechanical power or electricity through
3 either thermochemical, biochemical or physico-chemical processes;
- 4 (b) *Biomass Resources* shall refer to natural or processed plants and plant
5 materials, trees, crop residues, wood and bark residues, and animal manure
6 or any organic or biodegradable matter that can be used in Biomass Energy
7 Systems;
- 8 (c) *BOI* shall refer to the Board of Investments attached to the Department of
9 Trade and Industry;
- 10 (d) *Co-generation Systems* shall refer to facilities which produce electrical,
11 mechanical, or thermal energy such as heat or steam used for industrial or
12 commercial heating or cooling purposes through the sequential use of energy;
- 13 (e) *DOE* shall refer to the Department of Energy;
- 14 (f) *DENR* shall refer Department of Environment and Natural Resources;
- 15 (g) *DOF* shall refer to the Department of Finance;
- 16 (h) *DOST* shall refer to the Department of Science and Technology;
- 17 (i) *DTI* shall refer to the Department of Trade and Industry;
- 18 (j) *Distributed Generation* shall refer to a system of small generation units, not
19 exceeding 100 kilowatts each, supplying directly to the distribution grid;
- 20 (k) *Distribution of Electricity* shall refer to the conveyance of electric power by a
21 distribution utility through its distribution system;
- 22 (l) *Distribution Utility* shall refer to any electric cooperative, private corporation,
23 government-owned utility or existing local government unit which has an
24 exclusive franchise to operate a distribution system;
- 25 (m) *ERC* shall refer to the Energy Regulatory Commission;
- 26 (n) *Generation Company* shall refer to an entity authorized by the ERC to operate
27 facilities used in the generation of electricity;
- 28 (o) *Generation Facility* shall refer to a facility for the production of electricity or
29 thermal energy such as but not limited to steam, hot or cold water;
- 30 (p) *Geothermal Energy* shall refer to all geothermal fluids, whether existing
31 naturally or formed by the artificial introduction of fluids into naturally hot
32 formations or heat energy in the earth, or any of their by-products;

- 1 (q) *Geothermal Energy Systems* shall refer to machines or other equipment that
2 can convert geothermal energy into useful power;
- 3 (r) *Geothermal Resources* shall refer to renewable energy mineral resources in
4 the form of (i) all products of geothermal processes, such as indigenous
5 steam, hot water and hot brines; (ii) steam and other gases, hot water and hot
6 brines resulting from water, gas, or other fluids artificially introduced into
7 geothermal formations; (iii) heat or associated energy found in geothermal
8 formations; and (iv) any by-product;
- 9 (s) *Government Share* shall refer to the amount/s due to the national government
10 and local government units for the exploitation, development, and utilization of
11 naturally-occurring renewable energy resources;
- 12 (t) *Green Energy Option* shall refer to the mechanism to empower end-users to
13 choose renewable energy in meeting their energy requirements;
- 14 (u) *Grid* shall refer to the high voltage backbone system of interconnected
15 transmission lines, substations and related facilities, located each in Luzon,
16 Visayas, and Mindanao, or as may otherwise be determined by the ERC;
- 17 (v) *Hybrid Systems* shall refer to any power or energy generation facility which
18 makes use of two or more types of technologies utilizing both conventional or
19 renewable fuel sources, such as but not limited to integrated wind/diesel
20 systems, integrated solar/wind systems, biomass/fossil fuel systems,
21 hydro/fossil fuel systems, integrated solar/biomass systems, integrated
22 wind/fossil fuel systems, with a minimum of 10 megawatts or 10% of the
23 annual energy output provided by the renewable energy system components
24 of the hybrid systems, whichever is lower;
- 25 (w) *Hydroelectric Power Systems* shall refer to water-based energy systems
26 which produce electricity by utilizing the kinetic energy of falling or running
27 water to turn a turbine generator;
- 28 (x) *Hydroelectric Power Development* shall refer to the construction and
29 installation of a hydroelectric power-generating plant and its auxiliary facilities,
30 such as diversion structure, headrace, penstock, substation, transmission,
31 and machine shop, among others;
- 32 (y) *Hydroelectric Power Resources* shall refer to water resources found
33 technically feasible for development of hydroelectric power systems which

