

GWEC FINANCE PAPER

# Financing the Offshore Wind Revolution

*Risk-Sharing Mechanisms  
for a Sustainable Energy Future  
in the Philippines*

SEPTEMBER 2025







**The Global Wind Energy Council (GWEC)** is the global trade association for the wind power industry, with over 1,500 members responsible for 70% of the world's wind capacity. Our members include major turbine manufacturers, energy companies, developers, and technology providers. GWEC advocates for the wind industry globally, collaborating with organizations like the IRENA, IEA, local associations and development banks to help governments and policymakers unlock wind energy's full potential.

GWEC's mission is to ensure that wind power fulfills its role as one of the key technology solutions to today's energy and climate challenges, forming the backbone of a new clean energy system and enabling trillions of dollars of investment while providing substantial economic and social benefits to host countries.

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Climate Smart Ventures (CSV) is a specialized advisory firm advancing the energy transition in Asia. Established in 2020, CSV has an ambitious goal of catalyzing the decarbonization of 2 GW of fossil-fuelled power to renewable energy (RE) by year-end 2025 and aspires to be a driving force for ESG transformation and scaling Asia's energy transition in a just and commercially viable manner. CSV's expertise and projects span coal to clean utility-level energy transition, industrial decarbonization, grid transformation, mobilizing transition finance, and government-level policy recommendations. CSV recently launched the Asia Energy Transition Platform (AETP), a venture capital fund investing in next generation distributed renewable energy (DRE) projects in Southeast Asia.



### Editors and Acknowledgements

This report was edited by the Global Wind Energy Council team:

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# Abbreviations

Acronym	Full Form
ADB	Asian Development Bank
ACEN	AC Energy
AIIB	Asian Infrastructure Investment Bank
BDO	Banco de Oro
BPI	Bank of the Philippine Islands
CGIF	Credit Guarantee and Investment Facility
CREC	Citicore Renewable Energy Corporation
CREZ	Critical Renewable Energy Zones
DBP	Development Bank of the Philippines
DFI	Development Finance Institution
DOE	Department of Energy
DU	Distribution Utility
EC	Electric Cooperatives
ECA	Export Credit Agency
EPC	Engineering, Procurement, and Construction
EVOSS	Energy Virtual One-Stop Shop
FIT	Feed-In Tariff
GEAP	Green Energy Auction Program
GEOP	Green Energy Option Program
GOCC	Government Owned and Operated Corporation
IBRD	International Bank for Reconstruction and Development
IFC	International Finance Corporation
IRR	Internal Rate of Return
LCOE	Levelized Cost of Electricity
LGU	Local Government Unit
MGEN	Meralco PowerGen
MDB	Multilateral Development Bank
Meralco	Manila Electric Company
NGCP	National Grid Corporation of the Philippines
OFW	Offshore Wind
PPA	Power Purchase Agreement
PDEx	Philippine Dealing Exchange
PSE	Philippine Stock Exchange
PNB	Philippine National Bank
RCBC	Rizal Commercial Banking Corporation
RCOA	Retail Competition and Open Access



RE	Renewable Energy
REPA	Renewable Energy Purchase Agreement
RAP	Retail Aggregation Program
SPV	Special Purpose Vehicle
SBC	Security Bank Corporation
SEC	Securities and Exchange Commission
WACC	Weighted Average Cost of Capital
WESM	Wholesale Electricity Spot Market



# Contents

<b>Foreword</b>	<b>07</b>
<b>1. State of Play of Offshore Wind and Renewable Energy Policy in the Philippines</b>	<b>08</b>
Industry and Regulatory Overview	08
Typical Contractual Frameworks of Philippine Power Projects	10
Latest Power Generation Tariffs of Power Projects in the Philippines	13
<b>2. Risk Allocation and Financing OFW Projects in the Philippines</b>	<b>21</b>
Risk allocation in a power project	21
Financing Power Projects in the Philippines	26
Traditional Financing, Green Loans and Green Bonds	28
Concessional Financing from MDBs, DFIs, and ECAs	32
Stakeholders' role in Risk-Sharing for Offshore Wind Development in the Philippines	38
<b>3. Recommendations</b>	<b>40</b>



# Foreword



**Ann Margret Francisco**  
Philippines Country Manager  
Global Wind Energy Council

As the Philippines pursues its ambitious energy transition, we see offshore wind (OFW) as one of our most exciting opportunities to harness our vast maritime resources and significantly scale up renewable energy. The journey will not be without its challenges, but we believe these challenges are also opportunities for innovation, collaboration, and leadership.

This Finance Risk-Sharing Mechanism Paper is an initiative born out of the recognition that, for OFW projects to succeed, we must establish a clear and effective framework for managing and sharing risks. In the Philippines, where the renewable energy sector is growing rapidly, establishing clear and balanced risk-sharing frameworks can unlock investments, strengthen bankability, and attract both local and global players who are eager to partner with the government on this transformation.

The recommendations in this paper are intended to offer possible pathways for addressing the financial and operational risks that offshore wind projects face. By exploring innovative risk-sharing mechanisms, we hope to highlight ways to make OFW projects more commercially viable and attractive to developers, financial institutions, and government agencies. These ideas are meant to contribute to the ongoing dialogue on how best to unlock capital, strengthen bankability, and create a more stable, transparent, and sustainable energy market in the Philippines. In shaping these recommendations, we sought to build a shared understanding among government, financial institutions, and developers on how risks might be more effectively managed together. By considering stronger and more reliable financing structures, we believe there is an opportunity to improve project bankability and support the Philippines' clean energy goals, while also fostering long-term economic growth.

By working together, we can unlock the potential of OFW to provide clean, affordable, and sustainable energy for the country—while also generating far-reaching socio-economic benefits. Offshore wind can create new jobs, spur local industries, and open opportunities for coastal communities, ensuring that growth is inclusive and widely shared. In doing so, we not only advance the Philippines' clean energy transition but also strengthen our contribution to the global fight against climate change.



## 1.

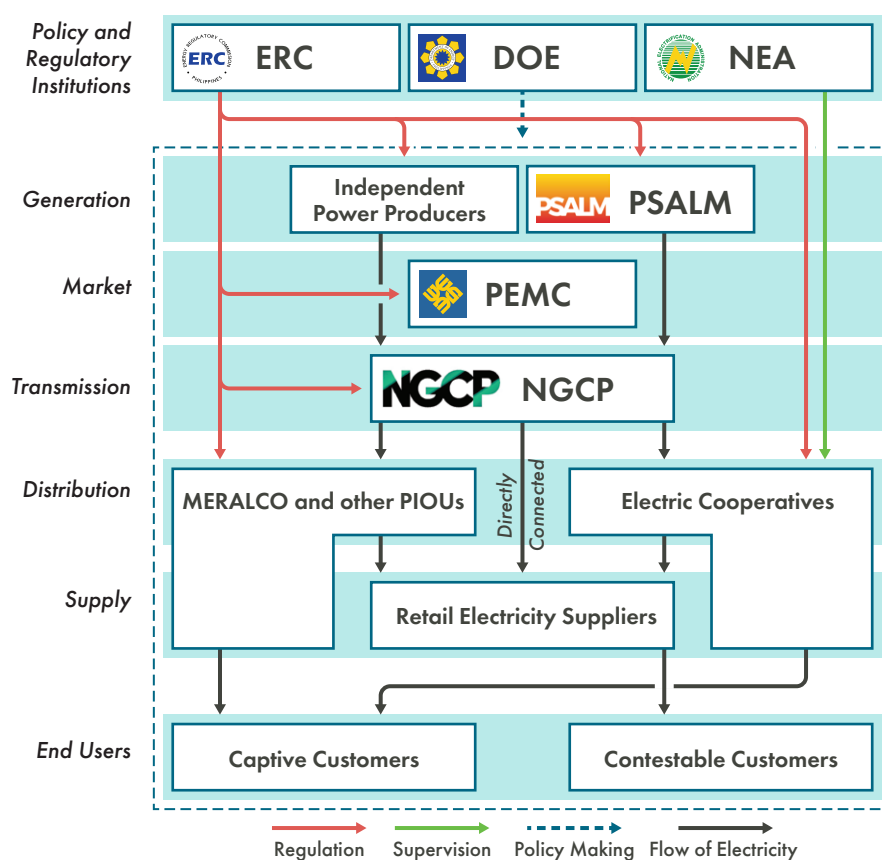
# State of Play of Offshore Wind and Renewable Energy Policy in the Philippines

## Industry and Regulatory Overview

The Philippine power industry is fully liberalized with the enactment of the Electric Power Industry Reform Act (Republic Act No. 9136 or EPIRA) in 2001, allowing the private sector to enter power generation, transmission, and generation. Figure 1 below shows the Philippine Power Industry Structure including key public sector regulators and actors.

**Figure 1.**

Philippine Power Industry Structure



- ERC - Energy Regulatory Commission
- DOE - Department of Energy
- NEA - National Electrification Administration
- NGCP - National Grid Corporation of the Philippines
- PSALM - Public Sector Assets and Liabilities Management Corporation
- PEMC - Philippine Electricity Market Corporation
- PIOW - Private Investor-Owned Utility



Power generation in the Philippines is fully liberalized, with over 245 independent power producers (IPPs) operating 600 power plants across the country with a total capacity of 30,104.98 MW as of December 2024 of thermal and non-thermal technologies<sup>1</sup>. For transmission, the National Grid Corporation of the Philippines (NGCP) was awarded a 25-year concession contract for the on-grid<sup>2</sup> transmission assets of the Philippines with actual transmission assets owned and operated by National Transmission Company (Transco). For distribution, the country is subdivided into specific service areas served by investor-owned distribution utilities (DUs) and electric cooperatives (ECs) with the largest investor-owned distribution utility being Manila Electric Company (Meralco) accounting for 55% of the total power output in the Philippines<sup>3</sup>.

The Philippines is in the midst of its aggressive transition to have a bigger share of renewable energy (RE) as compared to its total power generation. DOE data as of June 2025 shows that RE accounts for 22% of the country's total electricity generated<sup>4</sup>. The Department of Energy (DOE) has released its latest Philippine Energy Plan 2023 to 2050 targeting 35% by 2030 and 50% of power generation from RE by 2040.

The passage of the Renewable Energy Act of 2008 (RE Law or RA 9513) set the foundation of the growth of the RE sector in the Philippines as anchored on the Feed-In Tariff (FIT) program. Following the RE Law, the Philippines has set in place more regulatory support programs to channel more private investors' interest toward building power plants. This has resulted in more transparent and market-based mechanisms to arrive at power generation rates and logically create new long-term contracting opportunities as supported by bidding programs. This has also been supplemented by more liberalization of the Philippine power industry by allowing foreign investors to own up to 100% of a power company in November 2022 as announced by the DOE<sup>5</sup>. Table 1 below shows selected key regulatory programs that support accelerated RE growth in the Philippines.

**Table 1.**

Select Key Regulatory Drivers in the Philippines for RE

<b>Renewable Portfolio Standards (RPS)</b>	<ul style="list-style-type: none"> <li>RE share to increase 2-3% annually to reach target of &gt;50% generation from RE by 2040 for on-grid and off-grid power sources</li> </ul>
<b>Smart and Green Grid Plan (SGGP)</b>	<ul style="list-style-type: none"> <li>DOE actively participating in the planning of the expansion and upgrade grid infrastructure to absorb new RE capacity and connect new sources of supply with demand centers in coordination with NGCP</li> </ul>
<b>Green Energy Auction Program (GEAP)</b>	<ul style="list-style-type: none"> <li>The GEAP replaced the FIT program as the primary offtake program supported by the Philippine Government</li> <li>Since its launch in 2022, the GEAP has awarded over 12,000MW in new 25-year offtake contracts to winning candidates with the latest completion during GEAP 3</li> <li>GEAP 4 is expected to be completed by 3Q2025 with 9,378MW expected to be awarded and completed by 2026 to 2029</li> <li>Even as GEAP 4 is still underway, GEAP 5 is already being planned to specifically focused on offshore wind (OFW)</li> </ul>

<sup>1</sup> Page 11. Energy Regulatory Commission 2024 Annual Report.

