



Enhancing Corporate Renewables Procurement in the Philippines

White Paper – Summary Presentation

28 February 2023



Overview

- 1 Introduction**
- 2 Status of Corporate Renewables Procurement in the Philippines
- 3 Next Steps and Recommendations for the Philippines

Introduction



- This report is a **white paper summary presentation** to put forward recommendations that drive positive change in the corporate procurement of renewable energy supply in the Philippines, including specific reforms to the Green Energy Option (GEOP) program.
 - **Current state assessment for corporate renewables procurement** in the Philippines and assessment of the GEOP.
 - **International best practice for green procurement** – analysis of corporate renewables trends in relevant markets and lessons learned.
 - **Recommendations for positive reforms to improve GEOP effectiveness** to better enable and promote green procurement among corporate end-users.

Clean energy procurement is now a critical issue globally and spans beyond MNCs – greater requirements are being placed on supply chains and SMEs...

2 minute read · November 2, 2021 11:54 PM GMT+7 · Last Updated a year ago

Apple adds suppliers to clean-energy pledge, including more chip firms

IKEA Accelerates Suppliers' Shift to 100% Renewables

JUNE 21, 2021 BY HARUN ASAD

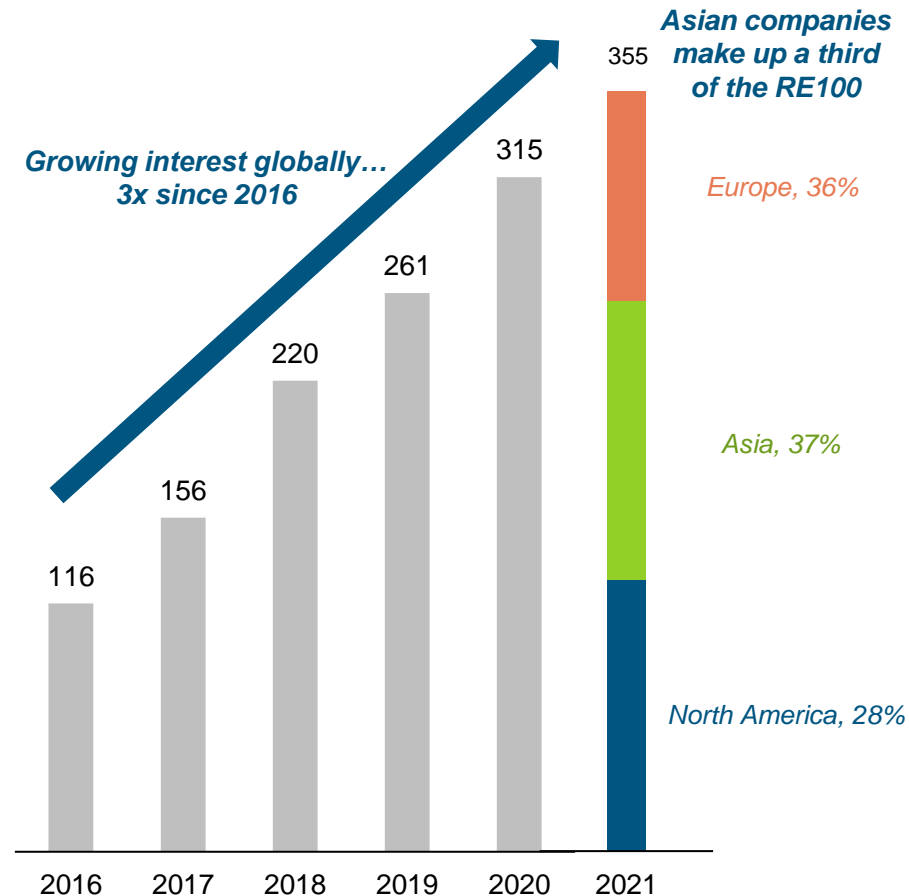
APAC SEPTEMBER 16, 2020 / 4:02 AM / UPDATED 2 YEARS AGO