- 1 include rivers, lakes, waterfalls, irrigation canals, springs, ponds and other
2 bodies of water;
- 3 (z) *Micro-scale Project* shall refer to a renewable energy systems project with a
4 capacity not exceeding 100 kilowatts;
- 5 (aa) *Mini-Grid Systems* shall refer to electrical systems composed of
6 interconnected transmission lines, distribution lines, substations and related
7 facilities for the purpose of conveyance of power that is not bulk power on the
8 grid;
- 9 (bb) *Missionary Electrification* shall refer to the provision of basic electricity service
10 in areas which are unviable to make them viable;
- 11 (cc) *NPC* shall refer to the National Power Corporation;
- 12 (dd) *TRANSCO* shall refer to the National Transmission Corporation;
- 13 (ee) *NREB* shall refer to the National Renewal Energy Board created under this
14 Act;
- 15 (ff) *Net Metering* shall refer to a system appropriate for distributed generation in
16 which a distribution grid user has a two-way connection to the grid and is only
17 charged for his net electricity consumption and credited for any overall
18 contribution to the electricity grid.
- 19 (gg) *Ocean Energy Systems* shall refer to energy systems which convert ocean or
20 tidal current, ocean thermal gradient or wave energy into electrical or
21 mechanical energy;
- 22 (hh) *Off-Grid Systems* shall refer to electrical systems not connected to the wires
23 and related facilities of any mini-grid system or on-grid system;
- 24 (ii) *On-Grid Systems* shall refer to electrical systems composed of interconnected
25 transmission lines, distribution lines, substations and related facilities for the
26 purpose of conveyance of bulk power on the grid;
- 27 (jj) *PEMC* shall refer to the Philippine Electricity Market Corporation;
- 28 (kk) *REM* shall refer to the Renewable Energy Market or the market created under
29 this Act where trading is made of renewable energy certificates or certificates
30 of power generated from renewable energy resources;
- 31 (ll) *Renewable Energy Systems Developers* shall refer to any person, whether
32 natural or juridical, engaged in the exploration, development, utilization, and

1 commercialization of renewable energy resources, as well as operation of
2 renewable energy systems and facilities;

3 (mm) *Renewable Energy Policy Framework* shall refer to the policy implementation
4 of this Act which provides goals and targets, among others, for the
5 exploration, development, utilization, and commercialization of renewable
6 energy;

7 (nn) *Renewable Energy Portfolio Standards* shall refer to a market-based policy
8 that requires electricity suppliers to source an agreed portion of their energy
9 supply from eligible renewable energy resources;

10 (oo) *Renewable Energy Service Contract* shall refer to the service agreement
11 between the government and the renewable energy systems developer over
12 a period in which the renewable energy systems developer has the exclusive
13 right to a particular area for exploration, development, utilization, and
14 commercialization of renewable energy resources. This contract shall be
15 divided into two stages: (i) the pre-development stage and (ii) the
16 development stage. The preliminary assessment and feasibility study up to
17 the financial closing shall refer to the pre-development stage. The
18 construction and installation of facilities up to the operation phase shall refer
19 to the development stage;

20 (pp) *Renewable Energy Resources* shall refer to energy resources that are
21 renewable on a regular basis whose renewal rate is relatively rapid and
22 available over an indefinite period of time. These include biomass, solar,
23 wind, geothermal, ocean energy, and run-of-river hydropower conforming with
24 internationally-accepted norms and standards on dams, and other emerging
25 energy technologies, among others;

26 (qq) *Renewable Energy Systems* shall refer to energy systems which convert
27 renewable energy resources into useful energy forms like electrical,
28 mechanical, etc.;

29 (rr) *Rural Electrification* shall refer to the delivery of basic electricity services,
30 consisting of power generation, sub-transmission, and/or extension of
31 associated power delivery system that would bring about important social and
32 economic benefits to the countryside;

- 1 (ss) *Solar Energy* shall refer to energy derived from solar radiation that can be
2 converted into useful thermal or electrical energy;
- 3 (tt) *Solar Energy Systems* shall refer to energy systems which convert solar
4 energy into thermal or electrical energy;
- 5 (uu) *Small Power Utilities Group* shall refer to the functional unit of the NPC
6 mandated to pursue missionary electrification;
- 7 (vv) *Transmission of Electricity* shall refer to the conveyance of electricity through
8 the high voltage backbone system;
- 9 (ww) *Wind Energy* shall refer to energy derived from wind that can be converted
10 into useful electrical or mechanical energy; and
- 11 (xx) *Wind Energy Systems* shall refer to energy systems which convert wind
12 energy into useful electrical or mechanical energy.