<sup>2</sup> On-grid systems are those connected to the public electricity grid, whereas off-grid systems operate independently, using their own power generation and storage.

<sup>3</sup> Corporate Profile. Meralco. Available at: <https://company.meralco.com.ph/corporate-profile>

<sup>4</sup> 2024 Power Statistics. Department of Energy. Updated as of 15 June 2025. Available at: [https://legacy.doe.gov.ph/sites/default/files/pdf/energy\\_statistics/O2\\_Summary.pdf](https://legacy.doe.gov.ph/sites/default/files/pdf/energy_statistics/O2_Summary.pdf)

<sup>5</sup> Foreign ownership in RE projects is now allowed up to 100% under DOE Department Circular No. DC2022-11-0034, covering solar, wind, hydro, and ocean energy. Restrictions still apply to the direct use of Philippine waters under the Water Code.



Table 1 (continued)

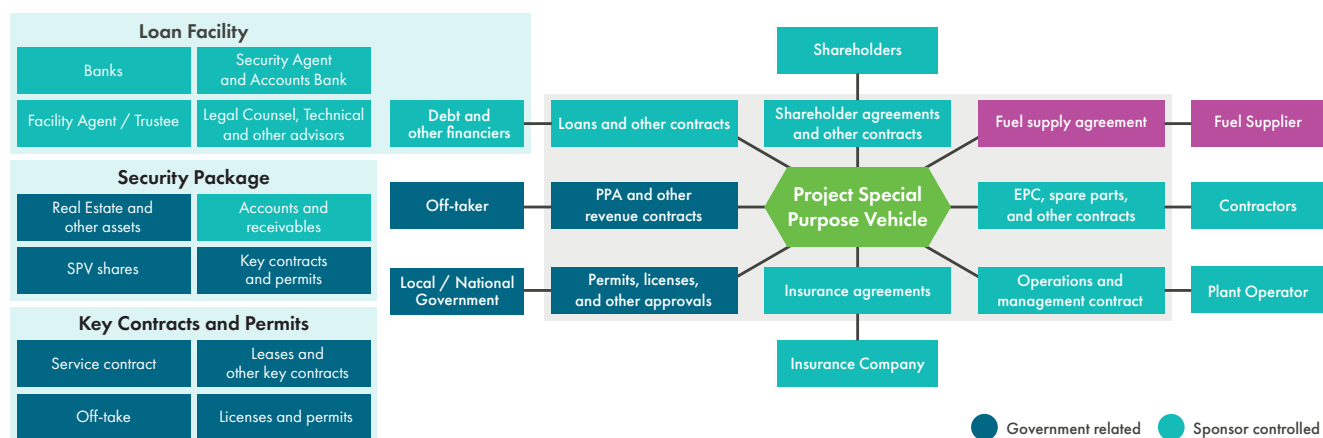
Retail Competition and Open Access (RCOA), Green Energy Option (GEOP), and Retail Aggregation Program (RAP)	<ul style="list-style-type: none"> <li>The DOE has focused on market-based mechanisms allowing commercial and industrial (C&amp;I) customers to contract directly with IPPs and provide options beyond the existing generation offerings of DUs/ ECs               <ul style="list-style-type: none"> <li>◇ RCOA allows consumers with demand of 500KW and above to contract off-take from different power sources including RE</li> <li>◇ GEAP allows C&amp;I consumers with demand of 100KW and above to contract off-take from RE sources</li> <li>◇ RAP was recently announced In June 2022, which allows consolidation of smaller facilities within a specific service area to consolidate its power demand to at least 500KW to contract off-take</li> </ul> </li> </ul>
Energy Virtual One-Stop Shop (EVOSS)	<ul style="list-style-type: none"> <li>EVOSS has allowed streamlining various approval processes across government units and allows IPPs to track progress</li> <li>By 3Q 2024, 56 / 103 energy-related permitting processes are in EVOSS</li> <li>In addition to the EVOSS, RE projects have applied for other similar programs provided by the Philippine National Government including getting awarded as a "Project of National Significance" and "Green Lane"</li> </ul>
100% Foreign Ownership	<ul style="list-style-type: none"> <li>Launched in November 2022, foreign institutions can own up to 100% of power generation projects in the Philippines</li> <li>Limitations on land ownership and leases with government assets which still require majority PH ownership</li> </ul>

## Typical Contractual Frameworks of Philippine Power Projects

Power projects are usually incorporated under a special purpose vehicle (SPV) to limit potential liability of sponsors up to the capitalization of the SPV in most jurisdictions like the Philippines. Within the context of non-recourse project finance, lenders are reliant on the ability of the SPV to generate funding from the asset, its contracts, and ability of the sponsors to generate sufficient net cashflow from its operations. Figure 2 below shows the interaction between private and public stakeholders and the project SPV specially for projects in the Philippines.

Figure 2.

Typical contractual and financing structure of a power plant in the Philippines





- **Shareholders agreement and other contracts.** The Shareholder agreement usually defines and governs responsibilities and relationships between multiple sponsors along with commitments on funding the project.
- **Loan and other contracts.** Banks and other debt financiers' participation is usually documented through loan and other ancillary agreements for their project finance facilities. A comprehensive security package includes mortgaging all assets and full assignment of contracts to ensure ample loan-to-value<sup>6</sup> coverage in providing debt facility under a project finance structure. All fixed and movable assets of a project should be registered as chattel/non-chattel<sup>7</sup> mortgage along with providing share pledges<sup>8</sup> and assigning key contracts to lenders. In the Philippine context, the creation of the mortgage and assignment of assets and contracts will require "Perfection"<sup>9</sup> of the security arrangement and registration with the registry of deeds in the relevant LGU. In a default situation, the lenders have the option to sell the asset piece per piece or as a whole depending on which creates most cashflow to repay the outstanding balances of the loan. The security package is not usually modified and even increased if more assets and contracts are acquired by SPV even as the debt facility is paid down in the life of the loan. Details of a usual security package in the Philippines is shown below:
  - ♦ **Real estate and other assets** – The SPV's project site/ real estate, buildings, power generation/ transmission equipment, movable assets and other PPE usually compose the majority of the value of the security package.
  - ♦ **(Bank) Accounts and (Accounts) Receivables** – Lenders would want to ensure that no cash will leak out of the SPV except for what is allowed as operational and financing payments and dividends. This includes assigning the SPV's bank accounts and receivables along with their respective contracts to the lenders.
  - ♦ **SPV shares** – SPV shares owned by the sponsors are usually pledged to the Lenders. Lenders would want (i) to ensure that sponsors stay onboard to run the project as planned and (ii) the option to sell the SPV's assets or the SPV's equity ownership to maximize the ability to recoup value in a default scenario, among others.

<sup>6</sup> Under Circular No. 855, the Bangko Sentral ng Pilipinas considers a loan to be sufficiently secured by a collateral if the estimated value of net proceeds at disposition of such collateral can be used without legal impediment to settle the principal and accrued interest of such loan. For real estate collateral, the maximum collateral value shall be 60% of its appraised value.

<sup>7</sup> Section 3 of Act No. 1508 or The Chattel Mortgage Law defines chattel mortgage as a conditional sale of personal property as security for the payment of a debt.

<sup>8</sup> Is a type of security agreement where a shareholder delivers their shares of stock to a creditor as collateral to secure a financial obligation.

<sup>9</sup> Under Section 12 of Republic Act No. 11057 or The Personal Property Security Act, a security interest may be perfected by:

a) Registration of a notice with the Registry;  
b) Possession of the collateral by the secured creditor; and  
c) Control of investment property and deposit account.

The Section further provides that security interest in a tangible asset may be perfected by registration or possession, while a security interest in an investment property and deposit account may be perfected by registration or control.

- ◆ **Key contracts and permits** – Material contracts needed to own and run the power project is usually assigned to the lenders to protect their interests and provide more options in a default scenario. This includes revenue contracts (ie offtake contracts), service contracts and permits and licenses, and other key contracts. In situations where the SPV cannot acquire but can only lease the required real estate due to legal and regulatory limitations (ie foreign sponsors cannot own land, beaches and shores cannot be owned by private owners), the corresponding lease agreements (or equivalent) are assigned as well.
- **PPA and other revenue contracts.** In terms of revenue structures in the Philippines, a power plant has different options on deriving revenues which include getting direct contracts from off-takers ranging from DUs/ ECs through power purchase agreements, ancillary services, and the wholesale energy spot market (WESM). For renewable energy projects in the Philippines, most sponsors would position their RE projects to be awarded capacities from GEAP and be contracted through a Renewable Energy Purchase Agreement (REPA). Power plants in the Philippines have diverse revenue structures which are closer to what is available in developed markets allowing power plants to source cashflows from different contracts and reach 70-80% contracted capacity.
- **Fuel supply agreement.** This is more relevant for power generation technologies that require fuel or feedstock to generate electricity. These agreements are usually shorter in nature (ie 3-5 years) specially for thermal power generation technologies. Uncontracted exposures will require sponsors to purchase fuel from the open market.
- **EPC, spare parts, and other contracts.** Engineering, procurement, and construction (EPC) requirements are usually governed under a turn-key EPC contract to maximize efficiencies of highly competent contractors and technology providers. Some sponsors opt to manage the EPC process in-house to have more control in the process and minimize the risk of potential delays. Sponsors also require technology providers to provide a regular flow of spare parts and technical specifications of the assets to allow sponsors to operate the project in the long run.
- **Operations and management (O&M) contracts.** Some sponsors are open to hiring third parties to manage the project as a whole or key parts of the project. This is also common for newer technologies where sponsors and their respective teams are still not familiar on operating and managing the technology to optimize the project.
- **Insurance agreements.** Insurance agreements and their providers provide much needed risk coverage to sponsors and financiers against adverse events such as severe weather disturbances and typhoons, terrorism, and even accidents and business interruption. Lenders require proceeds to go through the SPV's bank accounts and will look for the option to allow the proceeds to be used to pay for the project debt if the project's facilities are beyond repair.



Securing debt financing will be more challenging than other RE technologies due to the nascent nature of the OFW projects and its regulations in the Philippines. New and untested regulations on key real estate and related permits such as ocean surface areas and sea beds and creating security arrangements on these are expected to be issues along with usual expected real estate considerations (i.e. assignment of leased government property, leases, conversion of agricultural land, etc.).

## Latest Power Generation Tariffs of Power Projects in the Philippines

Each private sector component of the liberalized Philippine power industry—generation, transmission, and distribution—contributes to the overall power cost for retail and corporate customers. Power prices in the Philippines remain among the highest in the region, comparable to those in advanced Asian economies such as Japan, South Korea, and Singapore.

Philippine power projects have the option sell its output with the government or the private sector through distribution utilities/ electric cooperatives, corporate customers, and NGCP regardless of the generation technology used (ie thermal and non-thermal power generation). Alternatively, corporate customers may apply to be “Contestable Customers” with the Energy Regulatory Commission (ERC) so they can switch from their current distribution utility to a Retail Electricity Supplier (RES). This transition is part of the Retail Competition and Open Access (RCOA) framework, designed to create more market-based mechanisms for better price discovery, promote competition in the electricity sector and ultimately help in lowering power generation rates.

Republic Act 9513 or the Renewable Energy Act of 2008 promoted the development and utilization of renewable energy resources in the Philippines through a series of fiscal incentives, feed-in tariffs (FIT), and the establishment of a Renewable Energy Market, aiming to achieve energy self-reliance and reduce dependence on fossil fuels. The FIT program provided a guaranteed, above-market price for electricity generated from renewable sources like wind, solar, ocean, run-of-river hydropower, and biomass. This incentivized the first set of sponsors to invest in renewable energy technologies by offering long-term contracts with fixed rates.

The first renewable energy project in the Philippines to receive a Feed-In Tariff was the San Carlos Solar Energy Inc.’s San Carlos Solar Power Project (SACASOL). It received an endorsement for the FIT rate of P8.7 (\$15.8 cents) per kWh. SACASOL was initially set-up as venture between SunEdison Philippines Helios BV and Aboitiz Renewables Inc. and is in Negros Occidental, Philippines. The next power plants awarded under the FIT program were the 150MW Burgos wind project (Energy Development Corporation), the 19MW Northwind (Northwind Power Development Corp. / Ayala group), and the 81 MW Caparispisan Wind (North Luzon Renewable Energy Corp/ Ayala group).



