


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

SECRETARY

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SENATE

RECEIVED BY: 

Senate Bill No. 1711

Introduced by SENATOR COMPAÑERA PIA S. CAYETANO

EXPLANATORY NOTE

At present, the Philippines continues to be dependent on nonrenewable energy sources, mainly fossil fuel, to sustain its energy needs. Fossil fuel has been proven to emit greenhouse gases which contribute to global warming. Also, it is said to cause air, water and soil pollution.

With the realization of the finite resources of fossil fuels, expensive oil prices and its consequential greenhouse gas effects, the urgency to explore and develop renewable energy resources is becoming more resounding. Extensive studies have proven that renewable energy resources offer cleaner and better alternatives to fossil fuel. Renewable energy utilizes natural resources like sunlight, wind, tides and geothermal heat. These natural resources are naturally replenished.

Renewable resources have inherent and varying technological, environmental, social, and economic benefits. Renewable energy resources also allow countries to have security for its energy and electricity requirements for the development of its indigenous and environment-friendly energy sources.

This Bill therefore seeks to promote the development, utilization and commercialization of renewable energy sources.


For the protection of Mother Nature, approval of this Bill is urgently sought.


SENATOR COMPAÑERA PIA S. CAYETANO

FOURTEENTH CONGRESS OF THE)
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Senate Bill No. 1711

Introduced by Senator Pia S. Cayetano

**AN ACT PROMOTING THE DEVELOPMENT, UTILIZATION AND
COMMERCIALIZATION OF RENEWABLE ENERGY SOURCES
AND FOR OTHER PURPOSES**

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

CHAPTER I

TITLE AND DECLARATION OF POLICY

Section 1. Short Title. – This Act shall be known as the "Renewable Energy Act
of 2007".

Section 2. Declaration of Policies. – It is hereby declared the policy of the
State to:

- a. Achieve self-reliance in the country's energy requirements primarily through the exploration, development and utilization of renewable energy resources including but not limited to biomass, solar, wind, hydro, geothermal, and ocean energy sources or hybrid systems;
- b. Promote greater private sector investment and participation in the implementation of renewable energy activities and projects;
- c. Prioritize the development and utilization of renewable energy resources and technologies, in view of their environmental benefits, to improve energy security and catalyze economic development in the countryside through the energization of off-grid communities;
- d. Establish the institutional infrastructure and provide key government inputs to develop national and local capabilities in the use of renewable energy systems, encourage their widespread commercial applications and promote their efficient utilization;
- e. Promote and prioritize the utilization of electrical energy from power generation facilities utilizing renewable energy resources, including but not limited to wind, solar, ocean, hydro, geothermal, and biomass energy, whose facilities are capable of supplying electricity through the Main Grid or Transmission Systems under R.A. 9136, to reduce dependence on imported sources of fuel and to assure the development of facilities which utilize environment-friendly sources of energy;
- f. Promote and prioritize the utilization of renewable energy resources for non-power application; and

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1 g. Promote people empowerment by providing opportunities for all stakeholders
2 to participate in the development, planning, and implementation of renewable
3 energy projects and activities.
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5 **Section 3. Scope.** – This Act shall provide the framework for the exploration,
6 development and utilization of the country’s renewable energy resources, encourage
7 their widespread commercial applications, and promote their efficient utilization,
8 including the development of local capabilities in all aspects of Renewable Energy
9 Systems.
10

11 **Section 4. Definition of Terms.** – As used in this Act, the following terms shall
12 mean as follows:
13

14 a. **“Affiliated Renewable Energy Centers” or “ARECs”** refer to the institutions
15 established by the Department of Energy (DOE) to provide extension and
16 technical services at the national and local levels in the promotion and
17 dissemination of renewable energy technologies. An AREC refers to any
18 university, college, non-government organization or private volunteer
19 organization certified by the DOE upon its compliance with the technical and
20 legal requirements that shall be imposed by the DOE;

21 b. **“Alternative Fuels/Alternative Fuel Systems”** refer to the use of materials,
22 machinery, and/or equipment to generate power using non-petroleum fuels. The
23 machinery and/or equipment may be modified from its original condition or an
24 original equipment manufacturer (OEM) that allow the usage of alternative fuel or
25 that further produce, handle, store, and/or utilize alternative fuels;

26 c. **“Biomass Energy Systems”** refer to energy systems which use biomass
27 resources to produce heat, steam, mechanical power or electricity through either
28 thermochemical, biochemical or physiochemical processes;

29 d. **“Biomass Resources”** refer to plants and plant materials, trees, crop
30 residues, wood and bark residues, and animal manure or any organic matter that
31 can be used in bioconversion process;

32 e. **“Board of Investments” or “BOI”** refers to an attached agency of the
33 Department of Trade and Industry created under Republic Act No. 5186, as
34 amended;

35 f. **“Department of Budget and Management” or “DBM”** refers to the
36 government agency created pursuant to Executive Order No 25, as amended;

37 g. **“Department of Energy” or “DOE”** refers to the government agency created
38 pursuant to Republic Act No. 7638 whose functions are expanded in R. A. 9136
39 and further expanded herein;

40 h. **“Department of Finance” or “DOF”** refers to the government agency created
41 pursuant to Executive Order No. 127, as amended;

42 i. **“Department of Science and Technology” or “DOST”** refers to the
43 government agency created pursuant to Executive Order No. 128;

44 j. **“Department of Trade and Industry” or “DTI”** refers to the government
45 agency created pursuant to Executive Order No. 133;

46 k. **“Department of Tourism” or “DOT”** refers to the government agency created
47 pursuant to Executive Order No. 120;

48 l. **“Distribution of Electricity”** refers to the conveyance of electricity from
49 transmission facilities or embedded generators to end-users by a Distribution
50 Utility through its distribution system pursuant to the provision of Republic Act
51 No.9136 and its implementing rules and regulations;

