

## *From Regulation to Promotion: A Policy Challenge for Philippine Biofuel Regulators*

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Stressed by the global economic meltdown, the Philippines needs to strengthen its local economy, create a local market for its products, and attract more investments.

The increasing threat posed by global warming and climate change, together with the need to reduce the country's dependence on imported fossil fuels, provided the impetus for the enactment of Republic Act (RA) 9367 otherwise known as The Biofuels Act of 2006. It was signed into law by President Gloria M. Arroyo on January 12, 2007 and took effect on February 6, 2007.

In brief, the law provides for the formulation of a Philippine Biofuels Program and creates a mandated market for biofuels. This was followed by the Renewable Energy Act of 2008 (RA 9513), signed into law on December 16, 2008 that provides for additional incentives to biofuel producers.

### **What is the current status of the country's biofuels program?**

Local Coconut Methyl Ester (CME) supply for the Biodiesel (B2) blend currently exceeds the mandated requirement. CME production capacity in 2009 is estimated at 383



million liters, against the projected demand of 134 million liters.

The opposite is true in the case of bioethanol. The production capacity of two existing plants is only 39 million liters versus the 208 million liters required by oil companies to meet the mandated 5% of total volume sold. The country needs to import 184 million liters of bioethanol to fill the supply gap. At least 14 more bioethanol plants with average production capacity of 30 million liters per year are needed to

satisfy the mandated requirements by year 2011.

### **What are the major issues and policy concerns?**

The drop in world oil prices, coupled with policy gaps and implementation hitches, have slowed the entry of new investments and are affecting production as well as sales of local ethanol. Cumbersome regulatory requirements and policy issues placed undue burdens on prospective investors and dampened their

enthusiasm. The major issues and policy concerns have revolved around the following areas:

1. Food security,
2. Government regulatory procedures,
3. The need for “preferential treatment” for local bioethanol producers,
4. The proposed increase of biodiesel blend from 2% to 5% in order to absorb current capacity,
5. The need for biofuel-friendly Bureau of Internal Revenue (BIR) regulations,
6. Questions regarding compatibility of vehicles with blended fuels, especially E10 (with 10% ethanol),
7. Blending policy for bioethanol,
8. Low level of E10 use by motorists, and
9. Insufficient public awareness on biofuels.

#### What has been done to address these concerns?

On December 10, 2008, the National Biofuels Board (NBB) passed Joint Administrative Order (JAO) No. 2008-1 (Guidelines Governing Biofuel Feedstocks Production, and Biofuels and Biofuel Blends Production, Distribution and Sale). The JAO consolidates and seeks to simplify government regulatory procedures and requirements, and provides for the creation of the NBB One-Stop-Shop to assist investors in meeting the mandated requirements.

The JAO also addresses the food security issue by prohibiting the use

of food grains such as corn for biofuel feedstock, and by regulating the use of agricultural lands for biofuel feedstock production.

The NBB continues to tackle emerging policy concerns raised by stakeholders/investors and is in the process of formulating appropriate issuances.

#### What more needs to be done?

Developing the confidence of investors in the biofuel program calls for appropriate policy support and timely action on the following:

- Establishment of the NBB One-Stop-Shop to facilitate processing of requirements;
- NBB promulgation of appropriate bioethanol importation guidelines and other measures to encourage production and use of local biofuels;
- Petition of CME producers calling for an increase in biodiesel blend;
- BIR promulgation of revenue

regulations favorable to locally produced biofuel;

- Review of the bioethanol blending policy;
- Mandatory use of E10 fuel for government gasoline-fed vehicles;
- Inspection and maintenance (IM) program for motor vehicles to aid motorists;
- Intensive public information and advocacy campaign on the use of bioethanol.

The bigger challenge, however, for biofuel regulators and other agencies is the need for a policy and program shift towards the provision of relevant industry promotion and investment facilitation services, over and above efficient regulation, in order to boost investments in biofuels and secure the industry's future.

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*\* Photos used courtesy of the National Biofuels Board*