Nabas-Caticlan-Boracay 138 kV Line  
National Grid Corporation of the Philippines

## CASE STUDY 1

### Feed-In-Tariff (FIT) Experiences in Philippines and Vietnam

	Philippines	Vietnam
<b>Policy Basis and Key Actors</b>	<ul style="list-style-type: none"> <li>Enacted under Comprehensive Law RA 9513 or the Renewable Energy Act 2008</li> <li>Key Government Agencies: Department of Energy, Energy Regulatory Commission, National Transmission Commission</li> </ul>	<ul style="list-style-type: none"> <li>Enacted under a series of Executive Decrees (Decision 37/2011/QD-TTg, Decision No.11/2017/QD-TTg)</li> <li>Key Government Agencies: Ministry of Industry and Trade (MOIT), The Ministry of Natural Resources and Environment (MONRE), Vietnam Electricity (EVN)</li> </ul>
<b>FIT Rates</b>	<ul style="list-style-type: none"> <li>(Start) 2008: Solar – USD 17 cents per kwh; Wind USD 15 cents per kwh</li> <li>(End) 2019 : Solar – USD 16 cents per kwh; Wind USD 14 cents per kwh</li> </ul>	<ul style="list-style-type: none"> <li>(Start) 2017: Solar – USD 9.35 cents per kwh;</li> <li>2011: Onshore wind USD 7.8 cents per kwh</li> <li>2018: Onshore wind USD 8.5 cents per kwh; Offshore wind USD 9.8 cents per kwh</li> <li>(Current) 2025 : Solar – USD 3.9-7.5 cents per kwh; Onshore wind – USD 6.98 - 7.54 cents per kwh; Offshore wind USD 12-15 cents per kwh (no more FIT rates but a ceiling price framework is adopted)</li> </ul>
<b>Total RE Capacity Added</b>	<ul style="list-style-type: none"> <li>~1.4GW added as new capacities broken down as 500MW Solar, 400MW Wind</li> <li>260MW Hydro and others</li> </ul>	<ul style="list-style-type: none"> <li>~23 GW total new capacities and counting broken down as 17GW Solar, 5GW Wind</li> </ul>
<b>Primary Challenges</b>	<ul style="list-style-type: none"> <li>Stability and availability of funding under the “FIT-all” fund</li> <li>Delays in escalation of FIT rates and payment</li> <li>Despite significant increase in RE capacities, RE share decreased to 22% by 2019 due to faster deployment of coal and thermal capacities vs RE</li> </ul>	<ul style="list-style-type: none"> <li>Initial bankability concerns of new PPAs for international finance and limited protections vs change of law</li> <li>Unprepared grid connections translating to delayed roll-out and grid congestion resulting to curtailment ranging from 30 to 40%</li> <li>Incorporation of batteries/ energy storage as supplementary solutions to grid congestion</li> </ul>
<b>Next Policy Step</b>	<ul style="list-style-type: none"> <li>FIT replaced by market-based mechanisms namely Green Energy Auction Program (GEAP) and Green Energy Option Programs (GEOP)</li> <li>Strict implementation of Renewable Portfolio Standards (RPS) and launch of new Philippine Energy Plan targeting share of power generation of 35% RE by 2030 and 50% by 2040</li> </ul>	<ul style="list-style-type: none"> <li>Looking towards more market-based mechanisms such as auctions, availability of a wholesale electricity market, &amp; Direct PPAs for corporates while regional tariffs are also being explored</li> </ul>

Since the launch of the RE Act of 2008, the levelized cost of electricity (LCOE)<sup>10</sup> renewable energy projects have declined globally significantly due to improvements in. In the past 12-18 months from the date of this report, power prices from RE projects in the Philippines have gone down making RE more competitive to thermal technologies and ultimately pushing down prices in the WESM. This is observed in Figure 3 which shows trends in latest offtake contracts under GEAP, bids for a large DU like Meralco, and latest trends in WESM from 2021 to April 2025.

<sup>10</sup> Levelized cost of electricity (LCOE) is the average cost of a power generating asset to generate one unit of electricity over its lifetime. It is calculated as the Net Present Value (NPV) of total costs of the asset divided by the NPV of total electricity generated.





Meralco López Building  
Ortigas Avenue, Quezon City

**Figure 3.**

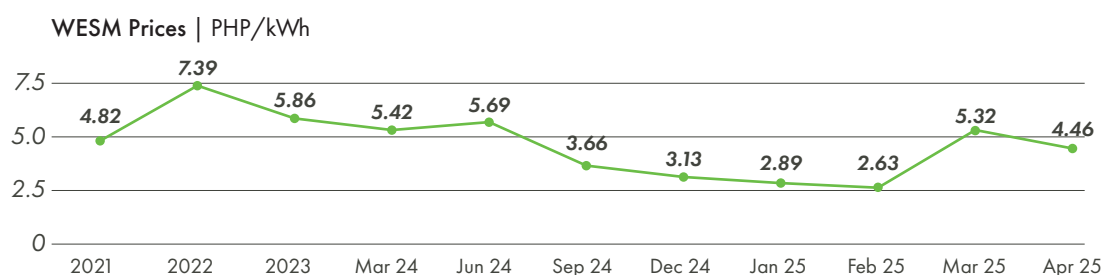
Comparison of WESM prices, GEAP prices and  
Selected Meralco Competitive Selection Processes (CSP)

#### GEAP 1, 2, 4 Prices and Capacities

Technology	GEAP 1 2022	GEAP 2 2023	GEAP 4 2025
<b>GEAR Price (PHP/kwh)</b>			
Ground mounted solar	3.67	4.40	4.15
Rooftop solar	NA	2.87	4.78
Floating solar	NA	NA	5.95
Solar + BESS	NA	NA	5.28
Onshore wind	6.05	5.85	6.51
Biomass	5.08	Up to 6.3	NA
Run of river hydro	5.49	NA	NA
<b>Capacity (MW)</b>			
Ground mounted solar	1,260	6,715	3,940
Rooftop solar	NA	605	48
Floating solar	NA	300	3,000
Solar + BESS	NA	NA	1,100+ESS
Onshore wind	380	3,720	2,390
Biomass	230	235	NA
Run of river hydro	130	NA	NA

#### Selected Meralco CSPs Bids from 2024-25

Bidder	Tech	Offer (PHP/kWh)	Bid Capacity (MW)
<b>Baseload</b>			
MPCL	Coal	5.60	500
MPGC	Coal	6.40	200
TLI	Coal	8.34	150
GNPD	Coal	5.74	300
SLPGC	Coal	7.73	150
QPPL	Coal	6.55	400
<b>Capacity (MW)</b>			
GNPD	Coal	7.68	400
MPCL	Coal	7.86	200
SPI	Coal	7.74	300
Gigasol3	Solar + BESS	8.19	340
SCSEI	Solar + BESS	8.20	149
SRHI	Hydro	7.10	21



**Note:**

1. Estimated OFW tariff based on ADB report "Final Report on the Philippines: Offshore Wind Regulatory Framework in the Philippines" dated March 2024 for DOE/ ERC
2. Offtake contract prices as of June 2025

As of the date of this report, RE power prices already range from P4.15 (\$7.5 cents<sup>11</sup>) per kwh for ground mounted solar to P8.20 (\$14.9 cents) per kwh making it highly competitive based on latest GEAP rounds vs generation rates from coal fired power plants (CFPPs). CFPP's generation rates are already between P5.6 (\$10.2 cents) to P8.3 (\$15.2 cents) per kwh for baseload contracts<sup>12</sup> and P7.7 (\$14.0 cents) to P7.9 (\$14.4 cents) for mid-merit contracts<sup>13</sup> based on latest auctions. RE power prices' decline and increased competitiveness to thermal power prices need further examination of the composition of a PPA tariff. A PPA tariff in the Philippines is usually composed of the following key components:

- **Capital Recovery Fee.** This covers the power plant's EPC and other costs, including debt and other financing costs along with acceptable and reasonable level of returns as approved by regulators. Subsequent investments can be factored in dependent on regulatory approvals. Construction costs of renewable energy projects, specially for ground mounted solar and onshore wind, is already lower than the cost of developing and constructing a thermal power plant. Investors are also more open to investing into RE projects and have increased the cost of financing thermal projects due to increased volatility of fuel prices in the past five (5) years.
- **Fuel fee.** More applicable for power plants that rely on fuels to operate, the cost of fuel (ie coal, natural gas) is a major variable component along with related taxes and direct expenses. Most RE technologies are not exposed to volatility of fossil fuel prices as these do not need fuel or feedstock.
- **Operations and management fees.** Usually split between "fixed" and "variable" expenses, these are used to reimburse the amount required to pay the operation and maintenance costs to run the power plant. Fixed costs associated with the day-to-day operation and upkeep of the plant, such as salaries, insurance, and routine maintenance. Variable costs are usually related to the plant's output, such as the cost of consumables and maintenance related to specific operational hours. Thermal projects require more complex technologies and moving parts as compared to RE projects making them more expensive to maintain.
- **Other approved expenses.** This may include charges related to transmission, distribution, and ancillary services, as well as taxes and levies.

<sup>11</sup> PHP 55 per \$1

<sup>12</sup> A baseload contract refers to a long term contractual agreement between a power generator to supply a fixed amount of electricity 24/7 and an offtaker to pay a fixed price given a certain level of availability within a year.

<sup>13</sup> Mid-merit contracts are power supply agreements in which electricity is delivered during high to moderate-demand periods of the day (ie 9am to 9pm), offering great flexibility to match daily energy consumption.



## CASE STUDY 2

### What goes into a SOLAR PPA Tariff based on an existing GEAR price

Parameters		MOS-RED Justification
GEAR Rate (PHP/kWh)	4.2395	
Technical and EPC Assumptions		
1. Installed Capacity		Based on average capacity submitted by DOE with letter-endorsement as of 21 March 2023.
2. Project Economic Useful Life	25 years	Same as GEAR1.
3. Construction Period from finance closing	6 months	Same as GEAR1.
4. Net Capacity Factor	19.52%	Based on the capacity factor of efficient solar power plants based on the 2022 data from the Generation Company Management Information System.
5. Plant Degradation (%/Year)	0.50%	Same as GEAR1.
6. Equipment Cost, transportation to project site, labor, installation		
7. Switchyard and Transformers		
8. Transmission Interconnection Distance		
9. Transmission Interconnection /Line Cost	USD 840,000 /MW	Based on 2023 National Renewable Energy Laboratory (NREL) "U.S. Solar Photovoltaic System and Energy Storage Cost Benchmark," with a 30% premium Sustainable Price Analysis Q1 2022."
10. Access / Service Roads Distance		
11. Access / Service Roads Cost		
12. Development Costs & Others		
13. Value-Added Tax on Importation	12%	Same as GEAR1.
14. Initial Working Capital	0.5% of EPC	Same as GEAR1.
15. Contingency Allowance	0.5% of EPC	Same as GEAR1.
Operating Assumptions		
16. O&M Cost	PHP 261,622.54 MW/yr	Based on International Renewable Energy Agency (IRENA) "Renewable Power Generation Costs in 2021." Inclusive of land lease, G-tax & Employee costs & G&A Cost.
17. Spare parts, tools & equipment /overhauling cost		Same as GEAR1.
18. G&A Cost (\$000/year)		Same as GEAR1.
19. Average Fuel Cost (kWh/Ton)	N/A	N/A
20. Feed Rate (kWh/Ton)	N/A	N/A