52 m. **“Distribution Utility”** refers to an electric cooperative, private corporation,
53 government-owned utility or existing local government unit which has an
54 exclusive franchise to operate a distribution system in accordance with its
55 franchise and Republic Act No. 9136;

56 n. **“Energy Regulatory Commission” or “ERC”** refers to the regulatory agency
57 created pursuant to Republic Act No. 9136;

1 o. **“Generation Facility”** refers to a facility for the production of electricity;

2 p. **“Geothermal Energy”** refers to all geothermal fluids whether existing

3 naturally or formed by the artificial introduction of fluids into naturally hot

4 formation, heat energy in the earth, and any by-product derived from them;

5 q. **“Geothermal Energy Systems”** refer to machines or other equipment that

6 converts geothermal energy into useful power;

7 r. **“Geothermal Resources”** mean (a) all products of geothermal processes,

8 embracing indigenous stem hot water and hot brines; (b) steam and other gases,

9 hot water and hot brines resulting from water, gas, or other fluids artificially

10 introduced into geothermal formations; (c) heat or associated energy found in

11 geothermal formations; and (d) any by-product derived from them;

12 s. **“Government Share”** refers to the amount due the National Government and

13 Local Government Units from the value of renewable energy resources;

14 t. **“Green Energy Rating Program”** refers to a program that identifies and

15 recognizes project developers, investors, operators and/or end-users that have

16 participated in the implementation of most successful RE projects and activities;

17 u. **“Green Pricing”** refers to pricing scheme wherein electricity consumers agree

18 to pay a premium price for electricity generated using RE sources and

19 technologies;

20 v. **“Main Grid”** refers to the high voltage backbone system of interconnected

21 transmission lines, substations and related facilities, located in each of Luzon,

22 Visayas, and Mindanao, or as may otherwise be determined by the ERC in

23 accordance with the implementing rules and regulations of Republic Act No.

24 9136;

25 w. **“Hybrid Systems”** refer to any power or energy generation facility which

26 makes use of two or more types of technologies utilizing both conventional

27 and/or renewable fuel sources, such as but not limited to integrated wind/diesel

28 systems, integrated solar/wind systems, biomass/fossil fuel systems, hydro/fossil

29 fuel systems, integrated solar/biomass systems, integrated wind/fossil fuel

30 systems, with a minimum of ten (10%) of the annual energy output provided by

31 the RES components of the hybrid systems;

32 x. **“Hydroelectric Power Systems”** or **“Hydropower Systems”** refer to water-

33 based energy systems which produce electricity by utilizing the kinetic energy of

34 falling or running water to turn a turbine generator;

35 y. **“Hydroelectric Power Development”** or **“Hydropower Development”**

36 refers to the construction and installation of a hydroelectric power-generating

37 plant and its auxiliary facilities, such as diversion structure, headrace, penstock,

38 substation, transmission, and machine shop, among others;

39 z. **“Hydroelectric Power Resources”** or **“Hydropower Resources”** refer to

40 water resources found technically feasible for development of hydropower

41 projects which include rivers, lakes, waterfalls, irrigation canals, springs, ponds

42 and other water bodies;

43 aa. **“Independent Power Producer”** or **“IPP”** refer to a power generating entity

44 which is not owned by NPC;

45 bb. **“Large or Conventional Hydroelectric Power Plants”** or **“Large or**

46 **Conventional Hydro Plants”** refer to electric power-generating plants which (a)

47 utilize the kinetic energy of falling or running water (run-of-river or impounding

48 hydropower plants) to turn a turbine generator producing electricity; and (b) have

49 installed capacities of more than 10,000 kilowatts;

50 cc. **“Micro-hydroelectric Power Plants”** or **“Micro-hydro Plants”** refer to

51 electric power-generating plants which (a) utilize the kinetic energy of falling or

52 running water (run-of-river hydropower plants) to turn a turbine generator

53 producing electricity; and (b) have installed capacities of not more than 100

54 kilowatts;

55 dd. **“Mini-Grid Systems”** refer to electrical systems composed of interconnected

56 distribution and transmission lines, substations and related facilities that are

57 installed at remote locations and are not connected to the Main Grid;

1 ee. **“Mini-hydroelectric Power Plants”** or **“Mini-hydro Plants”** refer to electric
2 power-generating plants which (a) utilize the kinetic energy of falling or running
3 water (run-of-river hydropower plant) to turn a turbine generator producing
4 electricity; and (b) have installed capacities of more than 100 kilowatts but not
5 more than 10,000 kilowatts;

6 ff. **“Minimum Renewable Electricity Generation”** refers to the minimum
7 percentage of the total annual electricity generated, transmitted and distributed to
8 electricity customers in a specific jurisdiction and period that will be required to
9 be sourced from RE-based power projects and technologies;

10 gg. **“Missionary Electrification”** refers to the provision of electricity service in
11 unviable areas with the aim of bringing the operations in these areas to viability
12 levels;

13 hh. **“National Power Corporation”** or **“NPC”** refers to the government
14 corporation created under Republic Act No. 6395, as amended;

15 ii. **“National Transmission Corporation”** or **“TRANSCO”** refers to the
16 corporation created pursuant to Republic Act No. 9136 responsible for the
17 planning, construction, and centralized operation and maintenance of high
18 voltage transmission facilities, including grid interconnection and ancillary
19 services;

20 jj. **“Ocean Energy Systems”** refer to energy systems which convert ocean or
21 tidal current, ocean thermal gradient or wave energy into electrical or mechanical
22 energy;

23 kk. **“Off-Grid Systems”** refer to electrical systems not connected to the wires
24 and related facilities of any Mini-Grid System or the On-Grid Systems of the
25 Philippines;

