



SENATE

S. No. 255

RECEIVED BY: *Jia*

Introduced by Senator Ralph G. Recto

### Explanatory Note

Transportation is the activity of moving people or things from one place to another.<sup>1</sup> It is an integral part of our civilization. It enables us to travel long distances in comfort and helps us drive our economy because despite the creation of the information highway, much of trade still moves on motorized wheels.

During the Spanish colonial period, carabao and horse-drawn carts were used as primary modes of transportation. After World War II, four-wheeled vehicles began plying the streets, offering a more convenient and cheaper mode of transportation in Metro Manila.<sup>2</sup> A decade since the new millennium, the number of motor vehicles had doubled, from 3.7 million to 7.4 million.<sup>3</sup> There is now one motor vehicle for every 13 Filipinos.<sup>4</sup>

More than 500,000 diesel-fueled jeepneys, buses, trucks and other vehicles in Metro Manila are responsible for about seventy percent (70%) of the total soot or black carbon emissions in the Philippines.<sup>5</sup> Emission from transportation accounts for a big chunk of particulate matter, carbon monoxide, nitrogen oxides and volatile organic compounds (VOC).<sup>6</sup> According to the Asian Development Bank (ADB), the energy use in non-Organisation for Economic Co-operation and Development (OECD) Asia such as the Philippines is expected to increase 118% by 2035, and harmful greenhouse gas emissions from the transport sector are projected to increase more than 200% worldwide by 2030.<sup>7</sup>

Although the transport sector has a significant contribution to the Philippines' economic growth, it also poses a threat to our quality of life as it greatly impacts on our national health, energy, security and environment.

Air pollution primarily causes respiratory diseases including acute and chronic bronchitis, acute lower respiratory infection (ALRI) and pneumonia, and cardiovascular diseases. A World Bank study conducted in 2006 found that the impact on our economy from treating the reported air

<sup>1</sup> Macmillan Dictionary. <http://www.macmillandictionary.com/us/dictionary/american/transportation>. (Accessed 5 June 2013).

<sup>2</sup> The Philippines Heritage. <http://philippinesheritage.ph/filer/Transportation-history-of-the-Philippines.pdf> (Accessed 5 June 2013).

<sup>3</sup> Sheila Flor D. Javier, National Center for Transportation Studies. "Philippine Transportation Statistics 2012"

<sup>4</sup> Jose Ramon G. Albert, Ph.D, National Statistical Coordination Board. "Understanding Changes in the Philippine Population." November 16, 2012. [http://www.nscb.gov.ph/beyondthenumbers/2012/11162012\\_jrga\\_popn.asp](http://www.nscb.gov.ph/beyondthenumbers/2012/11162012_jrga_popn.asp) (Accessed on May 22, 2013).

<sup>5</sup> Jerry E. Esplanada. Philippine Daily Inquirer. "Diesel-powered Motor Vehicles Blamed for Most of PH's Air Pollution." 05 February 2013. <http://newsinfo.inquirer.net/353117/diesel-powered-motor-vehicles-blamed-for-most-of-phs-air-pollution> (Accessed on June 4, 2013)

<sup>6</sup> UP National Center for Transportation Studies. "Formulation of a National Environmentally Sustainable Transport Strategy for the Philippines. May 2011.

<sup>7</sup> Asian Development Bank. "E-Trikes Driving Change." <http://www.adb.org/projects/43207-012/background>. (Accessed 3 June 2013)

pollution-related diseases is estimated at PHP962 million per year while lost income due to air pollution-related deaths amount to P6.7 billion per year.<sup>8</sup>

Our economy has been adversely affected by crude oil prices for the past decades. The Philippines being highly dependent on petroleum and petroleum products spent P721.8 billion<sup>9</sup> on 123.5 million barrels of imported oil in 2012.<sup>10</sup>

By promoting Clean Energy Vehicles (CEVs), we can temper our dependence on petroleum and increase fuel savings. The riding public benefits too as the amount of fares will no longer be dictated by the volatility of fuel prices. At the same time, pollution-related diseases and productivity losses will be minimized.