## CASE STUDY 2 (continued)

### What goes into a SOLAR PPA Tariff based on an existing GEAR price

Parameters		MOS-RED Justification
21., 22. VAT Recovery	100% of VAT	Same as GEAR1; VAT recovery period of 5 years after COD
<b>Debt and Equity Assumptions</b>		
23. Debt & Equity Capital Ratio	70:30:00	Same as GEAR1.
24. Upfront and other Financing Fees	2.00%	Same as GEAR1.
25. Commitment Fees	0.50%	Same as GEAR1.
26., 27 Interest Rate – Local/ Foreign Debt	7.36%	Based on average bank lending rates from 2018 to 2022 of the Bangko Sentral ng Pilipinas.
28., 29. Repayment Period – Local/ Foreign Debt	10 years	From end of grace period, same as GEAR1.
30. Grace Period - Local and Foreign Debt	6 months	From COD, same as GEAR1.
31. Debt-to-Equity Ratio	70:30:00	Same as GEAR1.
32. WACC - Pre Tax Rate	9.01%	As a result of the change in EERR.
33. Pre-tax Project IRR – Nominal	11.10%	Updated using 2023 figures.
<b>Tax Assumptions</b>		
34. Income Tax Holiday (ITH)	7 yrs. from COD	Same as GEAR1.
35. Income Tax Rate (after ITH)	30%	Same as GEAR1.
36. Property Tax Rate	1.50%	Same as GEAR1.
37. Property Tax Valuation/ Assessment Level	0.8	Same as GEAR1.
38. Local Business Tax Rate	1%	Same as GEAR1.
39. Reinvestment Share	1%	Same as GEAR1.
40. ER 1-94 Contribution	1 centavo per kWh	Same as GEAR1.
41. Withholding Tax on Interest (Foreign Currency)	10%	Same as GEAR1.
42. Withholding Tax on Interest (Local)	15%	Same as GEAR1.
<b>Economic Assumptions</b>		
43. Forward Peso to US\$ Exchange Rate	PhP55.3881 /US\$1	Based on the forward exchange rate for the period April 2023 to March 2027.
44. Local Inflation Rate	0.00%	Same as GEAR1.
45. Foreign Inflation Rate	0.00%	Same as GEAR1.
46. Base PhP to US\$ Exchange Rate	PhP55.3881 /US\$1	Not Applicable since forward peso to US\$ exchange rate is used or local inflation is considered.



Alternatively, WESM rates have had predictable trends between hot-wet-cold seasons in the Philippines since its inception in June 2006. Prior to 2025, the summer season in the Philippines from April to June usually translate to elevated power prices due to lower generation of hydro projects and higher power consumption due to hot temperatures and more usage of cooling devices. Red / yellow alerts<sup>14</sup> were experienced during the summer periods of 2023/24 due to unscheduled shutdowns and maintenance of ageing CFPPs further increasing power prices. During wet to cold seasons, starting from July to March, power prices are expected to trend lower due to cooler weather and higher availability of power plants include hydro power plants.

These trends in WESM rates have changed in late 2024 to mid-2025 due to high levels of production from solar and wind plants which began operations.

OFW projects in new markets such as the Philippines are expected to be very expensive specially for the first projects to be implemented due to lack of infrastructure, supply chains, and economies of scale of operations. OFW projects in the Philippines are expected to have a hard time competing with other RE and thermal technologies for offtake contracts with DUs/ ECs or in the WESM with estimated minimum tariffs ranging from P9.1 (\$16.5 cents) to P16.4 (\$29.8 cents) per kwh based on a recent ADB study done in March 2024. Recognizing this, the DOE is planning to launch a specialized GEAP 5 tranche focused solely on OFW with an adjusted price reflecting the operational and commercial realities of developing, constructing, and operating an OFW project in the Philippines. The ranges of estimated tariffs for OFW projects are shown in table 3 below:

**Table 3.**

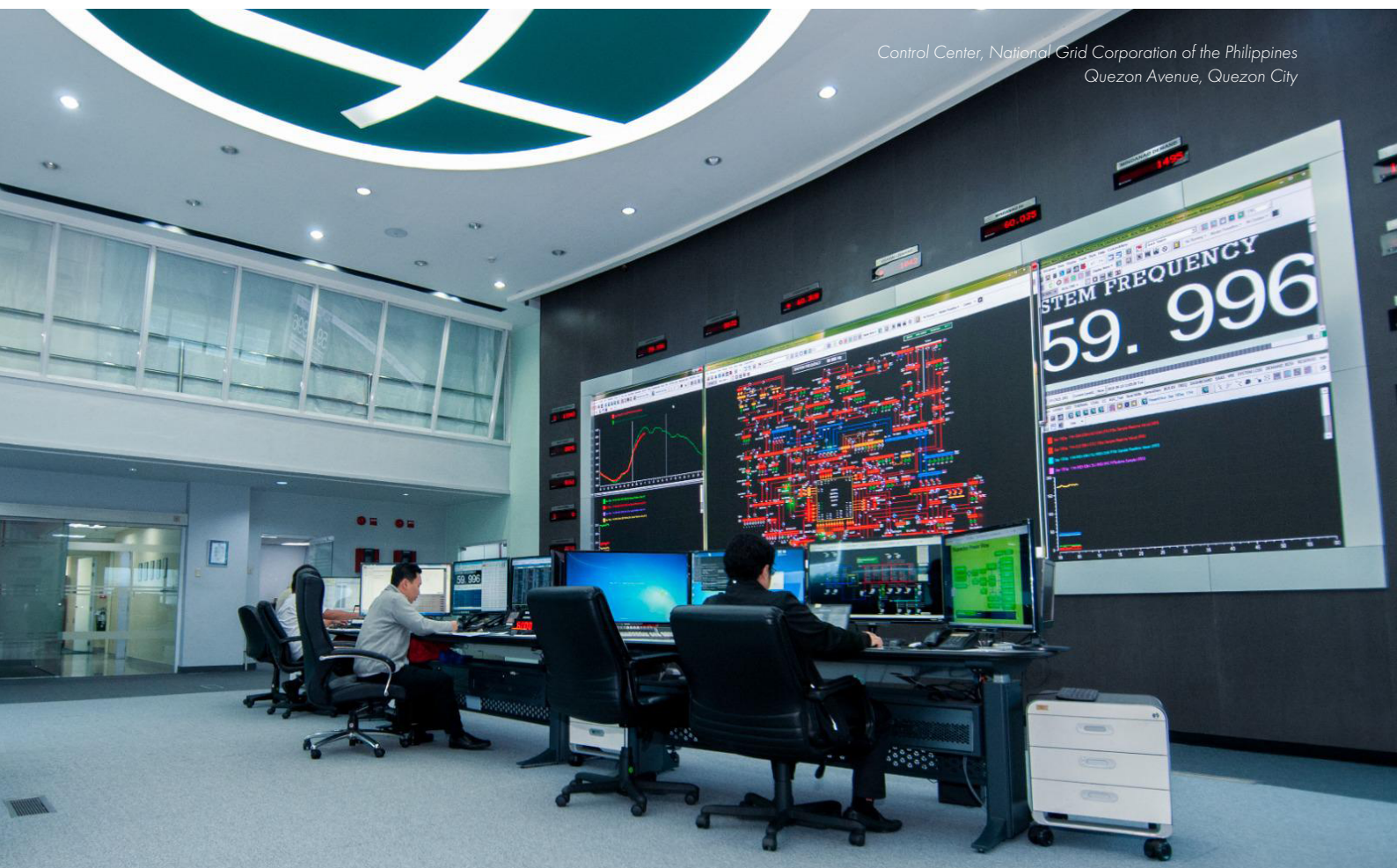
Estimated OFW Tariffs

Location	Estimated Tariff (PHP/kwh)
<b>Global Weighted Average Cost of Capital (WACC)</b>	<b>7.65%</b>
Floating – Luzon	15.23
Fixed – Luzon	11.66-13.83
Fixed – Visayas	10.25-12.61
<b>Global WACC (Aspirational)</b>	<b>4.97%</b>
Floating – Luzon	11.97
Fixed – Luzon	9.10-10.88
Fixed – Visayas	8.02-9.88
<b>ERC WACC</b>	<b>8.46%</b>
Floating – Luzon	16.42
Fixed – Luzon	12.59-14.89
Fixed – Visayas	11.07-13.61

<sup>14</sup> Yellow and red alerts are declared by the National Grid Corporation of the Philippines (NGCP) when power reserves fall below the necessary level needed to support the largest operating plant, or are fully depleted—signaling either a supply shortage or critically overloaded transmission lines, respectively.

Costs of development, construction, and operations of an OFW are expected to remain high in the short term. OFW projects either use floating or fixed structures. Fixed structures are historically cheaper, as they rely on proven technologies suited for shallow waters and benefit from a well-established global supply chain. In contrast, floating OFW reflects higher tariffs due to higher wind turbine generator costs and maintenance, as well as the higher complexity of fabrication and transport required for installation in deeper waters.

Beyond switching between fixed or floating OFW technologies, sponsors are incentivized to explore multiple ways to make tariffs more competitive including managing financing costs. Projects' financing options should go beyond usual commercial lenders to ensure that OFW projects' large project costs are full financed at the lowest possible cost. This includes ensuring participation from MDBs/ DFIs/ ECAs which provide high quality developmental capital which are usually at below market/ concessional rates. Once a project matures, sponsors should also explore alternative financing options outside pure project finance such as traditional and labelled bonds including green/ transition bonds under internationally accepted bond frameworks. In reference to estimated OFW prices, if OFW sponsors were to price their tariffs based on existing ERC benchmarks of RE debt financing, the resulting tariffs are more expensive due to lack of low-price MDB/ DFI/ ECA loans in ERC benchmarks referenced in the ADB report.



Control Center, National Grid Corporation of the Philippines  
Quezon Avenue, Quezon City

## 2.

# Risk Allocation and Financing OFW Projects in the Philippines

## Risk allocation in a power project

Each project will have its own set of specific issues and risks which will be allocated to project parties whether directly or indirectly. Risk allocation requires a multi-layered approach, through a series of contracts within a robust ecosystem of internal and external parties such as the governmental and financial institutions. Risk allocation strategies evolve and address potential risks with mitigation strategies across the early to late stage development, construction, and operational phases. Table 4 below shows the potential risks across a project's life along with risk allocation mechanisms through contracts and potential other mitigants.

**Table 4.**

Risk Allocation Matrix

Potential Risks	Allocation through contracts	Other mitigants
Early to Late Stage Development		
<ul style="list-style-type: none"> <li>Development</li> <li>Finance related (ie Interest rate, Foreign Exchange (FX))</li> </ul>	<ul style="list-style-type: none"> <li>Project development agreement</li> <li>Development financing / grants</li> </ul>	<ul style="list-style-type: none"> <li>Government commitments on supporting regulations and other programs (ie GEAP, EVOSS, marine spatial planning, etc.)</li> <li>DFI/ECA support through early-stage funding and targeted technical assistance for IPPs</li> <li>Rigid operational processes to scope and acquire access to project site locations and timely delivery of key permits and licenses</li> </ul>
Construction and commissioning		
<ul style="list-style-type: none"> <li>Construction risk</li> </ul>	<ul style="list-style-type: none"> <li>Turnkey (EPC) contract</li> <li>Construction all-risk, Marine, Delay-in-start-up Insurance</li> </ul>	<ul style="list-style-type: none"> <li>Government commitments and timely awarding of "bankable" offtake and other key contracts and delivery of needed ancillary infrastructure (ie CREZ, targeted grid and port projects)</li> <li>DFI/ECA support through direct/ indirect participation in financing</li> <li>Usage of tested practices, technologies and equipment and contracting of high-quality contractors and partners</li> <li>Planning for construction, right of way delays</li> <li>Sponsor's guarantee and technical competency for operations</li> </ul>



Table 4 (continued)

Potential Risks	Allocation through contracts	Other mitigants
<b>Operations</b>		
<ul style="list-style-type: none"> <li>Market &amp; Supply</li> <li>Operational</li> </ul>	<ul style="list-style-type: none"> <li>Put or pay agreements</li> <li>Operations and Maintenance (O&amp;M) agreements</li> <li>Take or Pay Offtake contracts</li> <li>Hedging/ derivative contracts</li> <li>All risk/ business interruption insurance</li> </ul>	<ul style="list-style-type: none"> <li>Targeted government subsidies/ programs, grants (ie GEAP, GEOP) to support day-to-day operations</li> <li>Technical support programs to promote sustainable asset use in the long term</li> <li>Mixed revenue sources ranging from PSAs, ancillary, to market/ WESM exposure</li> <li>Proper financing structuring, compensation due to material adverse changes/ force majeure</li> </ul>
<b>Risks common to Construction and commissioning and Operations</b>		
<ul style="list-style-type: none"> <li>Finance related (ie Interest rate, FX)</li> <li>Inflation risk</li> <li>Environmental</li> <li>Legal &amp; Regulatory</li> <li>Credit/Counterparty</li> <li>Expropriation / Nationalization</li> </ul>	<ul style="list-style-type: none"> <li>Debt/ equity financing agreements</li> <li>Hedging/ derivative contracts</li> <li>Terrorism/ political insurance</li> <li>Third party liability</li> </ul>	<ul style="list-style-type: none"> <li>Government subsidies/ programs, grants, DFI/ECA support</li> <li>Technical support programs</li> <li>Multilateral funding/ TA support programs including specialized funding platforms (ie direct funding from Climate Investment Fund/ Accelerating Coal Transition Investment Program or the ASEAN Catalytic Green Finance Facility), FX and credit support</li> <li>Sponsor's technical competency for operations</li> <li>Strong risk and controls policy</li> </ul>

Risk allocation can be a combination of internal and external assignment of risk across parties based on who will be in the best position to accept the risk at a most cost-efficient manner. Each of the parties in a project are assigned key responsibilities and directly or indirectly absorb the risk through a series of contractual arrangements based on their respective risk profile/ appetite and organizational mandate.