26 ll. **“On-Grid System”** refer to electrical systems composed of interconnected
27 transmission lines, substations and related facilities for the purpose of
28 conveyance of bulk power on the Main Grid of the Philippines;

29 mm. **“Power Development Program”** or **“PDP”** refers to the indicative plan for
30 managing electricity demand through energy-efficient programs and for the
31 upgrading, expansion, rehabilitation, repair and maintenance of power generation
32 and transmission facilities, formulated and updated yearly by the DOE in
33 coordination with the generation, transmission and distribution utility companies;

34 nn. **“Renewable Energy Developers”** or **“RE Developers”** refer to Filipino
35 individual/s or a group of individuals formed in accordance with existing
36 Philippine Laws engaged in the exploration, development and utilization of
37 renewable energy resources and actual operation of renewable energy
38 systems/facilities;

39 oo. **“Renewable Energy Resources”** or **“RE Resources”** refer to energy
40 resources that do not have an upper limit on the total quantity to be used. Such
41 resources are renewable on a regular basis, and whose renewal rate is relatively
42 rapid to consider availability over an indefinite period of time. These include,
43 among others, biomass, solar, wind, hydropower, geothermal, and ocean energy,
44 and other emerging energy sources using technologies such as fuel cells,
45 hydrogen fuels, among others;

46 pp. **“Renewable Energy Systems”** or **“RES”** refer to energy systems which
47 convert renewable energy resources into useful energy forms, like electrical,
48 mechanical, etc.;

49 qq. **“Republic Act No. 9136”** or **“Electric Power Industry Reform Act of
50 2001”** refers to the law mandating the restructuring of the electric power sector
51 and the privatization of the NPC;

52 rr. **“Rural Electrification”** refers to the delivery of basic electricity services,
53 consisting of power generation, subtransmission, and/or extension of associated
54 power delivery system that would bring about important social and economic
55 benefits to the countryside;

56 ss. **“Operating Contract”** refers to a contract or agreement entered into by and
57 between the Government and a Filipino individual, group of individuals or a

1 corporation organized under existing Philippine Laws, involving the exploration,
2 development and utilization of renewable energy resources; The details of the
3 implementation shall be contained in the Implementing Rules and Regulations of
4 this Act;

5 tt. **“Operator”** refers to a renewable energy developer, whether alone or in
6 consortium with others, involved in the exploration, development and utilization of
7 renewable energy resources under an operating contract agreement with the
8 Government;

9 uu. **“Solar Energy”** refers to the energy derived from solar radiation that can be
10 converted into useful thermal or electrical energy;

11 vv. **“Solar Energy Systems”** refer to energy systems which convert solar
12 energy into thermal or electrical energy;

13 ww. **“Small Power Utilities Group”** or **“SPUG”** refers to the functional unit of
14 the National Power Corporation mandated under Republic Act No. 9136 to
15 pursue missionary electrification function;

16 xx. **“Transmission of Electricity”** refers to the conveyance of electricity through
17 the high voltage backbone system;

18 yy. **“Unviable Area”** refers to a geographical area within the Franchise Area of a
19 Distribution Utility where immediate extension of distribution line is deemed not
20 feasible;

21 zz. **“Wind Energy”** refers to the energy that can be derived from wind that is
22 converted into useful electrical or mechanical energy;

23 aaa. **“Wind Energy Systems”** refer to the machines or other related equipment
24 that convert wind energy into useful electrical or mechanical energy;

25 bbb. **“Waste-to-Energy Technologies”** refer to systems which convert
26 biodegradable materials such as animal manure, agricultural waste, etc. into
27 useful energy through chemical processes such as anaerobic digestion,
28 fermentation and gasification, among others;

29 ccc. **“Wholesale Electricity Spot Market”** or **“WESM”** refers to the wholesale
30 electricity spot market created pursuant to Republic Act No. 9136;

31 32 CHAPTER II

33 34 ORGANIZATION

35
36 **Section 5. Implementing Agency and Its Powers and Functions.** – In addition
37 to its existing mandate, the DOE shall have the following powers and functions under
38 this Act:

39
40 a. Formulate, implement and regularly update a comprehensive Renewable
41 Energy Policy Framework (REPF) which shall be aimed at accelerating the
42 exploration, development and utilization of renewable energy sources to attain
43 the goals of energy self-sufficiency, energy affordability, rural electrification,
44 poverty eradication, social equity, economic development, income enhancement,
45 sustainability and environmental protection;

46 b. Formulate and implement policies for the development, promotion and
47 commercialization of applications of renewable energy resources;

48 c. Establish a mechanism for the integration, rationalization and coordination of
49 the various activities, projects and programs on renewable energy of all
50 government agencies and instrumentalities;

51 d. Provide all necessary and appropriate support services in the implementation
52 of the REPF including the facilitation of entry of foreign expertise and resources
53 in order to accelerate the pace of technology transfer and development of local
54 expertise, the launching of a vigorous information and promotion drive, updating
55 of relevant environmental regulations, and the institution of delivery mechanisms
56 for the dissemination of viably proven applications;