Google aims to run on carbon-free energy by 2030

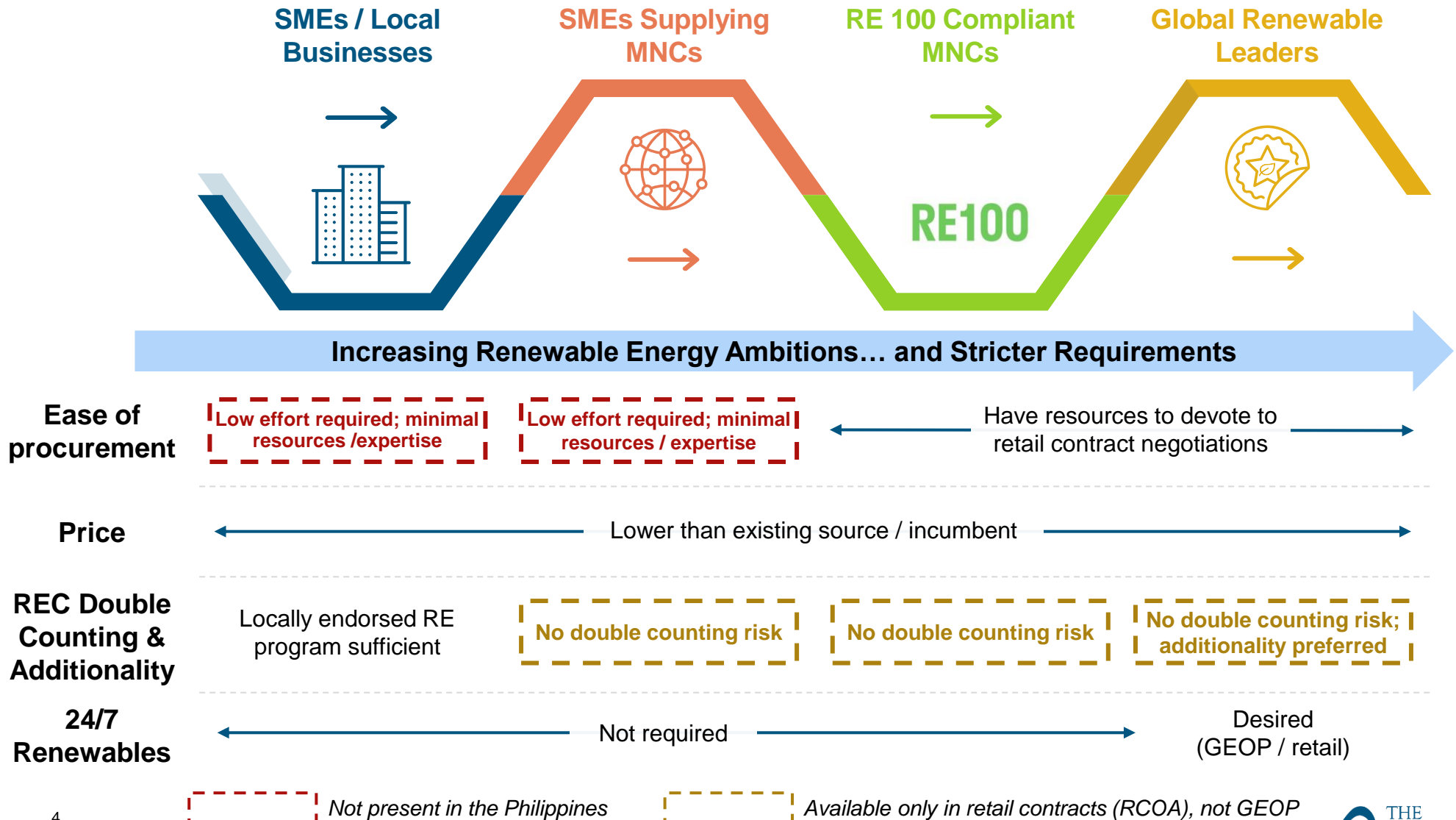
Nestlé to convert operations to 100% renewable energy in \$3.6B emissions-reduction plan

Published Dec. 3, 2020

RE100 Members **RE100**



... however, end-users are at varying stages in their sustainability journey, resulting in different clean energy needs