13 CHAPTER II

14 ON-GRID RENEWABLE ENERGY DEVELOPMENT

15 **Sec. 5. Renewable Portfolio Standards.** – All stakeholders in the electric power
16 industry shall contribute to the growth of renewable energy. To provide impetus, a
17 Renewable Portfolio Standards is hereby imposed on all suppliers of electricity. Towards
18 this end, the DOE shall, upon the recommendation of the NREB, formulate and promulgate
19 the Renewable Portfolio Standards on a per grid basis within three (3) years upon the
20 effectivity of this Act, which shall include but not be limited to the following:

- 21 (a) types of eligible renewable energy resources and identification and
22 certification of generating facilities using these resources;
- 23 (b) yearly minimum renewable portfolio standards requirements;
- 24 (c) annual minimum incremental percentage of electricity sold by each electricity
25 supplier required to be sourced from eligible renewable energy resources
26 which shall not be less than 1% per year over the next 10 years; and
- 27 (d) means of compliance by mandated electricity suppliers of the minimum
28 percentage set by the government to meet the Renewable Portfolio
29 Standards requirements, including direct generation from eligible renewable
30 energy resources, contracting for energy sourced from eligible renewable
31 energy facilities, or trading in the REM.

1 Within three (3) years from the effectivity of this Act, the DOE shall, jointly with
2 electric power industry, likewise develop and implement a preparedness program to inform,
3 educate and prepare all stakeholders in the industry.

4 The ERC shall enforce the implementation of the Renewable Portfolio Standards
5 Rules by undertaking necessary activities such as certifying generating facilities using
6 eligible renewable energy resources, prescribing reportorial obligations related to
7 Renewable Portfolio Standards compliance and administration of penalties for non-
8 compliance or violation of Renewable Portfolio Standards Rules, among others. Further,
9 the ERC shall be responsible for the handling of complaints that may arise between and
10 among parties from any transactions related to Renewable Portfolio Standards compliance
11 by electricity suppliers.

12 The Renewable Portfolio Standards may be complied with by directly generating
13 from renewable energy sources, or contracting for renewable energy sourced from
14 renewable energy systems or facilities, or trading for renewable energy in the REM.

15 **Sec. 6. Renewable Energy Market (REM).** – The DOE shall establish the REM and
16 shall direct PEMC to implement changes to the Wholesale Electricity Spot Market under
17 Republic Act No. 9136 to allow the operation of the REM.

18 The PEMC shall, under the supervision of the DOE, establish a renewable energy
19 registrar that shall issue, keep, and verify renewable energy certificates corresponding to
20 energy generated from eligible renewable energy resources. Such certificates can be used
21 for compliance with the Renewable Portfolio Standards. For this purpose, a transaction fee,
22 agreed upon by the industry participants, may be imposed by the PEMC.

23 **Sec. 7. Green Energy Option.** – The DOE shall establish a Green Energy Option
24 program, which shall provide end-users the option to choose renewable energy resources.
25 In consultation with the NREB, the DOE shall promulgate the appropriate implementing
26 rules and regulations, which are necessary, incidental or convenient to achieve this
27 program.

28 Upon the determination by the DOE of its technical viability, end-users with a
29 monthly average of at least 100 kilowatts may directly contract for energy based on
30 renewable energy.

31 Consistent herewith, the TRANSCO, the distribution utilities, the PEMC and all
32 relevant parties are hereby mandated to provide the mechanisms for the physical

1 connection and commercial arrangements necessary to ensure the success of the Green
2 Energy Option.

3 **Sec. 8. Net-Metering for Renewable Energy.** – Subject to technical considerations
4 and without discrimination and upon request by distribution end-users, the distribution
5 utilities shall enter into net-metering agreements with qualified distribution grid users up to a
6 distributed generation market share of one percent of peak distribution grid demand.

7 The ERC, in consultation with the electric power industry, shall establish net
8 metering interconnection standards and pricing methodology within six months from the
9 effectivity of this Act.

10 The distribution utility shall be entitled to a renewable energy certificate resulting
11 from renewable energy distributed generation for sale or use in the Renewably Portfolio
12 Standards.