- 1 e. Develop and implement specific policies, mechanisms and procedures
2 encouraging the participation of the private sector including IPPs, private
3 individuals, civil society groups, non-governmental organizations, private
4 volunteer organizations, academe and other interested parties;
5 f. Be the sole and exclusive authority responsible for the regulation, promotion
6 and administration of RE resources;
7 g. Encourage the development of a program to quantify and certify Greenhouse
8 Gas (GHG) Allowances from RE projects;
9 h. Expedite processing, certification and approval of applications for RES
10 projects thru the establishment of relevant model operating contracts, standards,
11 procedures, terms and conditions;
12 i. Charge reasonable fees in connection with the filing, processing, evaluation
13 and approval of application for RES projects;
14 j. Require the RE developer to post a bond or guarantee of sufficient amount in
15 favor of the Government and with surety or sureties satisfactory to the DOE upon
16 the faithful performance by the RE developer of any or all of the obligations under
17 and pursuant to the RE operating contract within sixty (60) days after effective
18 date of the contract;
19 k. Within 6 months from approval of this Act, promulgate in consultation with all
20 stakeholders, including other government agencies, such as the National Water
21 Resources Board (NWRB), Department of Environment and Natural Resources-
22 Environmental Management Bureau (DENR-EMB), Energy Regulatory
23 Commission (ERC), Department of Finance (DOF), Department of Trade and
24 Industry (DTI), among others, such rules and regulations as may be necessary to
25 implement the objectives and provisions of this Act;
26 l. Generally exercise all powers necessary or incidental to attain the purpose of
27 this Act and other laws vesting additional powers on the DOE.

28
29 **Section 6. Institutionalization of Affiliated Renewable Energy Centers**
30 **(ARECs).** – There shall be established ARECs to serve as a support to the extension
31 and technical services of the DOE in the field implementation of renewable energy
32 projects pursuant to the objectives of this Act. An AREC can be a recipient of
33 donations/grants from DOE and other donor agencies so as to develop and strengthen
34 their capabilities to effectively perform their responsibilities under the Renewable
35 Energy Policy Framework. The Affiliated Non-conventional Energy Centers (ANECs)
36 shall be known as ARECs upon evaluation and accreditation of the DOE.

37
38 **Section 7. Roles of Other Agencies and Institutions.** – This Act mandates the
39 following agencies and institutions to perform or carry out specific functions and
40 responsibilities:

- 41
42 a. Cooperating Research Institutions (CRIs), duly accredited by the DOE, in
43 collaboration with DOST shall implement research and development projects and
44 activities consistent with the priorities in the REPF. Such activities include the
45 conduct of research activities, pilot studies and demonstration projects as well as
46 technical support and consultancy services;
47 b. The National Transmission Corporation (TRANSCO) shall ensure the
48 interconnection and access of RE generating facilities to the grid;
49 c. ERC is mandated to set the rules in the computation of rates that allow fair
50 economic returns for RE systems developers/ operators serving remote, off-grid
51 and unviable areas;
52 d. NPC-SPUG, in the performance of its missionary electrification functions, shall
53 give priority to renewable energy sources and technologies for the energization
54 of remote and rural areas;
55 e. The BOI, in consultation with DOE and other stakeholders, shall include
56 renewable energy projects and activities in its annual Investment Priorities Plan
57 to attract both domestic and foreign investors; and

1 f. The DOF and the DBM shall provide sufficient fund allocation for the full
2 implementation of this Act.

3 4 CHAPTER III

5 6 ON-GRID RENEWABLE DEVELOPMENT

7
8 **Section 8. *On-Grid Renewable Energy Generation.*** – The DOE shall develop
9 and implement a Renewables Portfolio Standard (RPS) that mandates all grid-users,
10 particularly the distribution utilities and electricity suppliers, a percentage utilization of
11 electricity from eligible RES and targets fifty per cent (50%) REs capacity of the total
12 generation on the Grid. The timetable and scheme of implementation for this target shall
13 be stipulated in the REPF and Philippine Energy Plan.

14
15 **Section 9. *Minimum Renewable Electricity Generation Policy.*** – To create an
16 initial market for RES facilities and promote greater environmental sustainability within
17 the electric power industry, DOE and other industry participants shall develop a
18 mechanism to implement a minimum electricity generation policy from renewable
19 energy in the Wholesale Electricity Spot Market (WESM). The DOE shall determine the
20 optimum value of said percentage share of renewable energy in the WESM based on
21 the implementation of the Renewables Portfolio Standard. The DOE in consultation with
22 other industry participants shall set the proper timing for the implementation of the
23 same.

24
25 **Section 10. *Intermittent Renewable Energy Generation.*** – Specific for power
26 generating facilities using intermittent RE sources such as wind and solar among
27 others, the DOE, in coordination with TRANSCO and other industry participants, shall
28 facilitate the interconnection of these facilities to the Main Grid and shall formulate
29 production predictability incentive schemes (capacity forecast premium).

30
31 **Section 11. *Green Pricing Advocacy.*** – The DOE shall provide the necessary
32 Green Pricing Advocacy that promotes the choices and preferences of electricity end-
33 users for environment-friendly renewable energy sources and technologies mechanism
34 for the implementation of a Green Pricing Program.

35 36 CHAPTER IV

37 38 OFF-GRID RENEWABLE ENERGY MARKET

39
40 **Section 12. *Off-grid Renewable Energy Development Program.*** – The
41 utilization of renewable energy resources in power generation in energizing off-grid
42 barangays and households shall be prioritized; Provided, However, that the same will
43 promote social economic returns in said concerned areas. Consistent with the
44 provisions of Section 70 of the Republic Act No. 9136 and the Rules and Regulations
45 promulgated therefore, the DOE, NPC-SPUG and National Electrification
46 Administration, through the Rural Electric Cooperatives established in accordance to
47 Law, shall prioritize the type of renewable energy technologies and systems on a least-
48 cost basis. The DOE shall endeavor to devise schemes for the standardization of
49 renewable energy equipment for efficient utilization.

50
51 **Section 13. *Off-Grid Renewable Energy Zones.*** – Consistent with the Policy
52 herein provided, the President of the Republic of the Philippines is hereby empowered
53 to establish off-grid renewable energy zones / sites / areas, where abundant renewable
54 energy sources have been determined to exist, upon the recommendation of the DOE.