- **Early to late-stage development.** Power projects face significant risks early-stage development. The project needs to be sized and structured properly based on commercial assumptions and key permits and licenses need to be secured for a project to achieve late stages of development. In addressing techno-commercial requirements of a project, sponsors may hire additional technical consultants to support project design and sizing activities.

In addition, domestic sponsors with limited experience may also partner with international power companies with deep experience with nascent sectors such as offshore wind. Concerns on legal and regulatory permits and requirements can be mitigated with specialized consulting organizations which will focus on timely delivery of documents while supporting the sponsor's activities. In addition, development risk is further mitigated by external support mechanisms such as government programs such as the EVOSS, green land, and other similar mechanisms. MDBs/ DFIs can also support development activities by providing technical studies to accelerate the development of OFW sector.

- **Construction.** Though the primary concern at this phase is construction risk, guaranteeing the availability of internal and external funds to finance construction is crucial in achieving timelines.

In terms of construction risk for OFW – construction period is longer ranging as it ranges 24 to 48 months from start to commissioning as compared to around 18 months and more for onshore wind projects. Usual mitigant to this risk is contractually addressed through comprehensive turnkey (EPC) contracts, use of tested technologies, reliance on high-quality contractors, and utilizing insurance policies covering all-risk, marine, and delays, among others. Sponsors also usually factor in potential delays in timelines specially in relation to solving land and right of way issues. In addition, government commitments to provide essential ancillary infrastructure like transmission assets and ports through a combination of policy and actual deployment of assets further mitigate risk of potential delays. Timely financial close will be key in ensuring funding is readily available across various stages of construction. Strong sponsor support along with bankability of operations (through PPAs and other similar agreements) are also key in ensuring financing. Through this, readily available equity is preferably accessible to continue construction in case of pause of debt funding due to delays in related documentation.

- **Operations.** Upon achieving commercial operations, project faces supply and operational risks and even market risk if it is not 100% contracted. These are managed contractually through Operations and Maintenance (O&M) agreements, “take or pay” offtake contracts to ensure revenue, and hedging derivatives. This is supplemented by government programs and subsidies, technical support, and revenue diversification through sources like ancillary services and exposure to the Wholesale Electricity Spot Market (WESM).

There are several risks common across both construction and operations, including financial (ie interest rate, inflation, FX), environmental, legal, and political risks like nationalization or expropriation. These pervasive risks are managed through carefully structured debt and equity agreements, specialized political and liability insurance, a “bankable PPA” and strong internal controls by the sponsor. Critically, mitigation also comes from broader support systems, including government programs and multilateral funding platforms like the ASEAN Catalytic Green Finance Facility and the Climate Investment Fund, which provide direct funding and credit support.



## CASE STUDY 3

### Important Features to include in a bankable PPA

Based on a 2019 report from the World Bank entitled “**Important Features of Bankable Power Purchase Agreements For Renewable Energy Power Projects**”, 10 important features were identified to mitigate key risk considerations of a sponsor and its investors in a power project. These features are listed below with additional considerations and observations specially in a Philippine context:

1. **Mitigants to Dispatch Risk:** These are usually “Take or Pay” or “Take and Pay”<sup>15</sup> provisions or structures to ensure the power producer is paid, even if the offtaker may or may not actually use the generated electricity depending on the arrangement. This guarantees predictable levels of revenues and cashflows assuming a fixed levels of tariff subject to adjustments (see below).
2. **Fixed Tariff:** The total price set and paid per kilowatt-hour must be sufficient to cover all project costs, operating costs, debt repayment, and ultimately provide an acceptable level of project returns to investors, among others. This includes a series of base tariff components with that can also be adjusted based on inflation, justifiable cost over-runs due to delays and other material variables to maintain an acceptable level of project return.
3. **Foreign Exchange Mechanism:** To prevent losses from local currency devaluation, foreign components of tariffs in any offtake contract’s payment terms are usually linked denominated in or linked to US Dollars. This includes components relating to project costs through capital recovery fees and operating expenses.
4. **Mitigants to Change in Law or Change in Tax:** Project sponsors look for stable governing local laws and regulations covering day to day operations as part of long-term bankability. Its mostly preferred that the offtaker, not the project/ sponsors, must bear the financial consequences of any future changes in laws or taxes that negatively impact the project’s economics. However for some offtake contracts, these are segregated or limited to key terms such as taxes or specific components of a project (ie land, foreign exchange, etc.).
5. **Force Majeure Mechanisms:** This clause excuses the power producer from their obligations without penalty if an uncontrollable event prevents them from generating or delivering power. These events, often termed “acts of God” or fortuitous events, can include natural disasters, war, epidemics, and other events beyond a party’s reasonable control that adversely affect operations.

<sup>15</sup> **Take or Pay:** The offtaker pays a fixed tariff comprising a capacity charge (a fixed amount that is paid for available capacity - no dispatch required) and an output charge (an amount paid in respect of energy actually delivered). This permits the power producer to cover its fixed costs with the capacity charge, including debt service, fixed operating costs, debt payments, and an agreed equity return.

**Take and Pay:** Typically for wind and solar, the offtaker must take, and pay a fixed tariff for all energy delivered (no dispatch required). If energy cannot be physically taken by the offtaker and output is “curtailed,” energy will be calculated and paid for on a “deemed” delivered basis.



## CASE STUDY 3 (continued)

6. **Dispute Resolution:** Any disagreements must be settled through a neutral, international arbitration process held in a different country to ensure impartiality specially when one of the counterparts is the national government. For most Philippine contracts including some power purchase agreements between two (2) Philippine private sector parties (excluding government), arbitration is usually through the Philippine Dispute Resolution Center, Inc. (PDRCI).
7. **Termination and Termination Payments:** If the contract is terminated early for any reason, the offtaker must make a payment large enough to cover, at a minimum, all of the projects' existing obligations including outstanding bank debt and agreed levels of returns, among others.
8. **Assignment:** As offtake agreements form part of project's lenders collateral package, lenders must have the right to take over the contract through "step-in rights" from the power producer to protect their financial investment in case of default.
9. **Offtaker Payment Support:** To guarantee payments, the offtaker may be required to secure a form of credit support, such as a sovereign guarantee or a letter of credit.
10. **Mitigants to Transmission or Interconnection Risk:** The financial and logistical risk of connecting the power plant to the national grid should be assigned to the offtaker, especially for complex or distant connections. In the Philippines, projects have the option to set up their own connection assets up to the existing grid connection points but still subject to regulatory approvals. Any separate investments by the project and its sponsors can be subject to reimbursement and repayment.

The Philippine Offshore Wind (OFW) Technical Working Group (TWG) has been working to ensure that the Renewable Energy Purchase Agreement (REPA) incorporates internationally recognized bankability features, drawing on guidance from the World Bank's 2019 report on Power Purchase Agreements as well as the practical experience of developers and commercial banks active in the market. The TWG has pushed for provisions that mitigate dispatch and transmission risk, establish fixed and indexed tariffs with foreign exchange mechanisms, and allocate change-in-law, tax, and force majeure risks appropriately to protect project economics. The group has also emphasized the inclusion of lender step-in rights, clear termination payment structures, and credible offtaker payment support to strengthen financing confidence. By grounding the REPA in both global best practice and real-world financing lessons, while tailoring solutions to the Philippine context, the TWG aims to create a contract framework that provides predictable revenues, enhances creditworthiness, and attracts both domestic and international capital needed to unlock the country's offshore wind potential.

## Financing Power Projects in the Philippines

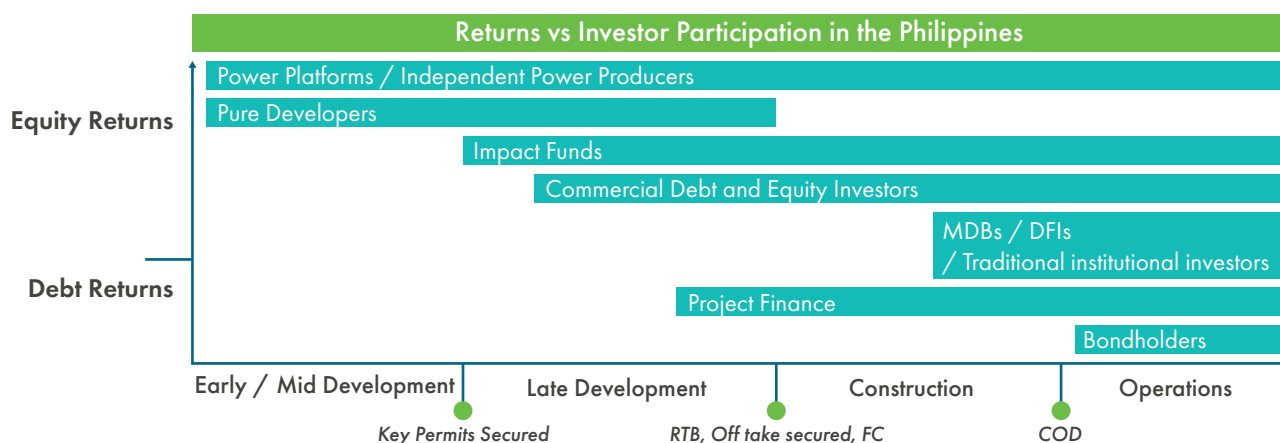
Debt usually finances 60 to 70% of project costs in power projects in the Philippines while sponsors cover 30 to 40%. For new or greenfield power projects, construction loans or project finance facilities from commercial lenders are usually utilized to finance construction up to start of commercial operations when the project earns money on its own. Project finance structures are usually used for large, capital-intensive projects, especially in infrastructure, energy, and industrial sectors. These structures rely on the project's future cash flow and assets as collateral, rather than the balance sheet of the project's sponsors.

Once a project matures and is considered "brownfield", sponsors have the option to use corporate finance structures which usually have less structural requirements including reduced covenants and collateral requirements. This includes the more traditional loans or capital market options such as listed bonds and equities.