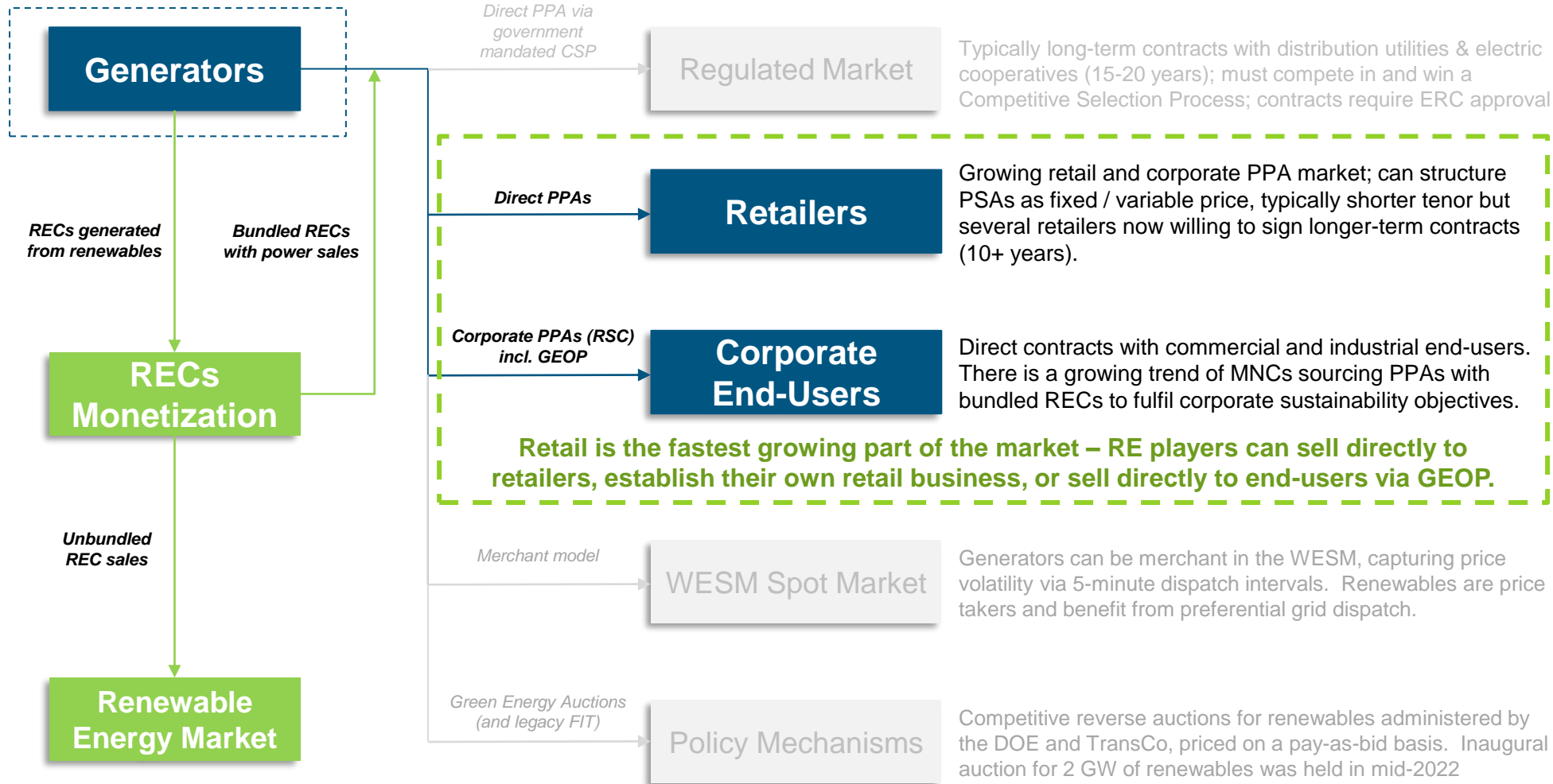


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The Philippines' retail market is one of the fastest growing market segments and is increasingly important for commercialising new renewable energy capacity

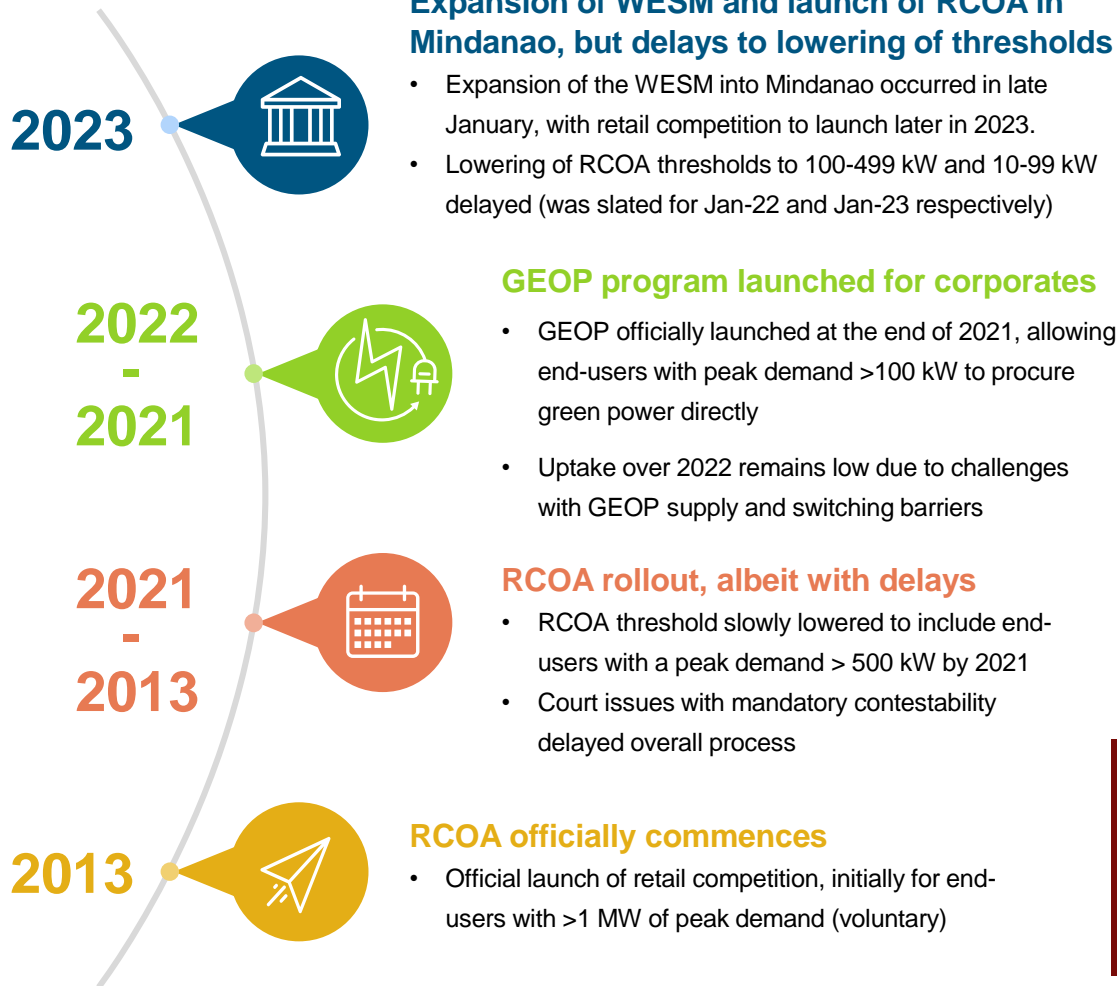
Several potential revenue streams exist for project developers and investors and developers