55
56 **Section 14. *Promotion of Hybrid Systems.*** – The use of hybrid systems and
57 applications for off-grid areas shall be pursued because of its potential effectiveness in

1 providing reliable supply of power for rural development. The DOE shall formulate
2 policies and guidelines to remove barriers to the effective design and use of hybrid
3 systems. Appropriate financial and fiscal incentives will likewise be granted as provided
4 in Sections 20, 21 and 23 of this Act to firms and entities duly certified by DOE.

5 6 CHAPTERV

7 8 OTHER RENEWABLE ENERGY MARKETS

9
10 **Section 15. *Promotion of Non-Power Renewable Energy Systems.*** – The
11 DOE shall develop specific support programs for business entities, marketers and
12 distributors of, among others, solar water heaters, windpumps, biomass-fired-thermal
13 systems and other non-power renewable energy equipment such as engines, machines
14 and/or equipment capable of using alternative fuels or fossil/alternative fuel blends as
15 energy source. DOE shall ensure that these entities can also avail of the incentives
16 provided for renewable energy markets and activities as specified under Section 24 of
17 this Act.

18
19 **Section 16. *Renewable Energy and Ecotourism.*** – The DOT, in collaboration
20 with the DOE, shall develop technical and financing support programs for ecotourism
21 projects using renewable energy systems and establish accreditation system for the use
22 of environment-friendly renewable energy resources in facilities located or to be
23 constructed in tourist spots, such as beaches, spas, resort areas, cultural centers, etc.
24 The DOT and DOE shall prepare a priority list of ecotourism projects with renewable
25 energy component to promote viable investments in remote and rural areas. The BOI
26 shall incorporate the same in the annual preparation of its Investment Priorities Plan.

27 28 CHAPTERVI

29 30 GOVERNMENT SHARE

31
32 **Section 17. *Uniform Government Sharing Scheme.*** – The Production Bonus,
33 Special Privilege Tax under Section 14 of Executive Order 462, as amended by
34 Executive Order 232 and Section 10 (1) of Republic Act No. 7156; respectively, and
35 other royalties on RE development projects, shall be equal to at least one and one half
36 per centum (1.5%) of the gross proceeds. Accordingly, provisions of said Laws
37 inconsistent herewith are hereby amended.

38
39
40 The distribution and allocation of Government Share / Special Privilege Tax /
41 Royalty shall be in accordance with the Sections 290, 292 and 294 of Republic Act No.
42 7160, otherwise known as the "Local Government Code of 1991"; Provided, That, for the
43 period of not exceeding five (5) years, the National Government Share, equivalent to
44 sixty per cent (60%) of the production bonus, special privilege tax and royalty shall be
45 waived for the country's first 300-megawatt cumulative RE capacity additions starting
46 from the date of approval of this Act.

47
48 The government share, as provided in Presidential Decree No. 1442 and its
49 Implementing Rules and Regulations, payable by the service contractor shall be equal
50 to at least two per centum (2%) of the gross revenues of the contractor from the sale of
51 geothermal steam. Such government share shall be made payable to the National
52 Government and the Local Government Units on or before the 20th day of the month
53 following the end of each calendar or fiscal quarter and shall be fully tax deductible. In
54 case of integrated streamfield and power plant operation by a contractor, the
55 government share of at least two per centum (2%) shall be based on the gross sales of
56 geothermal steam used for generating power at a transfer price to be set by DOE based
57 on a generally acceptable criteria to be prescribed by DOE. The share of the Local

1 Government Units from this government share shall be made by the service contractor
2 in accordance with Republic Act No. 7160.

3 4 CHAPTER VII

5 6 ENVIRONMENTAL COMPLIANCE

7
8 **Section 18. *Compliance with Environmental Regulations.*** – All renewable
9 energy explorations, development, utilization, and RES operations shall be conducted in
10 accordance with existing environmental regulations as prescribed by the DOE and/or
11 any other government agency.

12
13 **Section 19. *Mandatory Restoration Work.*** – In all cases where the proposed
14 hydroelectric power development entails the closure or stoppage of existing water
15 outlets, passageways, connections, conduits, apertures or the like from water source, it
16 shall be mandatory for the hydropower operating contract holder to restore or
17 reengineer such water outlets, passageways, connections, conduits, apertures or the
18 like on its account or expense, and in such manner that existing users or appropriators
19 shall not be permanently deprived of their use or appropriation.

20
21 In all other cases where the proposed RE development projects shall affect the
22 environment in any manner, the RE operating contract holder shall be mandated to
23 implement appropriate restoration works in the affected areas to its original conditions.

24
25 A RE operating contract holder in an area shall open a "Trust Account" jointly in
26 the name of the contractor, the DOE and the concerned municipality/ies or city/ies
27 wherein an amount equivalent to at least one centavo (Php 0.01) per kilowatt-hour or
28 electricity sold shall be deposited in a commercial bank on a quarterly basis to cover the
29 cost of environmental assurance, restoration, re-engineering and rehabilitation works.
30 This amount shall be determined by the Secretary of the DOE, in consultation with the
31 concerned host community/ies and local government unit/s based on environmental
32 assurance requirement of each project.