13 The DOE, the ERC, the TRANSCO, the distribution utilities, the PEMC, and all
14 relevant parties are hereby mandated to provide the proper mechanisms for the physical
15 connection and commercial arrangements necessary to ensure the success of the net-
16 metering for renewable energy program.

17 **Sec. 9. Transmission and Distribution System Development.** – The TRANSCO or its
18 buyer/concessionaire and all distribution utilities shall include the required connection
19 facilities for renewable energy-based power facilities in transmission and distribution
20 development plans, provided that such facilities shall be economically-viable as may be
21 determined by the TRANSCO and the distribution utilities, and approved by the DOE. The
22 connection facilities of renewable energy power plants, including the extension of
23 transmission and distribution lines, shall not be subject to deep-connection charging policies
24 in rate-making.

25 CHAPTER III

26 OFF-GRID RENEWABLE ENERGY DEVELOPMENT

27 **Sec. 10. Off-Grid Areas.** – Within two years from the effectivity of this Act, small
28 power utilities group or entities deemed technically and financially capable to serve or take
29 over the small power utilities group in certain areas, and/or qualified third parties in off-grid
30 areas in providing missionary electrification shall source a minimum percentage of the total
31 annual generation from available renewable energy resources in the area concerned upon
32 recommendation of the NREB and as determined by the DOE.

1 Eligible renewable energy generation in missionary areas shall be eligible for
2 renewable energy certificates.

3 **CHAPTER IV**
4 **GOVERNMENT SHARE**

5 **Sec. 11. Government Share.** – To promote the exploration and development of
6 renewable energy resources, the government share, including the local government share
7 which shall have priority over the national government share, on renewable energy
8 development projects shall not exceed two percent (2%) of the gross proceeds.

9 The gross proceeds of renewable energy micro-scale projects for communal
10 purposes and non-commercial operations not greater than 100 kilowatts shall be exempt
11 from any government share.

12 **CHAPTER V**
13 **ENVIRONMENTAL COMPLIANCE**

14 **Sec. 12. Compliance with Environmental Regulations.** – All renewable energy
15 explorations, development, utilization, and renewable energy systems operations shall be
16 conducted in accordance with existing environmental regulations as prescribed by the
17 DENR and/or any other concerned government agency.

18 **CHAPTER VI**
19 **GENERAL INCENTIVES**

20 **Sec. 13. Incentives for Renewable Energy Projects and Activities.** – In
21 coordination with the BOI and as duly certified by the DOE, renewable energy systems and
22 facilities developers, including hybrid systems, for both power and non-power applications,
23 shall be entitled to the following incentives in proportion to their renewable energy
24 components:

25 (a) **Value-Added Tax, Duty-free Importation and Subsequent Sale of**
26 **Renewable Energy Machinery, Equipment, and Materials.** – Within the
27 first 10 years of a renewable energy service contract, importation of
28 machinery and equipment, and materials and parts thereof, including its
29 control and communication equipment, shall not be subject to tariff duties and
30 value-added tax: *Provided*, however, that the said machinery, equipment, and
31 materials and parts are:

32 (i) not manufactured domestically nor locally available in reasonable quantity
33 and quality;

1 (ii) directly and actually needed and used exclusively in the renewable energy
2 facilities for transformation into energy, and transmission of electric energy
3 to the point of use; and

4 (iii) covered by shipping documents in the name of the duly registered
5 operator to whom the shipment will be directly delivered by customs
6 authorities:

7 *Provided further*, that approval by the DOE is obtained before the importation
8 of such machinery, equipment, and materials and parts are made.

9 The DOE approval must be secured before any sale, transfer or disposition of
10 the imported capital equipment, machinery or spare parts is made: *Provided*,
11 *however*, That if such sale, transfer or disposition is made within the first five
12 years from the date of importation, any of the following conditions must be
13 present:

14 (i) if made to another renewable energy developer enjoying tax and duty
15 exemption on imported capital equipment;

16 (ii) if made to another renewable energy developer, upon payment of any
17 taxes and duties due on the net book value of the capital equipment to be
18 sold;

19 (iii) exportation of the capital equipment, machinery, spare parts or source
20 document or those required for renewable energy development; and

21 (iv) for reasons of proven technical obsolescence.