**Figure 4.**

Project Lifecycle vs Capital Available up to Financial Close

Investor Type	Description
Commercial debt and equity	<ul style="list-style-type: none"> <li>Banks and traditional institutional investors (i.e. insurance companies, pension funds, ER / infra funds, etc.)</li> <li>Invested in project / corporate finance loans, bonds, and other similar assets</li> <li>At market rates</li> </ul>
MDBs / DFIs / ECAs	<ul style="list-style-type: none"> <li>Provide commercial and concessional capital sourced from donor funding, blended finance, credit support and other structures</li> <li>Below market rates subject to targets</li> </ul>
Impact investors	<ul style="list-style-type: none"> <li>Mandate to achieve both financial and impact returns; not likely to provide below-market rates</li> <li>Can be below market rates subject to targets</li> </ul>
Government	<ul style="list-style-type: none"> <li>Can provide potential subsidies or support whether direct financing or indirect support via subsidies or benefits</li> <li>Can be below market rates subject to targets</li> </ul>
Donors and philanthropies	<ul style="list-style-type: none"> <li>Tend to be flexible in financing and aiming at catalytic investments</li> <li>Provide concessional financing with an appetite for risk-bearing / first-loss capital</li> <li>Open to 0% return or lower depending on targets and structures</li> </ul>



Successfully financing capital-intensive power projects, such as an offshore wind project, requires an expanded finance strategy. This approach involves strategically sequencing different types of investors to align with the project's evolving risk profile through-out its life to maximize return capabilities of the project and matching this with investor expectations. Risk-return expectations vary based on a financial institution's mandate – ranging from low return expectations for developmental and donor-like institutions to market rates for commercial and some impact investors.

- **Early to mid-development stage.** In this phase, pure developers and IPPs usually provide the capital to finance initial project scoping and achieving key milestones such as securing the project site, setting up the SPV and applying for key permits and licenses. Financing from governments, donors, and impact investors can provide strategic funding for project development activities or provide technical assistance for technical and environmental studies on a per IPP.
- **Late-stage development.** In this phase, a project is developed further by the completion and awarding of local construction and other permits along with securing future revenues with power purchase agreements and other similar contracts from the government or commercial clients. At this stage, commercial debt and equity investors, such as banks and infrastructure funds, come in to provide the majority of the required funding back stopped by project finance loans as the project gets closer to "ready-to-build" status. MDBs/ DFI/ ECAs can provide a crucial role by signaling commerciality of a project through providing commitments, direct participation in the funding or indirect participation through credit support to further increase the probability of participation of commercial debt and equity investors.
- **Construction.** Upon achieving financial close and commencement of full construction activities, the project finance facility and remainder of the equity are drawn to fund construction and commissioning activities. For some projects, external funding will not readily be available due to fundamental issues such as effectively securing collateral for debt and other key agreements making the sponsor fund initial phases with equity. This can last up to late stages of construction and commissioning. Unfortunately, this is expected for upcoming sectors of the power industry, such as OFW, where key regulations affecting a lenders' ability to secure collateral is adversely affected.
- **Operations.** Once the project achieves commercial operations and achieves some years of operation, the project transforms into a low-risk asset generating stable and long-term revenue. At this stage, the project and its sponsors can refinance its initial investors with debt and equity from traditional institutional investors, who prefer secure and de-risked assets in exchange for lower-yield investments via publicly issued bonds and similar instruments. This phase also provides a potential exit opportunity for the original sponsors/ developers, as they can sell their equity stakes to pension funds and insurance companies seeking stable, long-term returns.



## Traditional Financing, Green Loans and Green Bonds

The financing landscape for Philippine national development has undergone a significant evolution, with Philippine banks financing more large-scale infrastructure projects across various sectors such as power and transport and declining reliance on foreign and developmental financing. Testament to this is the composition of the Philippine banking sector, with only 17% of total assets of Philippine banks amounting to P25.9 trillion (\$471.0 billion) coming from government banks as of March 2025. The Philippine banking system's total assets registered a cumulative annual growth rate of 10% from 2014 to 2024 – significantly higher than the Philippines' average historical gross domestic product growth of 5% year-on-year.

### CASE STUDY 4

#### Selected RE Projects in the Philippines and financing packages



##### 3,500MW Actis MGen Solar Farm

**Plant overview:** 3,500 hectare solar project across Nueva Ecija and Bulacan, which includes a 4,500 MW battery energy storage system (BESS) for grid stability. Phase 1 set to be operational by 2026, with full operations expected to start by 2027.

**Sponsors:** Meralco PowerGEN (MGEN), Actis

**Financing Package:** Total Project Cost of ~PHP2 billion funded with total PHP150 billion loan from BDO, SBC, CBC, PNB, etc. and equity funding from sponsors



##### 553MW ACEN Quezon North Wind

**Plant overview:** Multi-phase onshore wind project spanning Real and Mauban, in Quezon province. Expected to be the largest Philippine wind project with over 1,700 GWh of annual RE generation. Full operations expected to start by late 2027.

**Sponsors:** ACEN Corporation, ACEN Global Development Group, Inc., and Giga ACE 6 Inc. (GA6)

**Financing Package:** Total Project Cost of ~PHP70 billion funded with total PHP34.41 billion loan from an OLSA with BPI, BDO and RCBC and equity funding from sponsors



##### 747MW Tiwi Makban Geothermal

**Plant overview:** The 458-MW MakBan and 289-MW Tiwi Geothermal Power Plants were started operations in 1979 and was acquired by Aboitiz power through AP Renewables, Inc. (APRI) from the Philippine government in 2009 as part of its privatization program. The plants were first commissioned in 1979.

**Sponsors:** Aboitiz Power Corporation (APC)

**Financing Package:** Total Project Cost of ~USD597 million funded with total USD40 million ADB direct loan, USD240 million climate bonds, and USD317 million equity funding from sponsors

## CASE STUDY 5

### Selected Philippine Large Scale Government and PPP Projects financed by MDBs/ DFIs and Philippine Banks

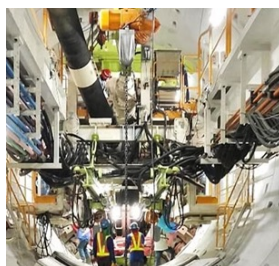


#### North-South Commuter Railway (NSCR) Project

**Description:** 147-km commuter railway with a total of 37 stations connecting New Clark City to Calamba, Laguna, aiming to decongest Metro Manila and promote regional development. Partial operations expected to start by 2027 with full operations by 2030

**Proponents:** Department of Transportation (DOTr) with support from the Japan International Cooperation Agency (JICA) and ADB

**Financing Package:** Total Project Cost of ~PHP875 billion funded by JICA PHP370 billion, ADB PHP330 billion, and the Philippine government PHP 175 billion



#### Metro Manila Subway Project

**Description:** The country's first underground mass transit system, spanning 36 kilometers with 17 stations from Valenzuela City to FTI-Bicutan and Ninoy Aquino International Airport (NAIA) Terminal 3. Partial operations are expected to start by 2032, full operations thereafter

**Proponents:** Department of Transportation (DOTr) with support from JICA

**Financing Package:** Total Project Cost of ~PHP488 billion funded by JICA PHP371 billion and the Philippine government PHP 118 billion



#### NAIA Rehabilitation Project

**Description:** NAIA upgrade project includes construction of a new terminal, the rehabilitation of passenger terminals and airside facilities (ie runway, aircraft parking area and airfield lighting), and the provision of facilities that will enable intermodal transfers

**Proponents:** The SMC SAP & Co. Consortium will have a 15-year concession period to implement the project, which can be extended by 10 years, if needed.

**Financing Package:** Total Project Cost of ~PHP171 billion with debt amounting to ~PHP80 billion from BDO, Asia United Bank, Bank of Commerce, Chinabank, DBP, and Security Bank



#### LRT Line 1 Cavite Extension

**Description:** The LRT 1 Cavite Extension project, also known as the L1CE, is an ongoing project to extend the LRT Line 1 from Baclaran in Parañaque to Bacoor, Cavite. Partial operations for the first phase resumed in 2024, with phase 2/3 to be completed by 2031

**Proponents:** LPMC (a consortium of Metro Pacific Investments Corporation, Ayala Corporation, and previously Macquarie)

**Financing Package:** Total Project Cost of ~PHP65 billion funded by JICA PHP19 billion, the Philippine government PHP8 billion, and LPMC by PHP~40 billion. LPMC was provided debt financing by Metrobank, Security Bank, and RCBC

Aside from privately issued loans and equity, projects and their sponsors can also issue securities and raise funds from the public capital markets specially for operating or brownfield projects. Capital markets are vital to a nation's financial system, channeling funds between investors and businesses beyond loans through stocks and bonds. Listed equity securities in the Philippines are under the Philippine Stock Exchange (PSE) while listed corporate debt securities are under the Philippine Dealing Exchange (PDEX). Key oversight is provided by the Securities and Exchange Commission (SEC), which ensures investor protection and market integrity.

The Bangko Sentral ng Pilipinas (BSP) also play a crucial regulatory role regulating banks' participation along with other similar financial institutions. In June 2025, total market capitalization of companies listed in the PSE aggregated to P19.5 trillion (\$354.9 billion) at the same time total level of tradable corporate debt instruments to P1.2 trillion (\$21.8 billion). Philippine banks and their investment banking units have also been instrumental in growing the Philippine capital markets, acting as underwriters and selling agents backstopping and facilitating investments from retail and institutional investors.

**Table 5.**

Outstanding Listed Securities of IPPs in the Philippines

Plant	Label	Tenors (Yrs)	Total Amount (PHP millions)
<b><u>Alsons Consolidated Resources</u></b>			
PHP	Regular Corporate Paper	>1	1,500
	Common Shares (PSE: ACR)		3,712
<b><u>Aboitiz Power</u></b>			
PHP	Regular Corporate Paper	4, 5, 7, 10	43,300
	Common Shares (PSE: AP)		294,719
<b><u>ACEN</u></b>			
PHP	ASEAN Green Bond	5, 7, 10	10,000
	Redeemable Preferred Shares (PSE: ACEN)		25,000
	Common Shares (PSE: ACEN)		102,802
<b><u>Citicore Renewable Energy Corporation</u></b>			
PHP	Common Shares (PSE: CREC)		44,754
<b><u>CREIT</u></b>			
PHP	ASEAN Green Bond	5	4,500
	Common Shares (PSE: CREIT)		23,433
<b><u>EDC</u></b>			
PHP	Fixed Rate ASEAN Green Bonds	3, 5, 7, 10	12,500
<b><u>SMCGP</u></b>			
USD <sup>1</sup>	Senior Perpetual Capital Securities	NA	82,500
PHP	Regular Bonds	5, 7, 10	55,288



Table 5 (continued)

Plant	Label	Tenors (Yrs)	Total Amount (PHP millions)
<b><u>Repower</u></b>			
PHP	Common Shares (PSE: REDC)		3,354
<b><u>Basic Energy</u></b>			
PHP	Common Shares (PSE: BSC)		1,922
<b><u>First Gen</u></b>			
PHP	Common Shares (PSE: FGEN)		65,897
<b><u>SP New Energy Corporation</u></b>			
PHP	Common Shares (PSE: SPNEC)		62,091
<b><u>Vivant</u></b>			
PHP	Common Shares (PSE: VVT)		22,516
<b>PHP TOTAL</b>			<b>804,500</b>

**Note:**

1. ASEAN Green Bonds / Regular bonds based on listed securities in PDEX as of 30 June 2025
2. Common shares based on market capitalization of IPPs in PSE as of 30 June 2025
3. Redeemable preferred shares based on amount raised per issuance

In addition to traditional bonds and equities securities, new innovations have come about including the issuance of labelled securities such as green bonds and loans. Green bonds are a type of debt security, similar to traditional bonds, but with a crucial distinction: the funds raised are specifically earmarked for projects with environmental benefits. Usual proceeds are focused on power related uses such as renewable energy and energy efficiency. Green bonds can also be used to fund sustainable water management, biodiversity conservation, and other similar initiatives. Issuers of green bonds/ loans also have green bond/ loan frameworks which lays out the principles and procedures an issuer/ borrower will follow when issuing green bonds or loans. This includes the requirement for clear and specific use of proceeds for green activities (see above), key performance indicators, and additional annual reviews including annual 3rd party certification.

The first green bond was issued in 2007 by the European Investment Bank (EIB) through the "Climate Awareness Bond" to fund renewable energy and energy efficiency projects. The World Bank followed in 2008 with its own green bond issuance, marking another significant step in the development of the green bond market. Following this, additional green bond taxonomies were launched such as the Green Bond Principles from the International Capital Market Association (ICMA) and the ASEAN Green Bond Standards from the ASEAN Capital Markets Forum (ACMF). Private issuers/ borrowers also have the option to utilize green loan frameworks launched by the Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA).