33 34 CHAPTER IX

35 36 GENERAL INCENTIVES

37
38 **Section 20. *Incentives for Renewable Energy Projects and Activities.*** – All
39 RE developers and operators of renewable energy facilities, as duly certified by the
40 DOE and in consultation with the DOF and DTI, shall be entitled to the following
41 privileges:

42
43 a. ***Tax and Duty-free Importation of Machinery, Equipment and Materials.*** –
44 Within the duration of a RE operating contract, importation of machinery and
45 equipment, and materials and parts thereof, whether or not shipped with such
46 machinery and equipment, including control and communication equipment, shall
47 not be subject to tariff duties and value-added tax: *Provided*, however, that the
48 said machinery, equipment, materials and parts are:

- 49
50 1. not manufactured domestically in reasonable quantity and quality;
51 2. directly and actually needed and shall be used exclusively in the RE
52 facilities for transformation into energy, and transmission of electric energy
53 to the point of use; and
54 3. covered by shipping documents in the name of the duly registered
55 Operator to whom the shipment will be directly delivered by customs
56 authorities:
57

1 *Provided further*, that prior approval of the DOE is obtained before the
2 importation of such machinery, equipment, materials and parts are made;

3
4 **b. Tax Credit on Domestic Capital Equipment.** – A tax credit equivalent to one
5 hundred percent (100%) of the value of the value-added tax and custom duties
6 that would have been paid on the machinery, equipment, materials and parts had
7 these items been imported shall be given to a RE operating contract holder who
8 purchases machinery, equipment, materials and parts from a domestic
9 manufacturer for purposes set forth under sub-paragraph 2 of the immediately
10 preceding paragraph (a). *Provided further*, that prior approval by the DOE was
11 obtained by the local manufacturer. *Provided finally*, that the acquisition of such
12 machinery, equipment, materials, and parts shall be made within the validity of
13 the RE operating contract;

14 **c. Real Estate Tax Exemption.** – Any provision of existing Laws to the contrary
15 notwithstanding, all lands, including easements, civil; works, equipment,
16 machinery, and other improvements of a registered RE developer actually and
17 exclusively used for RES facilities shall be exempted from the payment of any
18 real estate tax; *Provided*, That the activities they engage in exhibit high social
19 economic returns and necessary to assist reasonable recovery of large
20 investments;

21 **d. Value-added Tax Exemption.** – The sale of electricity generated from RE
22 facilities shall be exempt from the ten percent (10%) value-added tax based on
23 the gross receipts;

24 **e. Income Tax Holiday and Exemption.** – Within seven / twelve (7) / (12) years
25 following the actual commercial operation of a RE facility, the RE operating
26 contract holder shall be fully exempt from income taxes levied by the National
27 Government;

28 **f. RE Production Predictability/Forecast Premium/Bonus.** – RE contract holder
29 shall be entitled to a share of RE Production Premium/Bonus proportionate to the
30 actual power generation from its RE facility as determined by the DOE. For this
31 purpose, there is hereby established a Production Premium/Bonus Fund and for
32 which one centavo (Php 0.01) for every kilowatt-hour sold shall be collected from
33 every generating facilities by the TRANSCO and/or system market operator.

34
35 **Section 21. Hybrid and Cogeneration Systems.** – The tax exemptions and/or
36 incentives provided for in Section 20 shall be availed of by RE operating contract
37 holders of hybrid and cogeneration systems, utilizing both RE sources and conventional
38 energy; *Provided*, however, that tax exemptions and incentives shall apply only to the
39 equipment, machinery and/or devices utilizing renewable energy sources.

40
41 **Section 22. Non-Fiscal Incentives for RE Developers.** – Within ten (10) years
42 following the effectivity of this Act, all RE operating contract holders shall have the
43 following additional incentives, subject to the DOE's review every three (3) years.

44
45 **a. Priority Dispatch** – RES utilizing biomass, wind, solar, geothermal, hydro, and
46 ocean energy shall have the first right to supply electrical energy, up to its
47 maximum capacity, to any grid whether or not any fossil power generating facility
48 is operating therein subject to the Renewables Portfolio Standards provided
49 under Section 8 hereof.

50 **b. Exclusion from Payment of Ancillary Services** – Any RES may be excluded
51 from any obligation to pay "Load Following and Frequency Regulation", "Spinning
52 Reserve", "Back-up Reserves", and "Energy Imbalances"; (or "to exclude RES
53 from any requirement to provide ancillary serves").

54 **c. Exclusion from Payment of Interconnection and Wheeling Charges** – Any RES
55 may be excluded from any requirement to pay interconnection and wheeling
56 charges as required under existing laws.

1 d. *Exemption From The Universal Charge.* – Power and electricity generated
2 through RES for the generator's own consumption and/or for free distribution in
3 the off-grid areas shall be exempted from the payment of the Universal Charge
4 provided for under Section 34 of Republic Act No. 9136.
5

6 **Section 23. Incentives for RE Commercialization** – All manufacturers,
7 fabricators and suppliers of locally-produced RE equipment and components duly
8 recognized and accredited by the DOE, in consultation with DOST, DOF and DTI, shall
9 be entitled to the following privileges.
10

11 a. *Tax and Duty-free Importation of Components, Parts and Materials* – All
12 shipments necessary for the manufacture and/or fabrication of RE equipment
13 and components shall be exempted to importation tariff and duties and value
14 added tax; Provided, however that the said components, parts and materials: (a)
15 are not manufactured domestically in reasonable quantity and quality at
16 reasonable prices; (b) are directly and actually needed and shall be used
17 exclusively in the manufacture/fabrication of RE equipment; and (c) are covered
18 by shipping documents in the name of the duly registered manufacturer/fabricator
19 to whom the shipment will be directly delivered by customs authorities: Provided
20 further, that prior approval of the DOE was obtained before the importation of
21 such components, parts and materials were made;

22 b. *Tax Credit on Domestic Capital Components, Parts and Materials* – A tax
23 credit equivalent to one hundred percent (100%) of the value of the value-added
24 tax and custom duties that would have been paid on the components, parts and
25 materials, had these items been imported shall be given to a RE equipment
26 manufacturer, fabricator, and supplier duly recognized and accredited by the
27 DOE, who purchases RE components, parts and materials from a domestic
28 manufacturer. Provided, that such components, materials and parts are directly
29 needed and shall be used exclusively by the RE manufacturer, fabricator and
30 supplier for the manufacture, fabrication and sale of RE equipment. Provided
31 further, that prior approval by the DOE was obtained by the local manufacturer;