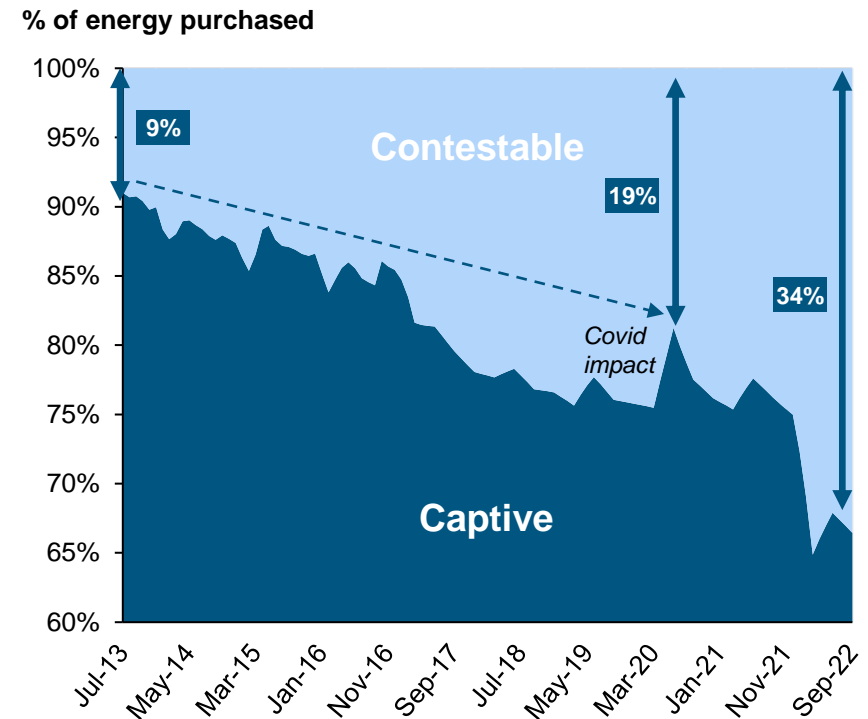
Where are we now?... retail market development and green procurement

The retail market for larger 'contestable' customers now accounts for around a third of supply nationally

Retail Competition & Open Access (RCOA) Implementation Timeline



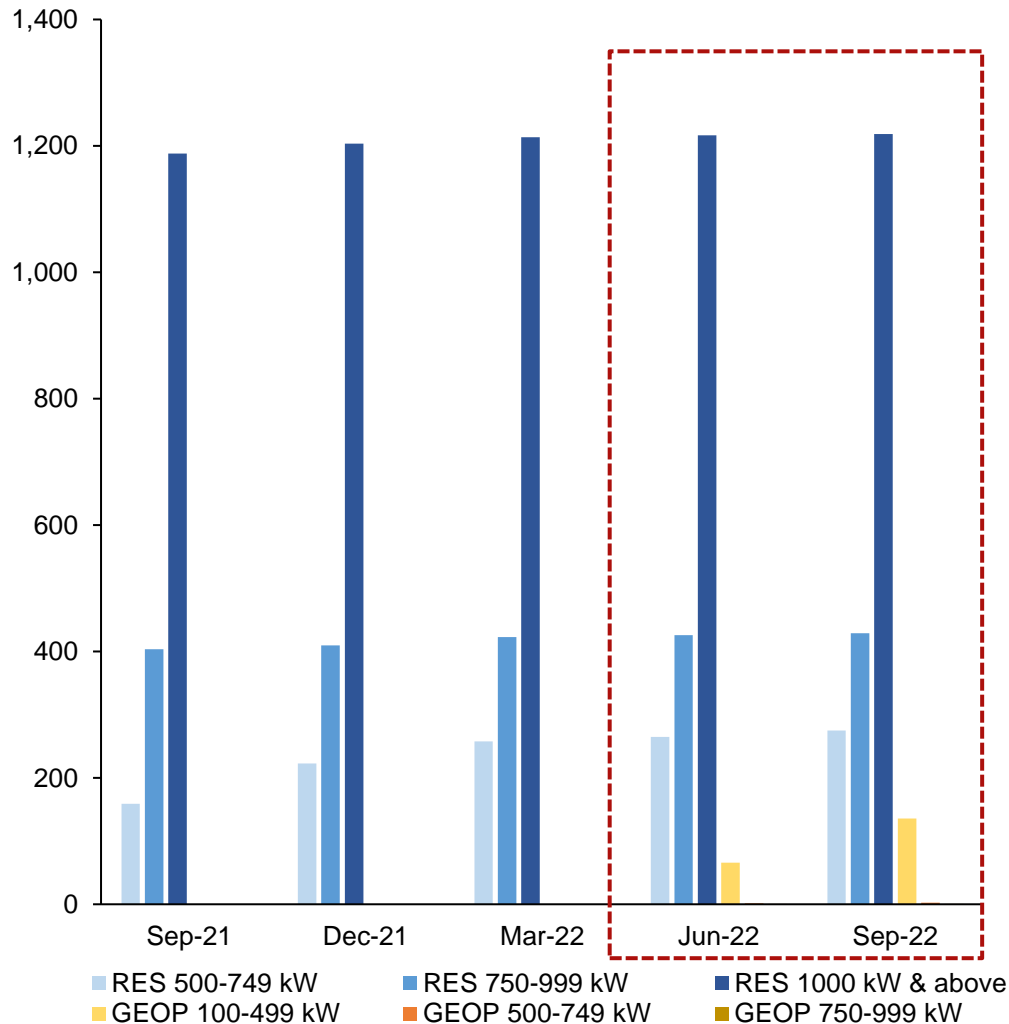
Monthly size of Captive and Contestable markets