22 When the aforementioned sale, transfer or disposition is made under any of
23 the conditions provided for in the foregoing paragraphs other than paragraph
24 (ii), the renewable energy developer shall not pay the taxes and duties
25 exempted on such items: *Provided further*, That if the renewable energy
26 developer sells, transfers or disposes the aforementioned imported items
27 without prior approval within five years from the date of importation, the
28 renewable energy developer and the vendee, transferee, or assignee shall be
29 solidarily liable to pay twice the amount of tax and duty exemption given it:
30 *Provided, finally*, That even if the sale, transfer or disposition of the capital
31 equipment, machinery or spare parts is approved after five years from the
32 date of importation, the renewable energy developer is still liable to pay the
33 taxes and duties based on the net book value of the capital equipment,

1 machinery or spare parts if it has violated any of its registration terms and
2 conditions. Otherwise, it shall no longer be subject to the payment of the
3 taxes and duties waived thereon.

4 (b) **Tax Credit on Domestic Capital Equipment and Services.** – A tax credit
5 equivalent to 100% of the value of the value-added tax and customs duties
6 that would have been paid on the renewable energy machinery, equipment,
7 materials and parts had these items been imported shall be given to a
8 renewable energy service contract holder who purchases machinery,
9 equipment, materials and parts from a domestic manufacturer for purposes
10 set forth in this Act: *Provided*, That prior approval by the DOE was obtained
11 by the local manufacturer; *Provided further*, That the acquisition of such
12 machinery, equipment, materials, and parts shall be made within the validity
13 of the renewable energy service contract.

14 (c) **Special Realty Tax Rates on Equipment and Machinery.** – Any law to the
15 contrary notwithstanding, realty and other taxes on civil works, equipment,
16 machinery, and other improvements of a registered renewable energy
17 developer actually and exclusively used for renewable energy systems and
18 facilities shall not exceed two and one-half percent (2.5%) of their original
19 cost.

20 (d) **Income Tax Holiday and Exemption.** – For the first six years of its
21 commercial operations, the renewable service contract holder shall be
22 exempt from income tax: *Provided*, That the renewable energy developer
23 complies with any of the following:

- 24 (i) large capital investment or sizeable employment generation,
- 25 (ii) use of high technology,
- 26 (iii) located in less developed areas as determined by the NREB.

27 Additional investments in the project shall also be entitled to income tax
28 holiday equivalent to such investments and may be entitled to additional
29 income tax holiday for as long as investment is made in the same project
30 upon approval by the DOE: *Provided*, That the entitlement period for
31 additional investments shall not exceed three times the period of the initial
32 availment of the income tax holiday.

1 (e) **Net Operating Loss Carryover (NOLCO).** – The NOLCO of the renewable
2 energy developer during the first three years from the start of commercial
3 operations which had not been previously offset as a deduction from gross
4 income shall be carried over as a deduction from gross income for the next
5 five consecutive taxable years immediately following the year of such loss:
6 *Provided, however,* That operating loss resulting from the availment of
7 incentives provided for in this Act shall not be entitled to NOLCO. Renewable
8 energy developers availing of the income tax holiday shall not be entitled to
9 avail of the NOLCO. A renewable energy developer availing of the income
10 tax holiday or NOLCO shall secure a certificate of eligibility from the DOE
11 before filing its Income Tax Return with the Bureau of Internal Revenue.

12 (f) **Accelerated Depreciation.** – If a renewable energy project does not get an
13 income tax holiday before full operations, it may apply for accelerated
14 depreciation in its tax books and be taxed based on such; *Provided,* That if it
15 applies for accelerated depreciation, the project or its expansion shall no
16 longer be eligible for income tax holiday. Accelerated depreciation of plant,
17 machinery, and equipment that are reasonably needed and actually used for
18 the exploration, development, and utilization of renewable energy resources
19 may be depreciated using a rate not exceeding twice the rate which would
20 have been used under the National Internal Revenue Code (NIRC) of 1997,
21 as amended.

22 (g) **Exemption from the Universal Charge.** – Power and electricity generated
23 through renewable energy systems for the generator's own consumption
24 and/or for free distribution in off-grid areas shall be exempted from the
25 payment of the Universal Charge under Sec. 34 of Republic Act No. 9136.