32 c. *Local Taxes* – All duly recognized and accredited RE equipment
33 manufacturers/fabricators shall be exempted from taxes and fees imposed by
34 local government units, such as real estate tax on lands, local business tax,
35 building permits fees, among others; Provided that the manufacturing/fabricating
36 facilities are in compliance with the established performance standards certified
37 by the DOE;

38 d. *Special Realty Tax Rates on Equipment and Machinery* – Any provision of the
39 Real Property Tax Code or any other law to the contrary notwithstanding, realty
40 and other taxes on civil works, equipment, machinery, and other improvements of
41 a DOE recognized and accredited RE manufacturer, fabricator and supplier of
42 RE equipment shall not one percent (1%) of their original cost of such civil works,
43 machinery, equipment, devices and/or other components;

44 e. *Value-added Tax Exemption* – Exemption from the ten percent (10%) value-
45 added tax on (i) the gross receipts derived from the sale of locally-manufactured
46 RE equipment and components; (ii) imported and locally purchased machinery,
47 equipment and devices described in items (a) and (b) hereof and (iii) other local
48 Value-Added Tax;

49 f. *Income Tax Holiday and Exemption* – For seven (7) years starting from the
50 date of recognition/accreditation, a RE manufacturer, fabricator and supplier of
51 RE equipment shall be fully exempt from income taxes levied by the National
52 Government.
53

54 **Section 24. Renewable Energy Trust Fund.** – A Renewable Energy Trust Fund
55 is hereby created to:
56

- 1 a. Finance the research, development, demonstration and promotion of the
- 2 widespread use of renewable energy systems;
- 3 b. Conduct resource assessment studies for biomass, solar, wind, hydro, tidal
- 4 current, and ocean energy; and
- 5 c. Conduct such other activities necessary to carry out the objectives of this Act.

6
7 For this purpose, an amount of One Billion Pesos (Php1,000,000,000.00) shall
8 be allocated as seed money for the trust fund which shall be sourced from the following:

- 9
- 10 A. Fine and penalties
- 11 B. Mandatory RES Contributions
- 12 C. Fees exacted pursuant to this Act
- 13 D. Demonstration Earnings
- 14 E. Grants
- 15 F. Donations
- 16 G. RE Production Predictability/Forecast Premium/Bonus

17
18 The DOE shall manage and administer the said fund subject to existing
19 government accounting and auditing procedures. The DOE, in consultation with other
20 government units and agencies, is hereby authorized to manage and disburse the funds
21 to be used solely for the purposes enumerated herein in the form of grants, loans,
22 equity investments, loan guarantees, and insurance or to access other local or
23 international funds pursuant to the provisions of this Act.

24 25 CHAPTER X

26 27 GENERAL PROVISIONS

28
29 **Section 25. Creation of Renewable Energy Bureau.** – In accordance with the
30 power of the Secretary and with the approval of the President, the Renewable Energy
31 Bureau is hereby created for the effective management and administration of the
32 renewable energy resources and development. The Renewable Energy Bureau shall
33 have the following Divisions: Hydropower Division; Geothermal Division; Solar and Wind
34 Division and Ocean and Biomass Division.

35
36 The Renewable Energy Bureau shall have the following powers and functions:

- 37
- 38 a. Assist in the formulation and implementation of policies for the efficient and
- 39 economical transformation, conversion, processing, refining, market packaging
- 40 and financing, transportation and storage of hydro, geothermal and other
- 41 renewable energy resources such as wind, solar, biomass and ocean; and
- 42 ensure their efficient and judicious utilization.
- 43 b. Monitor sectoral energy consumption and conduct efficient utilization audit,
- 44 technical training, energy management advisory services, and technology
- 45 application projects on efficient energy utilization.
- 46 c. Develop, promote and commercialize applications of biomass, solar, hydro,
- 47 wind, wood and charcoal and other renewable energy resources including new
- 48 and more efficient and economical transformation, conversion, processing,
- 49 refining, marketing, distribution, transportation and storage technologies for
- 50 renewable energy resources.
- 51 d. Assist in the implementation of an integrated rural electrification program to
- 52 effectively address the energy self-sufficiency in rural communities and
- 53 implement, monitor and regularly review the implementation program for efficient
- 54 administration.
- 55 e. Provide information on renewable energy technologies and develop short-and
- 56 long-term renewable energy technology development strategies.

1 f. Monitor the implementation of renewable energy projects in coordination with
2 the Department of Environment and Natural Resources, National Water
3 Resources Board, National Commission on Indigenous People and other
4 government agencies to ensure compliance with the existing regulations and
5 prescribed environmental standards.

6 g. Monitor and supervise renewable energy projects implemented by government
7 and private institutions including, affiliated renewable energy centers.
8

9 **Section 26. Product Standards and Testing Procedures.** – The DOE, in
10 consultation with the Bureau of Product Standards, shall if necessary, establish product
11 standards and testing procedures for selected renewable energy products, equipment,
12 devices and accessories in consonance with existing international renewable energy
13 testing and product standards. The DOE and DTI shall jointly identify and designate
14 laboratories and research facilities as accredited renewable energy testing laboratories
15 to undertake the testing and labeling of renewable energy products, systems and
16 devices according to the approved standards and procedures.
17

18 **Section 27. Manpower Development Program.** – The DOE, in coordination
19 with other government units and agencies, shall ensure sustained manpower
20 development programs to increase the education, expertise, training, skills and
21 awareness of planners, implementors, trainers, technicians, and beneficiaries in the
22 national and local levels in appropriate aspects of renewable energy development and
23 utilization.
24

25 All foreign RE technology suppliers shall be required to conduct technology
26 transfer activities to their proposed users and beneficiaries of the technology. The DOE
27 shall ensure that capacity building sessions are incorporated into the work plan of the
28 foreign technology suppliers prior to project implementation.
29

