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The Philippines: How to Leapfrog from a Complicated Renewable Energy Sector to an Attractive One

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Action plan to attract investment in renewable energy in the Philippines

- *Prioritise renewables in the energy governance system*
- *Enforce existing regulatory and fiscal policies*
- *Raise the targets and develop an investment roadmap*
- *Facilitate market entry for renewable energy investors*
- *Build capacity for renewable energy governance*

The Philippines set the target of increasing the share of renewable energy in its energy mix from 16.9% in 2019 to 26.9% by 2030 [1]. This ambitious target requires significant additional investment in renewable energy. It has been estimated that the Philippines could attract USD 20 billion in renewable energy investment through auctions between 2020 and 2030 [2]. To achieve this, the investment climate for renewables needs to be improved. Over the last few years, other ASEAN countries such as Vietnam, Malaysia and Thailand have been viewed as more attractive markets by foreign investors. While the Philippines attracted USD 1 billion of investment in renewables in 2016, it experienced a significant investment decline to USD 0.3 million in 2017 and USD 0.16 million in 2018. By contrast, Vietnam received USD 5.2 billion of investment in 2018 alone [3].

The Philippines has capacity gaps for governing renewable energy. It is ranked 87 out of 156 countries in the Index of Geopolitical Gains and Losses after energy transition (GeGaLo Index) and thus needs to strengthen its capacity for renewable energy governance [4].

With this background in mind, we propose five actions that can improve the attractiveness of Philippines' investment climate for renewable energy and help it join the regional race for investment.

Action 1: Prioritise renewables in the energy governance system

To achieve its targets, the Philippines could prioritise renewable energy by establishing a dedicated ministry of renewable energy or similar high-level institution. This would help attract more human and financial resources and strengthen the capacity to govern the renewable energy sector. This would also serve as an encouraging and symbolic signal to international investors that the country prioritises renewable energy [5]. Currently, renewables fall within the scope of four government bodies: the Renewable Energy Management Bureau, the Energy Regulatory Commission, the National Electrification Administration and the National Renewable Energy Board. This leads to fragmented and inefficient management of the sector. Consolidating the sector under one institution would be crucial to ensure better coordination and communication between the central and provincial authorities regarding the implementation of renewable energy projects.

Action 2: Enforce existing regulatory and fiscal policies

Renewable energy is part of the Nationally Determined Contribution (NDC) of the Philippines under the Paris Agreement [6]. The country has the most advanced regulatory framework in ASEAN (see Table 1). Paradoxically, the Philippines' leadership in adopting regulatory policies has not translated into significant FDI in renewable energy. Investors expect more proactive and effective implementation of the policies. Some of the adopted policies have not yet been put into practice, and the government struggles to enforce them effectively. The Philippines could improve implementation (e.g. contract enforcement) through consolidation of regulatory and enforcement policies.

One of much awaited government measures in 2020 is the planned adoption of the Green Energy Tariff Program (GETP) that, if properly enforced, could help improve the auction process and be instrumental in attracting more investment from 2020 to 2030 [7]. Investors have high expectations for GETP; if it is implemented swiftly it will be seen as positive.

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Table 1. Philippines' regulatory framework compared to other ASEAN countries (2020)

	Type of policy	**Philippines**	Vietnam	Indonesia	Malaysia	Thailand	Singapore	Myanmar	Lao PDR	Cambodia	Brunei Darussalam
Regulatory policies	Renewable energy in INDC or NDC	●	●	●	●	●	●	●	●	●	●
	Renewable energy targets	●	●	●	●	●	●	●	●		●
	Feed-in tariff/auctions/premium payment	●	●	●	●	●				●	
	Net metering/billing/direct consumption-supply	●	●	●	●		●				
	Biofuel blend obligation/mandate/target	●	●	●	●	●					
	Electric utility quota obligation/RPS	●	●	●	●						
	Tradable REC		●								
	Renewable heat obligation/mandate										
Fiscal incentives and public financing	Tax incentives	●	●	●	●	●		●	●	●	
	Public investment/loans/grants/subsidies/rebates	●	●	●	●	●	●		●		
	Reductions in sales, CO_2, VAT or taxes	●	●	●	●	●		●			
	Tendering	●		●	●		●				
	Investment or production tax credits	●	●	●							
	Energy production payment	●				●					

Sources: [8,9].

Action 3: Raise the targets and develop an investment roadmap

The Philippines could raise its renewable energy targets. However, the targets need to remain realistic, so any increase should be discussed with stakeholders. The next step would be to develop an investment roadmap that would outline measures to achieve new targets. Such a roadmap is also necessary, as there is currently no unified approach as to how the country plans to attract investment from 2020 onwards. The feasibility of this action would be increased if Action 1 is implemented and the renewable energy governance system is reformed.

Table 2. Market entry for foreign investors in the Philippines

Task	Government body
Company registration and issuing investment licences	• Securities and Exchange Commission • Department of Trade and Industry • Local Government Unit • Bureau of Internal Revenue
Renewable energy project contracts	• Department of Energy • Department of Environment and Natural Resources • National Grid Corporation of the Philippines • National Commission on Indigenous Peoples

Action 4: Facilitate market entry for renewable energy investors

The Philippines is not among the ASEAN leaders in terms of ease of market access and ease of doing business. Starting a business and registering a company are cumbersome bureaucratic processes which negatively affect investors' perceptions and raise the cost of doing business. Table 2 shows that an investor needs to deal with eight government bodies to register a company and obtain investment and other licences. Thus, the Philippines could substantially reduce the number of bureaucratic procedures and accelerate the process of company registration and issuing licences. One of the positive developments in this regard is that the country moved from 124 in 2018 to 95 in 2019 in the World Bank's Ease of Doing Business Index [10]. A further rise in this index would be important for improving investors' perceptions of the general investment climate in the country.

Action 5: Build capacity for renewable energy governance

The Philippines is a member of the International Renewable Energy Agency (IRENA), the main organisation for capacity building and knowledge transfer in renewable energy governance. The country could benefit from requesting more technical support from IRENA for realising Actions 1–3, as well as from engaging other organisations, such as the Asian Development Bank and the International Energy Agency. Also, in 2017, the government took part in the Renewables Readiness

Assessment (RRA) initiative jointly with IRENA, in which actions and measures to promote the renewable energy deployment in the Philippines were outlined [11]. The government could take stock of the progress made in RRA and address the gaps. RRA could also feed into the development of an investment roadmap (see Action 3).

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