- Since the start of retail competition in June 2013, the share of contestable customers has grown and now represents around one third of total energy sales in the market
- Retail supply contracts are not subject to regulation by the ERC – the main involvement of the regulator is the granting of licenses to become a Retail Electricity Supplier

While the GEOP is still in its early stages, uptake has been relatively slow with around 34 MW* of demand registered under the program as of September 2022

RES and GEOP end-users by threshold



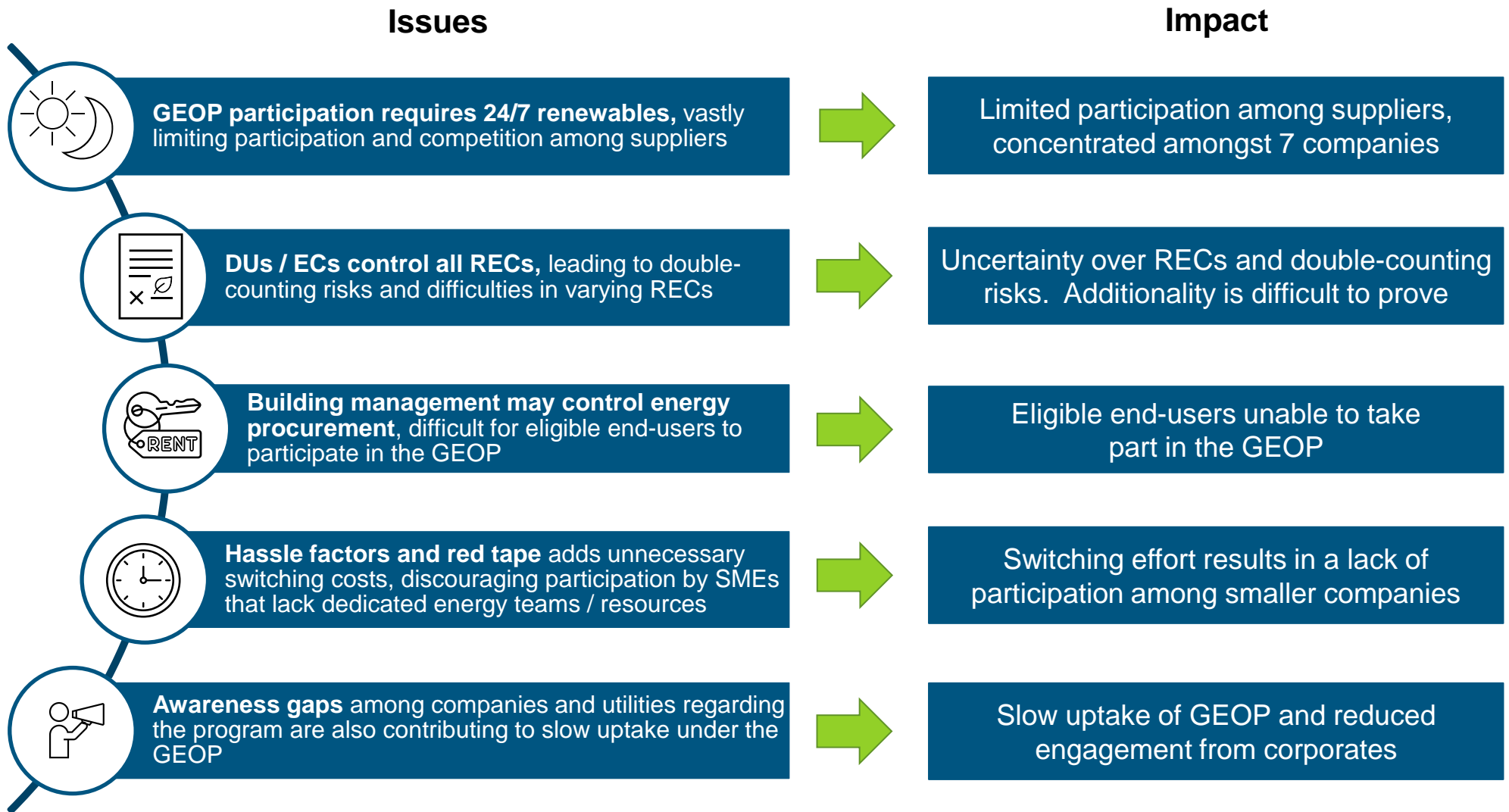
Number of end-users registered

GEOP threshold	Jun-22	Sep-22
100-499 kW	66	136
500-749 kW	2	3
750-999 kW	1	1

RCOA threshold	Jun-22	Sep-22
500-749 kW	265	275
750-999 kW	426	429
> 1,000 kW	1,217	1,219

- **GEOP uptake has been relatively slow** – with 136 end-users registered within the 100-499 kW band, an estimated 34 MW* of renewables are being procured via the GEOP as of Q3 2022.
- 73% of GEOP end-users are located in Luzon, with the remainder in Visayas, which is generally proportional to energy use by region.