30 **Section 28. Information Management.** – The DOE shall create, maintain and
31 regularly update an information system of renewable energy resources, technologies,
32 suppliers, companies and projects for the purposes of, but not limited to:
33

- 34 1. Formulation of annual energy and power development plans of the country;
- 35 2. Information dissemination to the public who are interested to invest in
36 renewable energy generation projects or in research and development studies,
37 etc;
- 38 3. Monitoring and evaluation of existing technologies and projects; and
- 39 4. Formulation of appropriate policies.
40

41 As such, the information system shall be backed up by a reliable database and
42 shall include all relevant information for the development and commercialization of
43 renewable energy systems. The DOE shall be responsible for the development of the
44 institutional mechanism to ensure sustained maintenance and upgrading of the
45 information exchange system.
46

47 **Section 29. Information Dissemination and Education Program.** – The DOE
48 is hereby mandated to conduct outreach program that will disseminate information on
49 renewable energy development and utilization. The DOE in collaboration with other
50 government agencies, particularly the Office of the Press Secretary-Philippine
51 Information Agency, shall conduct nationwide promotional campaigns to educate and
52 raise the national consciousness on the greater advantages and benefits of the
53 widespread use of renewable energy towards energy self-sufficiency, environmental
54 protection, etc.
55

56 **Section 30. Financial Assistance Program.** – Government financial institutions
57 such as the Development Bank of the Philippines (DBP), the Philippine National Bank

1 (PNB), the Government Service Insurance System (GSIS), the Land Bank of the
2 Philippines (LBP) and other private and government institutions that are now engaged
3 or may hereafter engage in financing of renewable energy projects shall in accordance
4 with and to the extent allowed by the enabling provisions of their respective charters or
5 applicable laws, accord high priority to applications for financial assistance by
6 individuals, enterprises, and industries participating in RE development, utilization and
7 commercialization, duly recommended and endorsed by the DOE.

8
9 **Section 31. Adoption of Waste-to-Energy Technologies in Livestock Farm
10 and Slaughterhouses.** – For pollution control purposes, large-scale livestock farms and
11 slaughterhouses shall be required to adopt waste-to-energy facilities such as biogas
12 systems. The DOE shall facilitate the provision of technical assistance, in coordination
13 with existing private companies and suppliers, in the adoption of the technology. The
14 DOE shall coordinate with the DENR for the regular monitoring and compliance to this
15 provision.

16
17 **Section 32. Demonstration Project Earnings.** – The DOE shall have the option
18 to use earnings derived from the operation of RE demonstration projects to fund solely
19 additional pilot and demonstration projects.

20
21 **Section 33. Program Appropriations.** – The amount necessary for the
22 implementation of this Act shall be taken from the current fiscal year's appropriation of
23 the DOE. Thereafter, such sum as may be necessary for the operation and
24 maintenance of the Renewable Energy Policy Framework shall be included in the
25 annual budget of the DOE under the General Appropriations Act. Any unutilized funds at
26 the end of the fiscal year shall be reallocated back to the program.

27 28 CHAPTER XI

29 30 FINAL PROVISIONS

31
32 **Section 34. Implementing Rules and Regulations.** – The DOE shall
33 promulgate the rules and regulations necessary to implement the provisions of this Act
34 within six (6) months after its effectivity.

35
36 **Section 35. Reportorial Requirements.** – The CRIs, ARECs, private entities
37 engaged in renewable energy business operations and other concerned agencies and
38 institutions are hereby required to provide the DOE all information that it may deem
39 necessary and in accordance with the regulations for the effective monitoring,
40 management and development of the overall Renewable Energy Policy Framework.
41 The information and technical data shall remain confidential for a period stipulated in the
42 regulations, which shall not exceed five (5) years. The DOE, therefore, shall formulate
43 reportorial system for the scope and frequency of submission of the said information.

44
45 **Section 36. Penalty Clause.** – The DOE shall formulate and promulgate
46 appropriate penalties to any person who willfully violates violations of rules or
47 regulations provided in this Act shall, upon conviction, be punished by a fine of not less
48 than One hundred thousand pesos (P100,000.00), or by imprisonment of not less than
49 two (2) years but not more than five (5) years, or both, at the discretion of the court;
50 Provided, That if the violations committed by a juridical person the penalty provided
51 shall be imposed on the official or employee thereof responsible for the violation;
52 Provided, That if the violation is committed by a government official or employee
53 including those in government-owned or controlled corporations he/she shall, in an
54 additional to the promulgated penalties provided, be subject to disciplinary
55 administrative proceedings and penalties.

1 **Section 37. Official Development Assistance.** – The provision of Executive
2 Order No. 230 of 1986, on the power of the NEDA Board, and the rules and regulations
3 governing the evaluation and authorization for the availment of Official Development
4 Assistance notwithstanding the privatization of renewable energy facilities as provided
5 for in this Act shall be eligible for foreign loans and grants without further evaluation by
6 the NEDA Board, subject to Section 21, Article XII of the Constitution.

7
8 **Section 38. Separability Clause.** – If for any reason or reasons, my part or
9 provisions of this Act shall be held unconstitutional or invalid, no other part or provision
10 hereof shall be affected thereby.

11
12 **Section 39. Repealing Clause.** – All laws, orders, doctrines, decrees, rules and
13 regulations or parts thereof, including EO 462, EO 232, RA 7156, RA 7160, and PD
14 1442, among others, inconsistent with any of the provisions of this Act are hereby
15 repealed, amended or modified accordingly.

16
17 **Section 40. Effectivity Clause.** – This Act shall take effect fifteen (15) days after
18 its complete publication in at least two (2) newspapers of general circulation.

19
20 Approved,
21
22
23
24