The Philippines, being highly vulnerable to climate change risks and natural hazards, needs to seriously address the threat it poses to our survival as it triggers more intense tropical cyclones, drastic changes in rainfall patterns, sea level rise, and intense increase in temperatures. All these factors contribute to serious impacts on our natural ecosystems—on our river basins, coastal and marine systems, and their biodiversity—then cascading to impacts on our food security, water resources, human health, public infrastructure, energy, and human settlements.<sup>11</sup> Alarmingly, the Germanwatch stated in its study that the Philippines ranked fifth among 183 countries that have experienced extreme weather events, such as storm and floods in 2011.<sup>12</sup> It was also in 2011, when the Philippines endured a harsh typhoon season and got severely hit by typhoon Sendong (Washi) with 7,961 casualties, 52,435 damaged houses, and an estimated P1.7 billion damages to infrastructure and agriculture.<sup>13</sup>

The State recognizes its role in addressing the detrimental effects on the environment, safeguarding the welfare, and protecting the health of the people by improving air quality and by reducing the impact of greenhouse gas effects emitted from man-made sources such as vehicles operating on fossil fuels. Consequently, on January 30, 2009, the President of the Philippines issued Administrative Order No. 254 which mandated the Department of Transport and Communications (DOTC) to lead the formulation of an Environmentally Sustainable Transport (EST) strategy.<sup>14</sup> EST can only be achieved if every Filipino will take responsibility and get involved. The Congress takes an important role by crafting a bill that will facilitate the implementation of the National EST strategy.

As the title of the measure suggests, fiscal and non-fiscal incentives shall be granted to the importation and manufacture of electric, hybrid and other vehicles using clean energy sources such as, but not limited to, solar, wind, hydrogen fuel cell, methane, compressed natural gas or liquefied natural gas and liquefied petroleum gas. In addition to this, it will also exempt the owners of CEVs from the payment of the Motor Vehicle User's Charge or the MVUC upon registration of their vehicles. Likewise, non-fiscal incentives shall be granted under this bill.

The bill's primary objective is to deploy more CEVs such as E-jeepneys, e-tricycles, LPG taxis, CNG-powered buses and hybrid cars on the road in order to abate the level of air pollution in urban areas all over the country which can be translated to hundreds of thousands of tons of carbon dioxide emission eliminated.

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<sup>8</sup> The World Bank Group. Philippines Environment Monitor 2006.

<sup>9</sup> Indexmundi. <http://www.indexmundi.com/commodities/?commodity=crude-oil&months=300&currency=php>. (Accessed on 30 May 2013)

<sup>10</sup> Indexmundi. [www.indexmundi.com/g/g.aspx?v=93&c=rp&l=en](http://www.indexmundi.com/g/g.aspx?v=93&c=rp&l=en). (Accessed on 30 May 2013.)

<sup>11</sup> Climate Change Commission. "National Framework Strategy on Climate Change 2010-2022." 28 April 2010.

<sup>12</sup> Sven Harmeling and David Eckstein, Germanwatch. "Global Climate Risk Index 2013: Who Suffers Most From Extreme Weather Events? Weather-Related Loss Events in 2011 and 1992 to 2011."

<sup>13</sup> National Disaster Risk Reduction and management Council. NDRRMC Update: Situation Report No. 47 re Effects of Tropical Storm Sendong (Washi) and Status of Emergency Response Operations." 26 January 2012.

<sup>14</sup> University of the Philippines-National Center for Transportation Studies (NCTS). Final Report: Sustainable Transport Strategy. May 2011.

Moreover, the use of CEVs for public and private transport will encourage technology innovation, create green jobs, accelerate the deployment of clean energy vehicles, increase fuel savings, promote better air quality and provide solutions to climate change.

The bill attaches sunset provisions on when the incentives expire. Any manufacturer or assembler of CEVs has nine (9) years to avail of the incentives under this bill, thereby allowing the industry enough time to grow and develop.

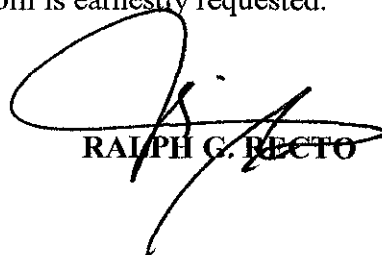
Member-countries of the Organisation for Economic Co-operation and Development (OECD) have allotted millions of dollars to support technologies to attain EST. They also provide incentives such as tax credits and exemptions as well as subsidies and policy support for all new energy vehicles.