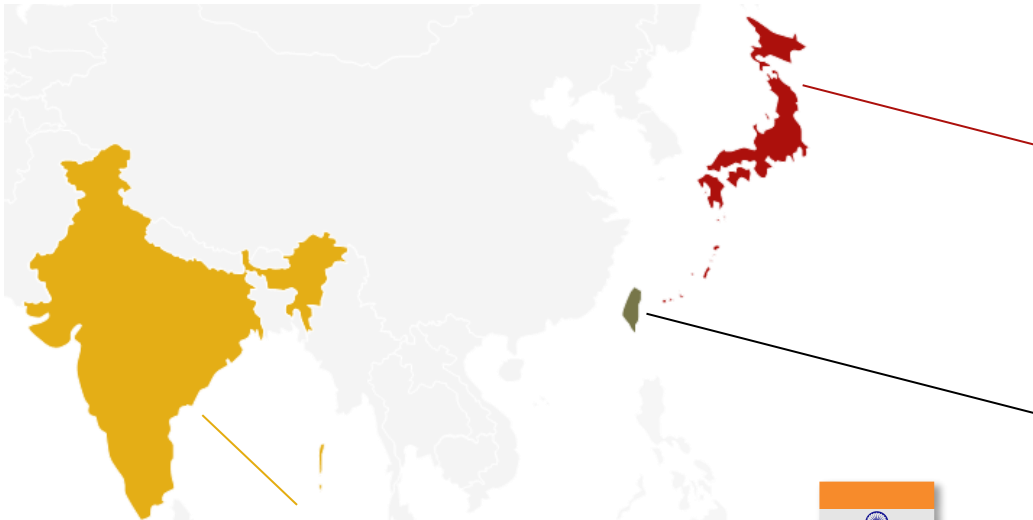
Key design changes and improvements to accessibility are now required to drive corporate RE procurement and, in particular, participation in the GEOP



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Across Asia, a variety of renewable procurement policies have been implemented to empower end-user renewable procurement



India – Incentives to Attract C&I RE Investments



- **Offsite 'self investment' renewable power** has allowed end-users to avoid significant parts of their tariff by self-investing into offsite generation.
- This has been utilised by many end-users, and has helped attract more private capital to grow the RE market.

Japan – Virtual PPAs as an Add-on



- **Virtual PPA (VPPAs)** have enabled end-users to procure RECs directly from an RE generator without having to renegotiate their physical power supply arrangements.
- VPPAs provide a way for end-users who are locked into a long-term non-renewable PPAs to acquire RECs.

Taiwan – Green Leasing Empowers tenants



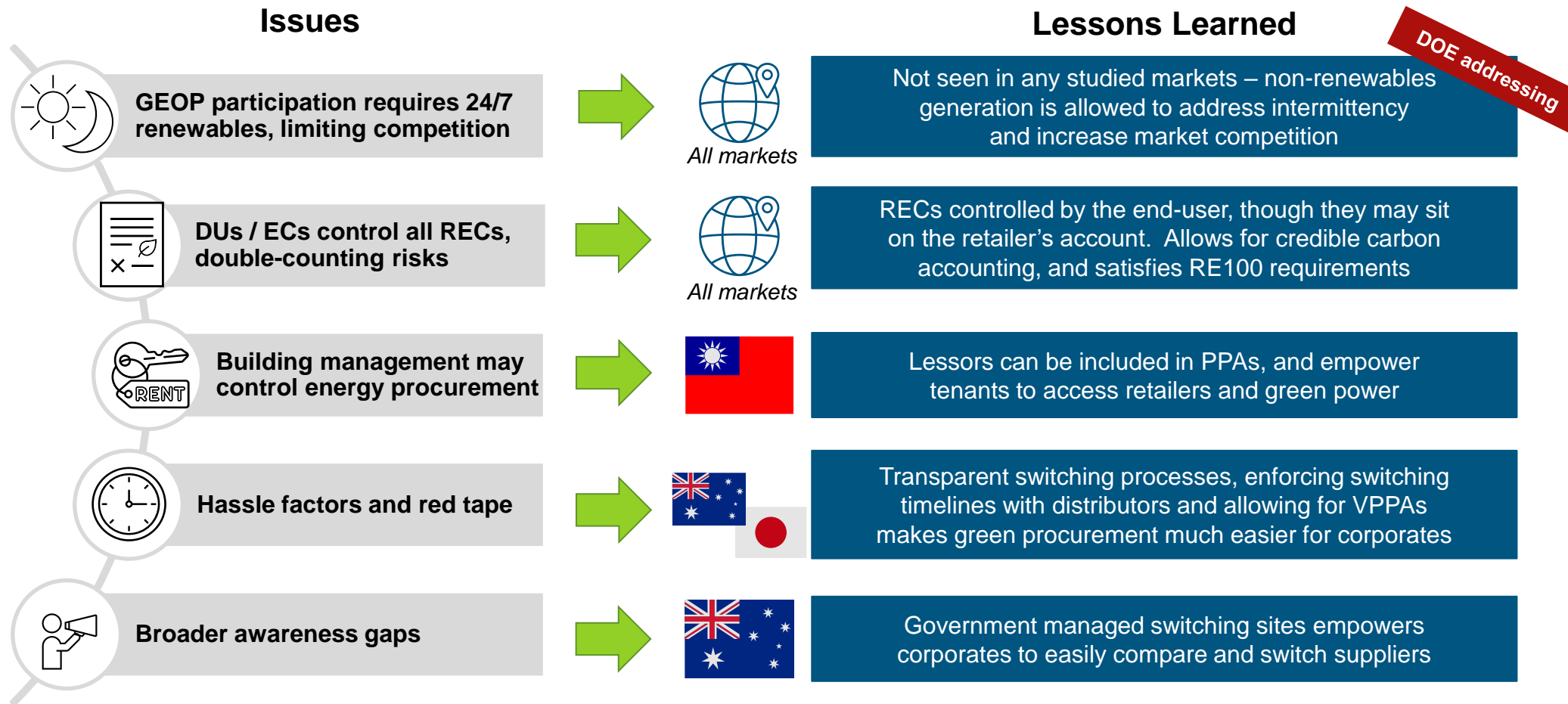
- **Green Leasing Program** enables landlords to procure green electricity in bulk to be allocated amongst tenants under a tripartite agreement (PPA).
- Policy offers a formal route for building lessees to procure green energy, albeit with the landlord as an intermediary.

