Philippines revives talk of nuclear power as energy imports spike

Subsidies have been deployed to blunt the impact of the Ukraine war on domestic inflation, but long-term fixes to the energy sector will require legislative reforms

The only nuclear power station in the Philippines is the inactive Bataan power plant

Where it wants to be: no specific target date for net-zero emissions but lower emissions by 2030

The Philippines does not have an explicit net-zero emissions target but has committed to lowering 2015 level emissions by 75% on or before 2030 (2.7% unconditional, 72.9% conditional on international financial and technical support).

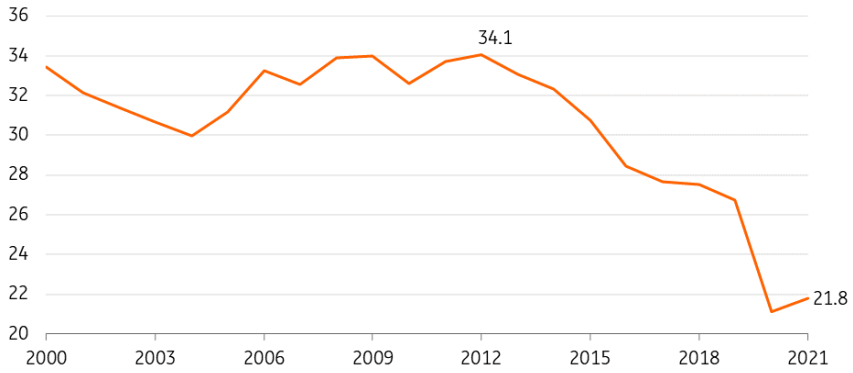
What it's been doing to get there

The Philippines has passed relatively limited and dated legislation related to lowering emissions such as the Republic Act No. 9513 or the Renewable Energy Act of 2008 to promote the development of renewable energy sources.

More recently, the Philippines passed the Republic Act No. 11697 or the Electric Vehicle Industry Development Act of 2021 (EVIDA) to build a framework that promotes clean energy and

sustainable sources for transportation to lower dependence on fossil fuels.

Renewable energy % to total generation has dipped sharply in recent years



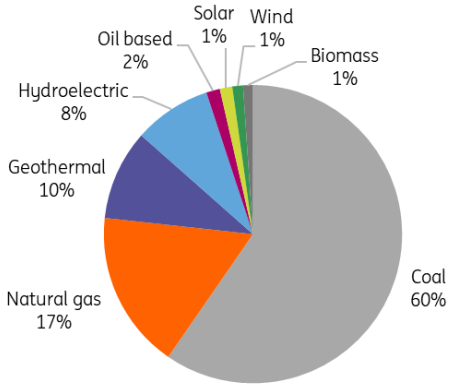
Source: Philippine Department of Energy

Planned shift to renewable power

Part of the strategy to lower emissions in the Philippines is centred on shifting to renewable energy in the power sector. The Philippines is currently implementing the National Renewable Energy Program under the Renewable Energy Act, which aims to push renewable capacity from 4.8 GW to 15.3 GW by 2030. Under this programme, The Department of Energy aims to increase geothermal capacity by 75%, hydroelectric power capacity by 160%, add 277 MW of biomass power capacity, increase wind power generation to 2.3 MW, and build 284 MW of solar power.

The Philippines recently called for a moratorium on new coal plant construction although four base load plants remain in the pipeline. Despite these aspirational targets, the Philippines remains heavily dependent on non-renewable sources of power for its electricity grid. The share of renewable sources used in total energy generation has dropped from a high of 34.1% in 2012 and is now at around 22%, with coal being the primary source of energy at roughly 60% of the total.

The Philippines is still very reliant on non-renewable energy



Source: Philippine Department of Energy

Attempting to jumpstart the domestic electric vehicle industry

The Electric Vehicle Industry Law (EVIDA) was passed in 2021 to help the country lower emissions from road vehicle usage. The new law called for the creation of the Comprehensive Roadmap for the Electric Vehicle Industry, which seeks to promote the adoption of EVs and develop an EV charging station network. EVIDA also provided tax perks on the purchase of EVs and hybrid EVs to encourage consumers to shift to these types of vehicles.