## Concessional Financing from MDBs, DFIs, and ECAs

**Table 6.**

Key MDBs/ DFIs/ ECAs participating in Philippine Issuances

Name	Description	Year Established
<b>Philippine FIs and DFIs</b>		
Landbank of the Philippines (Landbank)	Government owned and controlled universal bank focused on promoting countryside development	1963
Development Bank of the Philippines (DBP)	Government owned and controlled universal bank actively supports projects and programs that are aligned with the National Government's priority development programs and inclusive growth initiatives	1947
Philippine Health Insurance Corporation (Philhealth)	Government owned and controlled corporation (GOCC) handling the national health insurance in the Philippines providing health insurance coverage, ensuring access to quality and affordable healthcare services	1995
Government Service Insurance System (GSIS)	GOCC focused on providing social security and insurance for government employees and pensioners	1936
Social Security System (SSS)	GOCC focused on social insurance programs established by law to provide social security benefits to private sector, professional, and informal sector workers.	1957
Home Development Mutual Fund (HDMF) / Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (Pag-IBIG fund)	GOCC focused on national savings programs and affordable shelter financing for Filipinos	1978
Philippine Guarantee Corporation (PhilGuarantee)	GOCC focused on providing credit guarantees to financial institutions to facilitate access to credit across various key sectors	1977
National Development Company (NDC)	GOCC focused on pursuing commercial, industrial, agricultural or mining ventures in order to give the necessary impetus to national economic development.	1919
Marharlika Investments Corporation	A GOCC tasked with the management of the Mahalike Investment Fund which is focused on generating optimal long-term returns on investments while fostering the socioeconomic development of the Philippines.	2023

Table 6 (continued)

Name	Description	Year Established
<b>International Multilateral Development Banks (MDBs)/ Development finance institution (DFIs)/ Export Credit Agencies (ECAs)</b>		
Asian Development Bank (ADB) Group (ADB, Credit Guarantee & Investment Facility (CGIF), & Subs)	MDB focused on advancing social and economic development, reducing poverty and supporting sustainable growth across Asia and the Pacific (APAC) through financial and technical assistance.	1966
World Bank Group (World Bank, International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), & Subs)	Global DFI group focused on supporting projects in developing countries to foster sustainable economic growth and strengthen resilience, through financial products, mobilization private and public sector investments, advisory services and technical assistance.	1944
Asian Infrastructure Investment Bank (AIIB)	MDB focused on providing financial support for sustainable infrastructure projects across Asia and promoting regional cooperation.	2016
British International Investment (BII)	Government-backed DFI aimed at addressing global development challenges by providing flexible capital to promote private sector growth and support green initiatives across Asia, Africa and the Caribbean.	1948
Norwegian Investment Fund for Developing Countries (Norfund)	A government-backed Norwegian investment fund dedicated to impact investing that supports job creation, poverty reduction and the green transition in developing nations.	1997
Dutch Entrepreneurial Development Bank (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.)/ FMO	A Dutch Entrepreneurial Development Bank offering private sector financing and support in developing/emerging countries to drive sustainable economic growth and foster entrepreneurship.	1970
China International Trade and Investment Corporation	Chinese state owned enterprise offering financial services to support industrial and infrastructure development across the country, in line with national strategic priorities.	1979
Export-Import Bank of the United States (US EXIM)	The official ECA of the US, focused on supporting American jobs by providing financing solutions that facilitate U.S. exports and enhance the competitiveness of domestic private sector companies.	1934
Export-Import Bank of Korea (KEXIM)	A state-owned ECA promoting South Korean international trade and investment, offering financial solutions to strengthen the competitiveness of domestic exporters.	1976
Japan Bank for International Cooperation (JBIC)	Government owned financial institution aimed at supporting Japanese businesses overseas and promoting international cooperation by providing strategic international financing across key sectors.	1999
Japan International Cooperation Agency (JICA)	A government agency focused on assisting developing countries with economic and social growth through the administration of Japan's official development assistance (ODA).	1974

**Table 7.**

ADB/ AIIB/ IFC Overview

Feature	AIIB	Asian Development Bank (ADB)	International Finance Corporation (IFC)
<b>Year Founded</b>	2016 in Beijing, China	1966 in Manila, Philippines	1956 in Washington D.C., USA
<b>Mandate Focus</b>	<p>With 110 members, focused on Asian infrastructure development, sustainable infrastructure, connectivity, private capital mobilization.</p> <p>Notable ventures: Project Preparation Special Funds, Special Fund Window for Less Developed Members, Project Specific Window, Multilateral Cooperation Center for Development Finance, the Global Infrastructure Facility, and the Pandemic Fund</p>	<p>With 69 members (50 regional, 19 non-regional), focused on Economic and social development in Asia-Pacific, poverty eradication, loans, TA, grants, equity investments, policy dialogue.</p> <p>Notable ventures: CGIF (Guarantee platform for bonds), ADB Ventures (Focused on tech start ups), Energy Transition Mechanism, and the Climate Change Fund.</p>	<p>Part of World Bank group, 186 members and focused on private sector development in emerging markets, investment, advice, asset management/ private equity, unlocking private investment.</p> <p>Notable ventures: IFC SME Ventures Portfolio (multiple funds), IFC ScaleX, Digital2Equal, Invest2Equal, IFC Financial Institutions Growth Fund, China Environment Fund.</p>
<b>Key Strategic Priorities</b>	Green Infrastructure, Connectivity & Regional Cooperation, Technology-enabled Infrastructure, Private Capital Mobilization	Poverty eradication, gender equality, climate action, livable cities, rural development, governance, regional cooperation (Strategy 2030)	Climate Business, Fragile & Conflict Situations, Gender, Mobilizing Private Capital, Sustainability
<b>Notable Recent Projects in the Philippines</b>	<ul style="list-style-type: none"> <li>• \$350m Bataan Cavite Interlink Bridge (w/ ADB)</li> <li>• \$450m Build Universal Health Care Program</li> <li>• \$400m Facility for Accelerating Studies for Infrastructure</li> <li>• \$300m Domestic Resource Mobilization</li> <li>• \$300m Inclusive Finance Development</li> </ul>	<ul style="list-style-type: none"> <li>• \$1.45b Malolos Clark Railway Project/ North-south railway project (with JICA)</li> <li>• \$1.7 Laguna Lakeshore Project (w/ AIIB)</li> <li>• \$100m Loan with Canadian Climate fund for AC Mobility</li> <li>• \$12m Loan for Buskowitz Energy</li> </ul>	<ul style="list-style-type: none"> <li>• \$130m loan to Asialink Finance for SME/ Women businesses</li> <li>• \$100m in City Savings Bank Social Bonds</li> <li>• \$250m in ACEN Green Bonds</li> <li>• \$100m in BDO Blue Bonds</li> <li>• \$250m in Ayala Land Sustainability Linked loan</li> </ul>





Traditionally, MDBs, DFIs, and ECAs have been key providers of developmental and concessional finance. MDBs and DFIs usually have the mandate to provide financial and technical assistance to developing countries to help build out basic infrastructure and other key sectors to support their economic and social development. Alternatively, ECAs are mandated to support their local industries and sectors to support their exports and economic development.

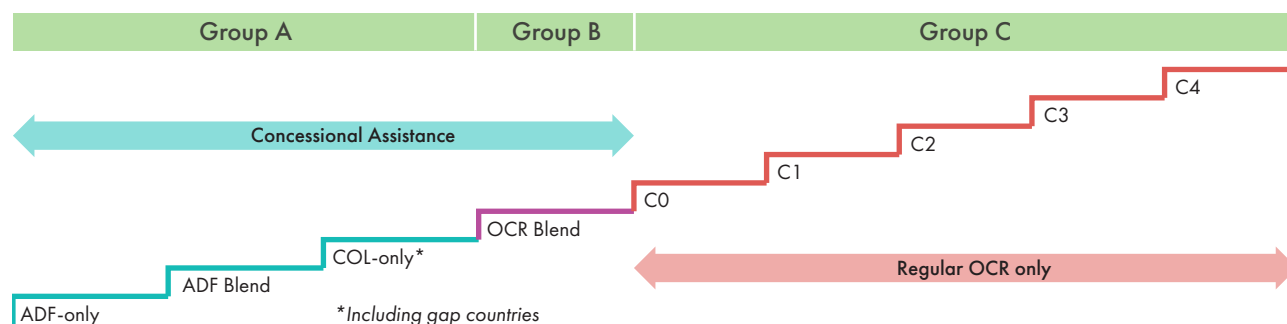
MDB/ DFA/ ECA financing can be in the form of direct/ indirect investment and credit support. Credit support can increase the commerciality of any transaction and can range from full/ partial guarantees to structural credit support through junior tranches and first loss concessions. Targeted insurance can also be provided to cover political and regulatory risk. Beyond usual commercial terms, MDBs/ DFIs can also share its preferential status to participating commercial investors who join in their investments. Benefits include priority foreign exchange conversion and payment during liquidity events.

However, financial sectors in most developing countries, such as the Philippines, have evolved and progressed, allowing developmental institutions to progress as well to focus on new strategic sectors to support economic development and support climate resilience amidst a changing global environment. This has allowed governments and its private sector sponsors to make a strategic shift from to a more sophisticated partnership with MDBs/ DFIs/ ECAs. This pivot allows to focus on new, more complex, or large scale projects that the Philippine banking sector is not yet ready to finance. Their involvement often serves as a catalyst, “crowding in” private sector investment that might otherwise hesitate.

## CASE STUDY 6

### Asian Development Bank Lending Rates and Policies

Since the Philippines is classified as a lower middle-income country (LMIC), it qualifies for ordinary capital resources (OCR) as source of funding IF there is no special programs / concessional funds being utilized. For any borrowing from the Philippines from the ADB, it will have to apply for special funding programs to get better than market loan terms and conditions as Philippine banks are already very competitive in pricing loans specially in Philippine Peso.



#### Legend

ADF = Asian Development Fund

COL = Concessional OCR lending

IBRD = International Bank for Reconstruction and Development

Lao PDR = Lao People's Democratic Republic

LMICs = Lower Middle-Income Countries

OCR = Ordinary Capital Resources

SIDS = Small Island Developing States

UMICs = Upper Middle-Income Countries

Group A: Concessional Assistance-only				OCR Blend
ADF-eligible				
ADF-only (100% grant)	ADF Blend (50% grant)	COL-only (0% grant)		COL-only Gap
<ul style="list-style-type: none"><li>• Afghanistan</li><li>• Kiribati</li><li>• Maldives</li><li>• Marshall Islands</li><li>• Samoa</li><li>• Tajikistan</li><li>• Tonga</li><li>• Tuvalu</li><li>• Vanuatu</li></ul>	<ul style="list-style-type: none"><li>• Bhutan</li><li>• Federated States of Micronesia</li><li>• Kyrgyz Republic</li><li>• Nauru</li><li>• Solomon Islands</li></ul>	<ul style="list-style-type: none"><li>• Nepal</li><li>• Myanmar</li></ul>	<ul style="list-style-type: none"><li>• Cambodia</li><li>• Lao People's Democratic Republic</li></ul>	<ul style="list-style-type: none"><li>• Bangladesh</li><li>• Cook Islands</li><li>• Fiji</li><li>• Mongolia</li><li>• Niue</li><li>• Pakistan</li><li>• Palau</li><li>• Papua New Guinea</li><li>• Sri Lanka</li><li>• Timor-Leste</li><li>• Uzbekistan</li></ul>

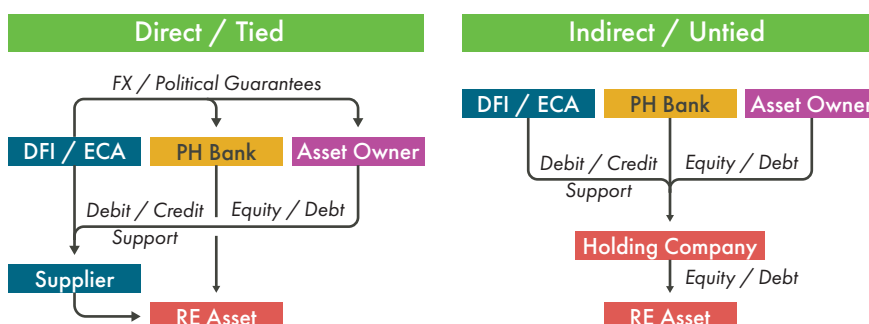
C0 SIDS below the IBRD income cutoff and new group C	C1 LMICs and SIDS above the IBRD income cutoff	C2 UMICs below the IBRD income cutoff	C3 UMICs above the IBRD income cutoff	C4 High-income countries
	<ul style="list-style-type: none"><li>• India</li><li>• Indonesia</li><li>• <b>Philippines</b></li><li>• Viet Nam</li></ul>	<ul style="list-style-type: none"><li>• Armenia</li><li>• Azerbaijan</li><li>• Georgia</li><li>• Thailand</li></ul>	<ul style="list-style-type: none"><li>• Kazakhstan</li><li>• Malaysia</li><li>• People's Republic of China</li><li>• Türkiye</li><li>• Turkmenistan</li></ul>	

This strategic shift has positioned global and regional MDBs/ DFI/ ECAs as central partners for private sector and national governments in further accelerating on-going development of key sectors such as energy and transport. MDBs/ DFIs support does not stop on financing via direct investment or credit support, as they also provide technical assistance initiatives that help accelerate policy/ regulations and industry knowledge to further accelerate the entry of private sector investors.