Australia – Customer-Centric Switching



- The government has launched a **free, independent and transparent energy price comparison website** to help customers find the best offers and switch suppliers.
- All switching must be completed within two-days upon customer initiating the switching process.

Case study markets and best practice – how have different countries have overcome barriers and challenges similar to those faced in the Philippines?



DOE addressing

Elsewhere, other forms of incentives have been used to promote end-user renewables procurement. India has implemented several incentives for offsite 'self investment' generation, which has helped to drive private investment into renewables

Ease of implementation – some market barriers may be easier to tackle, particularly on issues around 24/7 requirements, REC control, and ‘hassle factors’



1. Removal of GEOP’s 24/7 requirement – Policy switch via DOE Circular would unlock the market for more suppliers and increase competition



2. REC Control – Revised rules to remove double-counting risks. Likely resistance from DU/ECs as they could lose the RECs. This is more of a concern for MNCs than SMEs



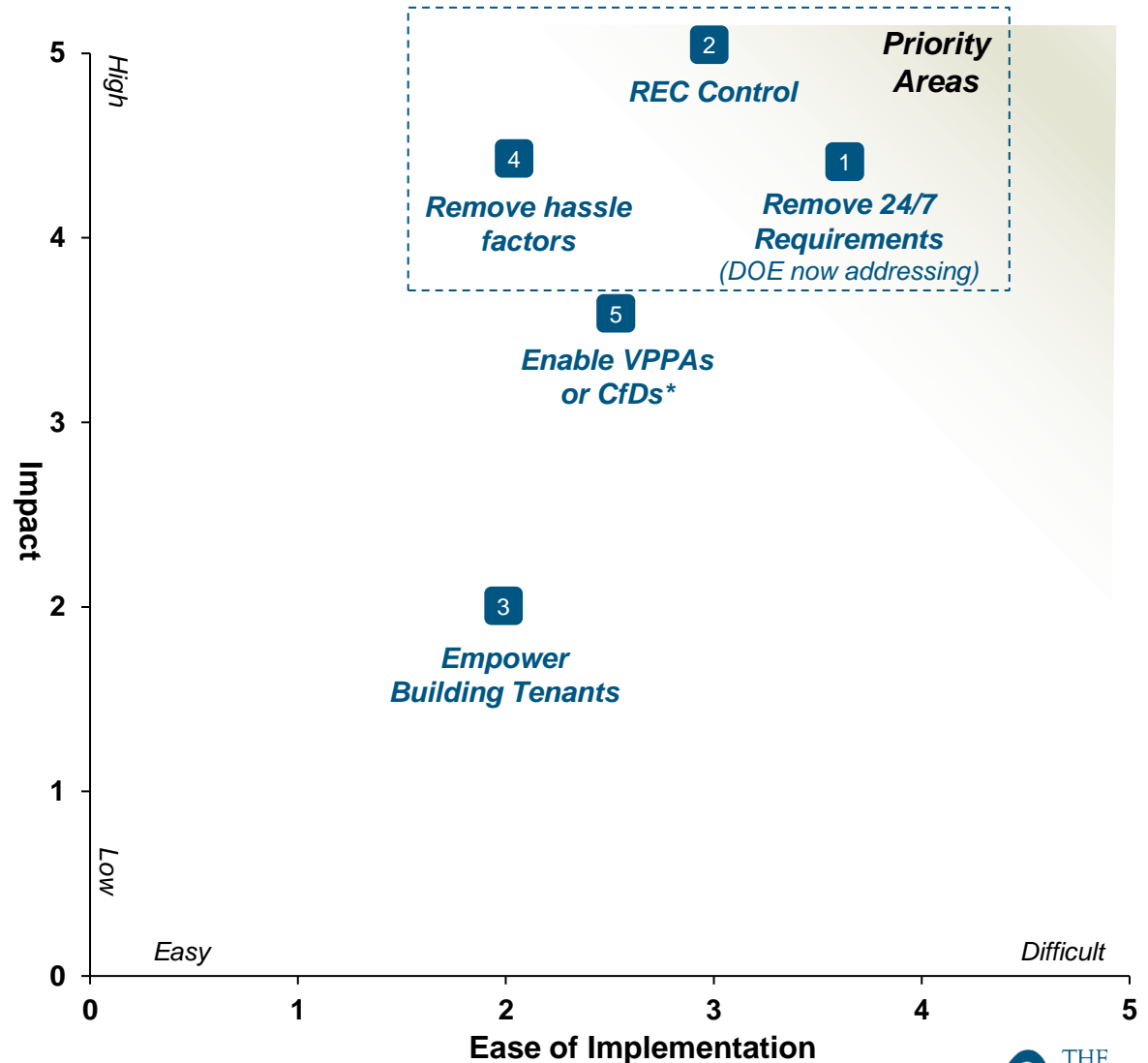
3. Empower Building Tenants – Introduce new procurement arrangements to allow tenants participate in RE procurement. Impact may be relatively modest as these players are smaller size