26 **Sec. 14. Hybrid and Cogeneration Systems.** – The tax exemptions and/or
27 incentives under this Act may be availed of by renewable energy service contract holders of
28 hybrid and cogeneration systems utilizing both renewable energy resources and
29 conventional energy: *Provided, however,* That the tax exemptions and incentives shall apply
30 only to the equipment, machinery and/or devices utilizing renewable energy resources.

31 **Sec. 15. Intermittent Renewable Energy Resources.** – Subject to limitations
32 imposed by the need to ensure reliability and safety of the grid and taking into account any
33 economic impact, qualified renewable energy generating units with intermittent renewable

1 energy resources or renewable energy generating units connected to a common connection
2 point whose energy resource is location-specific with a natural variability which renders the
3 output unpredictable and the availability of the resource inherently uncontrollable, such as
4 plants utilizing wind or ocean energy, shall enjoy the benefit of priority dispatch in
5 accordance with the Wholesale Electricity Spot Market.

6 **Sec. 16. Incentives for Renewable Energy Commercialization.** – All
7 manufacturers, fabricators and suppliers of locally-produced renewable energy equipment
8 and components duly recognized and accredited by the DOE, in consultation with other
9 relevant government agencies, shall be entitled to the following privileges:

10 (a) **Tax and Duty-free Importation of Components, Parts and Materials.** – All
11 shipments necessary for the manufacture and/or fabrication of renewable
12 energy equipment and components shall be exempt from importation tariff
13 and duties and value-added tax: *Provided, however,* That the said
14 components, parts and materials are:

- 15 (i) not manufactured domestically in reasonable quantity and quality at
16 competitive prices;
- 17 (ii) directly and actually needed and shall be used exclusively in the
18 manufacture/fabrication of renewable energy equipment; and
- 19 (iii) covered by shipping documents in the name of the duly registered
20 manufacturer/fabricator to whom the shipment will be directly delivered by
21 customs authorities:

22 *Provided further,* That prior approval of the DOE was obtained before the
23 importation of such components, parts and materials.

24 (b) **Tax Credit on Domestic Capital Components, Parts and Materials.** – A
25 tax credit equivalent to 100% of the amount of the value-added tax and
26 custom duties that would have been paid on the components, parts and
27 materials had these items been imported shall be given to a renewable
28 energy equipment manufacturer, fabricator and supplier duly recognized and
29 accredited by the DOE who purchases renewable energy components, parts
30 and materials from a domestic manufacturer: *Provided,* That such
31 components, and parts are directly needed and shall be used exclusively by
32 the renewable energy manufacturer, fabricator and supplier for the
33 manufacture, fabrication and sale of the renewable energy equipment.

- 1 (c) monitor and review the implementation of the renewable energy policy
2 framework and program, including compliance with the Renewable Portfolio
3 Standards and minimum renewable energy generation capacities in off-grid
4 areas;
- 5 (d) oversee and monitor the utilization of the Renewable Energy Trust Fund
6 created under this Act; and
- 7 (e) perform such other functions, as may be necessary, to attain the objectives of
8 this Act.

9 **Sec. 19. Renewable Energy Trust Fund.** – A Renewable Energy Trust Fund is
10 hereby established to enhance the development and greater utilization of renewable energy.
11 It shall be administered by the DOE as a special account in a government financial
12 institution. The Renewable Energy Trust Fund shall be exclusively used to:

- 13 (a) finance the research, development, demonstration and promotion of the
14 widespread and productive use of renewable energy systems for power and
15 non-power applications;
- 16 (b) support the development and operation of new renewable energy resources to
17 improve their competitiveness in the market: *Provided*, That the grant thereof
18 shall be done through a competitive and transparent manner;
- 19 (c) conduct nationwide resource and market assessment studies for the power and
20 non-power applications of renewable energy systems;
- 21 (d) propagate renewable energy knowledge by accrediting, tapping, training, and
22 providing benefits to institutions, entities and organizations which can extend the
23 promotion and dissemination of renewable energy benefits to the national and
24 local levels; and
- 25 (e) fund such other activities necessary or incidental to the attainment of the
26 objectives of this Act.

27 Use of the fund may be through grants, loans, equity investments, loan guarantees,
28 insurance, counterpart fund or such other financial arrangements necessary for the
29 attainment of the objectives of this Act: *Provided*, that the use or allocation thereof shall be
30 done through a competitive and transparent manner.