ECAs act as facilitators, bridging the gap between private sector financing and the needs of exporters and importers in international trade. They help businesses access and manage foreign exchange exposure and risks, and ultimately support the growth of international trade for their host country. ECAs can be an active part of a project's life from development, construction, up to actual operations by providing direct or indirect financing solutions and also be syndicated side by side with commercial capital. For the case of power projects and OFW, ECAs can support the manufacturing, delivery, and construction of local power related equipment and business activities such as wind turbines, solar panels, inverters, batteries, and other similar items, for deployment to power projects in developing markets. Figure 5 below show the potential structures of participation by ECAs.

**Figure 5.**

Potential Structures of Participation by ECAs in OFW



The Philippines' own in-country DFI ecosystem has evolved to complement this new paradigm. Domestic institutions like the Development Bank of the Philippines (DBP) and Landbank (LBP) have transformed into key intermediaries, receiving on-lending facilities from MDBs to effectively channel development funds into the local economy. Other GOCCs such as the GSIS, SSS, and Philhealth have also participated as fund providers and anchor investors in Philippine capital market transactions by investing in transactions that pass their requirements and mandate.

The establishment of the Maharlika Investments Corporation (MIC) in July 2023, the nation's sovereign wealth fund, represents the latest stage in this evolution. It creates a powerful domestic entity designed to strategically co-invest alongside international partners, ensuring that global capital is directly aligned with the Philippines' long-term national interests.

## Stakeholders' role in Risk-Sharing for Offshore Wind Development in the Philippines

The development of offshore wind in the Philippines depends not only on technical capacity and investment flows but also on how risks are identified, allocated, and managed across different actors. Each stakeholder category plays a distinct role in shaping a balanced risk-sharing framework that ensures project bankability while safeguarding public interest.

### ***Policymakers and Regulators***

Government agencies set the framework that defines how risks are shared. By setting energy targets, awarding contracts, and creating tariff structures, they establish certainty for revenues. They also manage permitting and grid connection processes, which are critical in preventing delays and unexpected costs. A clear stance on issues such as change in law, taxation, and transmission responsibility gives developers and financiers confidence to invest.

### ***Developers***

Developers are at the center of project delivery, assuming most of the commercial and technical risks across the lifecycle. They bring equity, expertise, and technology, and are responsible for managing construction, operations, and stakeholder engagement. Their ability to optimize design and manage environmental and social safeguards helps reduce the likelihood of overruns and delays, but they depend on a fair allocation of uncontrollable risks from government and financiers.

### ***Export Credit Agencies (ECAs), Development Finance Institutions (DFIs), and Multilateral Development Banks (MDBs)***

These institutions reduce risks that commercial financiers often avoid. ECAs provide guarantees, tied loans, and insurance that make capital more affordable, while DFIs and MDBs offer concessional loans, policy advisory, and early-stage support that lower overall project risk. Their presence in a financing structure also acts as a signal to private lenders, helping to crowd in more capital. In the Philippines, their role will be especially important to address policy uncertainty and high upfront capital costs.



**Commercial Banks**

Banks provide the bulk of project debt and therefore play a decisive role in financial close. They manage credit and currency risks, structure financing packages, and facilitate syndicated loans when backed by ECA or MDB support. In the Philippines, their willingness to finance OFW will depend on how well risks are allocated across contracts, and whether mechanisms like indexation and termination payments are clearly set out.

**Insurance Providers**

Insurance is indispensable in offshore wind, covering both construction and operational risks. From typhoon damage to equipment breakdowns, insurers provide the financial protection that lenders require to commit capital. In the Philippine context, where extreme weather events are frequent, well-structured insurance solutions will be central to bankability and long-term resilience.

**Impact Investors and Philanthropies**

These actors provide catalytic capital that helps absorb risks commercial players may not take on. Impact investors can provide first-loss equity or concessional financing, while philanthropies often fund feasibility studies, community programs, or workforce training. Their participation not only reduces financial risk but also strengthens social acceptance, ensuring that offshore wind development brings broad socio-economic and environmental benefits alongside clean energy.

Port of Subic, Zambales



3.

# Recommendations

## 1 Enhancing Public Sector Financial Participation in OFW Projects

This report on Risk sharing mechanisms for OFW projects provides a series of recommendations to key stakeholders on regulating, developing, and financing OFW projects to ensure that these are well positioned to be commercially feasible while actively supporting the clean energy goals of the Philippines. Identified recommendations are enumerated below:

1. **Expand the Role of Public Sector and MDBs/DFIs/ECAs in OFW Financing** Despite being the Philippines being tagged as needing low levels of concessionality by MDBs/ DFIs due to its income status, more specialized financing should be provided at larger scale for pioneering OFW sponsors and their projects.
2. **Leverage Concessional Financing and Technical Assistance for Early-Stage Activities** In addition to concessional financing, special high-risk capital and technical assistance should be provided by MDBs/ DFIs to help in supporting early-stage development activities (ie investment in resource and feasibility studies) for national governments and private sector sponsors.
3. **Encourage Developers to Utilize International Programs** Developers to be encouraged to utilize all available programs from international ECAs/ DFIs to lower over-all cost of capital and finance development such as the ASEAN Catalytic Green Finance Facility.
4. **Encourage National Government Participation through DFIs and GOCCs** National government to encourage its DFIs/ Government Owned and Controlled Corporations (GOCCs) to actively participate in OFW investment activities across the project life cycle (from development to operations) specially with projects who have won projects from the GEAP, through direct or indirect investments in IPPs or ancillary businesses, and utilize the entire financing toolbox beyond just investing to allow developers to unlock capital and re-invest into more RE and OFW projects.
5. **Engage ECAs of Key Offshore Wind Component Countries** National Government to actively engage ECAs of countries with key components (ie turbines, masts, ports) and competencies (ie operations and management, etc.) and pave the way for private sector to start discussions to expand financing options.

6. **Government Support for Delayed Projects** Beyond what is allowed under the REPA and through policy instead - IPPs/ developers awarded with GEAP contracts should have the ability to recoup expenses from the government/ reimbursed through auto-adjustment of rates/ contract tenors due to delays arising from slow delivery of government commitments.

## 2 Maximizing parallel processes through high coordination of OFW related activities across National Government Units

1. **Centralized Coordination for OFW Projects** A centralized working group can have a whole-of-government approach across different departments of the Philippine government that cover OFW ranging from finance, environment, energy, and local/ national level regulations.
2. **Establish a Dedicated Offshore Wind Finance TA Coordination Team within DOE** The Department of Energy (DOE) may consider establishing a dedicated team tasked with overseeing and coordinating all technical assistance (TA) initiatives related to offshore wind financing. This unit would serve as the central point of engagement for multilateral development banks (MDBs), development finance institutions (DFIs), and export credit agencies (ECAs), ensuring alignment of TA efforts with DOE's policy priorities and timelines. A streamlined and well-coordinated TA approach would enhance institutional capacity, improve efficiency, and reduce overlaps or inconsistencies in supporting offshore wind financial frameworks.
3. **Regulatory Roadmap for OFW Permitting** (Focus on Sub national permits) Last month, the Department of Energy released the Guidebook to Permitting and Consenting for Offshore Wind Energy in the Philippines, a comprehensive reference outlining the more than 80 permits required from over 25 government agencies across the offshore wind project lifecycle. This milestone enhances permitting clarity and coordination, reinforcing investor confidence and aligning closely with the government's EVOSS platform for streamlining energy project approvals. To build on this progress, it is recommended that permitting and consenting responsibilities be further coordinated with sub-national governments, particularly in coastal LGUs that host offshore wind activities, to ensure alignment between local and national processes, reduce project delays, and enable inclusive, area-specific decision-making.

### 3 Improving financing packages and project bankability through better risk-sharing frameworks between public and private stakeholders

1. **De-risking Early Development through Grants and TA** Grants, impact funds, and TA programs can fund and de-risk initial sizing/ technical research requirements saving precious high-risk developmental capital of IPPs for other key development processes
2. **Encouraging Financial Institutions' Participation through Regulatory Measures** SEC/ BSP/ Insurance commission may roll out targeted RE programs to encourage banks, insurance companies, and other financial institutions to invest/ participate in OFW projects specially in conjunction with special RE programs by DOE (ie 0% risk weight for projects guaranteed by designated national government unit, GEAP awarded, and under CREZ)
3. **Incentivize Local Governments to Support OFW Projects** Investors/ SPVs in OFW projects to have additional tax/ regulatory incentives from a national to local government unit level to spread the responsibility of supporting OFW to the LGUs as well
4. **Aligning National and Local Policies** Raise awareness with LGUs on benefits of attracting and hosting OFW projects to enhance participation and complement existing LGU focused programs to accelerate permitting/ attract more projects



## Summary of Key Recommendations

Category	Recommendation	Key Actions	Key Risks Addressed
Public Sector Financial Participation	Expand MDB/DFI/GOCC participation in OFW financing	Use concessional finance and technical assistance for early-stage development, encourage government participation across the project life cycle.	Limited access to early-stage concessional capital
	Engage ECAs of key component countries	Facilitate discussions with ECAs to expand financing options for OFW developers.	Restricted financing options for key equipment/components
	Support delayed projects through government-backed reimbursement	Introduce mechanisms for delayed projects to recover expenses through rate adjustments or extended contract tenors.	Financial viability risks for delayed or stalled projects
Government Coordination	Create centralized coordination for OFW development	Form a working group with key national government departments (finance, energy, environment).	Fragmented and unclear government responsibilities
	Establish DOE's OFW working group	Facilitate streamlined processes with MDB/DFI support to reduce uncertainty.	Lack of internal DOE coordination for TA and permitting
	Develop regulatory roadmap for OFW permitting	Implement a coordinated approach to remove permitting bottlenecks.	Permitting delays due to absence of unified guidance
Financing and Risk-Sharing	De-risk early development stages	Provide grants, impact funds, and technical assistance for feasibility studies.	High upfront development cost and uncertainty
	Encourage financial institutions' participation	Introduce regulatory incentives for banks and insurance companies to invest in OFW.	Limited private capital inflow into the sector
	Support LGU involvement in OFW projects Align national and local policies	Create incentives at the national and local level to encourage LGU participation in OFW projects. Ensure consistent incentives and policies at both levels to streamline OFW development.	Weak local support and participation Policy misalignment across national and local levels

Effective risk-sharing for Philippine offshore wind depends on a coordinated approach among all these stakeholders: government reduces regulatory and policy risks; developers assume commercial and technical risks while ensuring community acceptance; ECAs, DFIs, and MDBs absorb early-stage and political risks; commercial banks provide scalable financing under risk-mitigated terms; insurers protect against construction and operational shocks; and impact investors and philanthropies help cover early-stage, social, and environmental risks that unlock broader participation. Together, this ecosystem distributes risks more equitably, making OFW projects more bankable and accelerating the country's transition to clean energy.





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