4. Remove Hassle Factors – Facilitating the switching process will help many local companies and remove barriers to entry. Will require stricter switching timelines and enforcement with DUs/ECs



5. Enable VPPAs or CfDs for RECs – Allows for RECs contracting without implications on existing power procurement. VPPAs will typically require a futures market, while a CfD based on the WESM may not, but will require discussions with the SEC as these are financial products



Recommendations to better empower corporate renewables procurement in the Philippines and elevate the Philippines positioning in the global supply chain

Priority Areas



Remove REC Double Counting Risk and Comply with RE 100 Standards

Change: Ensure RECs sold under the GEOP are retired in the year of generation and prevent their trading. Requiring the tracking of RECs, and their associated generation and end-user under GEOP.

Benefits: Eliminates double-counting risks and RE100 compliant. Extremely important for MNCs.



Abolish Requirement for 24/7 Supply

Change: Allowing for GEOP suppliers to sell blended power (a mix of RE and non-RE), but with non-RE power backed 100% by unbundled RECs.

Benefits: Increased participation from suppliers and more choices for end-users.



Implement Clear Switching Timelines and Processes, Demonstrate Clear Cost Savings to End-Users

Change: Upgrade the “Buy Your Electricity” website to include information on retail offers (incl. offer levels*). Introducing standards which set out the retailer’s responsibilities when it comes to switching and legislating deadlines for transferring retail customers.

Benefit: Transparent communications of cost savings and removal of significant switching barriers. Significantly enhance SME engagement.

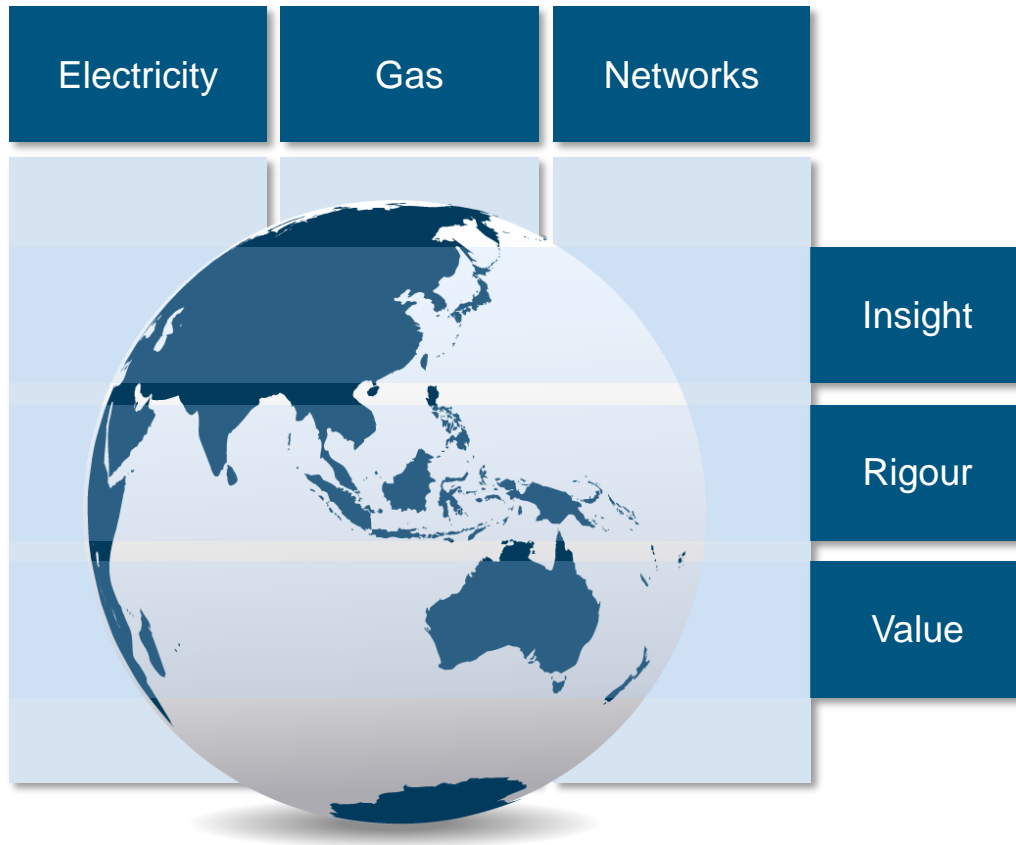


Implement a Green Leasing Scheme that Allows for Tenants to Procure Green Power

Change: Implement a green leasing scheme, with landlords as intermediaries in PPAs between suppliers and end-users.

Benefits: Provides a formal route to procure green energy for eligible end-users who lease facilities

Thank you



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