31 The Renewable Energy Trust Fund shall be funded from:

- 32 (aa) proceeds from the emission fees collected from all generating facilities under
33 the Philippine Clean Air Act;

- 1 (bb) one and one-half percent (1.5%) of the net annual income of the Philippine
2 Charity Sweepstakes Office;
- 3 (cc) one and one-half percent (1.5%) of the net annual income of the Philippine
4 Amusement and Gaming Corporation;
- 5 (dd) one and one-half percent (1.5%) of the net annual dividends remitted to the
6 government by the Philippine National Oil Company and its subsidiaries;
- 7 (ee) contributions, grants and donations;
- 8 (ff) one and one-half percent (1.5%) of the proceeds of the government share
9 collected from the development and use of indigenous non-renewable energy
10 resources;
- 11 (gg) any revenue generated from the utilization of the Renewable Energy Trust
12 Fund; and
- 13 (hh) proceeds from the fines and penalties under this Act.

14 All contributions, grants and donations made to the Renewable Energy Trust Fund
15 shall be tax deductible.

16 **Sec. 20. Financial Assistance Program.** – Government financial institutions shall,
17 in accordance with and to the extent allowed by their respective charters or applicable laws,
18 provide preferential packages for the development, utilization, and commercialization of
19 renewable energy projects.

20 **Sec. 21. Adoption of Waste-to-Energy Technologies.** – The DOE shall, where
21 practicable, encourage the adoption of waste-to-energy facilities or systems which convert
22 biodegradable materials such as, but not limited to, animal manure and agricultural waste
23 into useful energy through chemical processes such as anaerobic digestion, fermentation
24 and gasification, among others. The DOE shall, in coordination with existing private
25 companies and suppliers, facilitate the provision of technical assistance in the adoption of
26 waste-to-energy technologies.

27 CHAPTER VIII

28 FINAL PROVISIONS

29 **Sec. 22. Implementing Rules and Regulations.** – Within six months from the
30 effectivity of this Act, the DOE shall, in consultation with the other relevant government
31 agencies and stakeholders, issue the implementing rules and regulations of this Act.

32 **Sec. 23. Prohibited Acts.** – The following acts shall be prohibited:

- 33 a) non-compliance or violation of the Renewable Portfolio Standards;

- 1 b) willful refusal to undertake net-metering arrangements with qualified
2 distribution grid users;
- 3 c) falsification or tampering of public documents or official records to avail of the
4 incentives under this Act; and
- 5 d) non-compliance with the implementing rules and regulations of this Act.

6 **Sec. 24. Penal Clause.** – Any person, who willfully aids or abets the commission of
7 any of the prohibited acts in this Act or who causes the commission of any such act by
8 another shall be liable in the same manner as the principal.

9 In case of a corporation, partnership, or association, the penalty shall be imposed on
10 the directors, officers, or partners responsible for the violation.

11 The commission of any of the prohibited acts in this Act shall be punished with
12 imprisonment from one (1) year to five (5) years, or a fine ranging from a minimum of One
13 Hundred Thousand Pesos (₱100,000.00) to One Hundred Million Pesos (₱100,000,000), or
14 both upon the discretion of the court. This is without prejudice to the penalties provided for
15 under existing laws, rules and regulations.

16 The DOE may impose administrative fines and penalties according to this section for
17 any violation of the provisions of this Act, its implementing rules and regulations, and other
18 issuances relative to this Act.

19 **Sec. 25. Official Development Assistance (ODA).** – Renewable energy systems
20 developers shall be eligible to apply for foreign loans and grants.

21 **Sec. 26. Repealing Clause.** – All laws, decrees, orders, rules and regulations or
22 other issuances or parts thereof inconsistent with the provisions of this Act are hereby
23 repealed or modified accordingly.

24 **Sec. 27. Appropriation.** – The initial funding to carry out this Act shall be charged
25 against the current year's appropriation. Thereafter, such sums as may be necessary shall
26 be included in the annual General Appropriations Act.

27 **Sec. 28. Separability Clause.** – If any portion or provision of this Act is declared
28 unconstitutional, the remainder of this Act or any provision not affected thereby shall remain
29 in force and effect.

30 **Sec. 29. Effectivity.** – This Act shall take effect after fifteen (15) days following the
31 completion of its publication either in the Official Gazette or in a newspaper of general
32 circulation in the Philippines.

33 Approved,