So far, penetration of EVs in the Philippine vehicle market has been slow, comprising a mere 0.09% of total vehicles on the road. One likely reason for the slow pickup in EV sales is that infrastructure is quite limited with only 19 charging stations available for use in the country.

What's happened since the Ukraine war

Subsidies as a stopgap remedy

Despite the high price environment for energy as a result of the Ukraine war, the volume of Philippine fuel and coal imports increased in 2022. This suggests that at least initially, the national government has yet to turn to alternative modes of power generation or transportation in response to the fallout from the Ukraine war.

Instead, the national government has opted to provide cash subsidies to lower-income households, farmers and public transportation to soften the impact. So far, the Department of Budget and Management has allocated PHP6.1 billion for the different types of subsidies this year. On top of cash subsidies, President Ferdinand Marcos has extended a free bus service in the capital of Manila implemented by the Department of Transportation until the end of the year. For now, it looks as though the current administration will resort to subsidies to calm public unrest during Marcos's first month in office.

Going nuclear again?

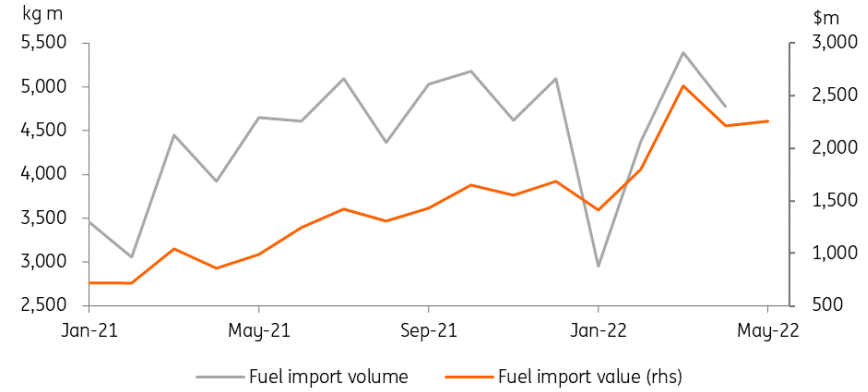
Prior to the Ukraine war, the Philippines approved nuclear energy as a potential source of power after Executive Order No. 164 was signed by former President Rodrigo Duterte back in February this year. Since then, the spike in global energy prices has resulted in increased demand for the Philippines to shift to nuclear power.

Currently, the only nuclear power station in the Philippines is the inactive Bataan power plant built by the current president's father. Despite a renewed push to redevelop the plant, President Marcos may need to pass amendments to existing legislation which would allow the government to invest in nuclear power. Marcos ran on a platform that pushed for the development of renewable energy, but we will now need to see if he can sidestep the legal impediments to restarting the nuclear plant in the near term.

Accelerated timeline for a carbon tax?

The Department of Finance has been looking into the implementation of a carbon tax since 2021. Given the country's high level of debt, Finance Secretary Benjamin Diokno has indicated he is open to imposing this by 2025.

Higher prices have not slowed coal imports



Source: CEIC

Conclusion

The Philippines is highly susceptible to the energy price spike induced by the Ukraine war given its dependence on imported coal and mineral fuel. So far, President Marcos has resorted to subsidies to blunt the impact of higher commodity prices, which does not bring the Philippines closer to lowering emissions in the near term.

Meanwhile, calls for the shift to nuclear energy and the refurbishment of the Bataan nuclear plant appear to be timely. However, legal impediments may delay the adoption of this type of power – at least until amendments to existing legislation are made.

Lastly, comments from the DoF Secretary suggest that the Philippines is open to implementing a carbon tax by 2025, but such efforts appear to be in line with debt reduction rather than climate change. Thus, despite the surge in commodity prices due to the war in Ukraine, we do not believe that the Philippines is moving closer to attaining 75% lower emissions by 2030.

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