Even if only a fraction of the funds are spent here or a shadow of the policies will be institutionalized, these will be enough to establish a vibrant domestic clean energy industry that will reel in investors to set up shop and create jobs here. Our government should not lose this opportunity like what happened in the past wherein an internationally competitive auto industry for the Philippines failed to take off and make us the ASEAN hub of many international automakers like Thailand due to lack of economies of scale, limited supply base and high cost of production.<sup>15</sup> The growth of the clean energy industry can spur our country's targeted inclusive growth to take the lead in expanding its allied industries and capture new jobs that would otherwise go to our competitors.

The passage of this bill supports the Fueling Sustainable Transport Program (FSTP) of the Department of Energy (DOE), which is an initiative on diversifying fuels for transport use in the Philippines. The program seeks to convert public and private vehicles from diesel and gasoline to low- and zero-emission vehicles to address the impact of increasing fuel prices and reduce carbon footprint on the transport sector.<sup>16</sup> The DOE has recently issued an Invitation for Bids for the supply and delivery of the first batch of 3,000 units of e-trikes which represents a fraction of the planned 100,000 e-trikes under the government's \$500 million electric vehicle project. Converting the power source of 100,000 tricycles from gas engine to lithium battery will result in fuel savings of around P41 billion and will prevent an estimated 260,000 tons of carbon dioxide emissions annually. And this is just equivalent to three percent (3%) of the national tricycle fleet.<sup>17</sup> Retrofitting the rest of public utility vehicles (PUVs) like jeepneys and buses can have a tremendous impact on clean environment. If the manufacturers can avail of the fiscal incentives to bring down their input costs, they can offer more competitive price of electric vehicles as compared to their existing gasoline-fed counterparts.

With this Bill, every Filipino citizen can take responsibility in improving the nation's environment, health and economy.

In view of the foregoing, immediate approval of this bill is earnestly requested.

  
RALPH G. RECTO

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<sup>15</sup> Philippine Institute for Development Studies. "Globalization, competition, and international production networks: policy directions for the Philippine automotive industry." No. 2011-13 (June 2011). <http://dirp4.pids.gov.ph/ris/pn/pidspn1113.pdf> (Accessed June 4, 2013).

<sup>16</sup> Department of Energy. Press-Release. "Fueling sustainable transport program to mitigate fuel price increases in the future." 6 April 2011. <http://www.gov.ph/2011/04/06/fueling-sustainable-transport-program-to-mitigate-fuel-price-increases-in-the-future/> (Accessed on June 4, 2013)

<sup>17</sup> Amy R. Remo. Philippine Daily Inquirer. "DOE Seeks Supply Offers for E-Trikes." 13 May 2013. <http://business.inquirer.net/121625/doe-seeks-supply-offers-for-e-trikes>



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SENATE

S. No. 255

RECEIVED BY: *[Signature]*

Introduced by Senator Ralph G. Recto

**AN ACT  
PROMOTING ENVIRONMENTALLY SUSTAINABLE TRANSPORT BY PROVIDING  
INCENTIVES FOR THE MANUFACTURE, ASSEMBLY, CONVERSION AND  
IMPORTATION OF ELECTRIC, HYBRID AND OTHER CLEAN ENERGY  
VEHICLES, AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and the House of Representative of the Philippines in Congress assembled:*

1           **SECTION 1. Title.** - This Act shall be known as the "Electric, Hybrid and Other Clean  
2 Energy Vehicles Incentives Act of 2013".

3           **SEC. 2. Declaration of Policy.** - It is the policy of the State to safeguard life and  
4 environment by encouraging the use of clean energy sources for vehicles intended for public and  
5 private use. To protect the well-being and promote the economic condition of the people as well  
6 as to promote energy independence and security in the midst of development and innovation in  
7 technology, the following are hereby declared:

8           A) It is the policy of the State to protect and advance the right of the people to a balanced  
9 and healthful ecology in accord with the rhythm and harmony in nature. The State shall  
10 recognize and address the detrimental effects on the environment, safeguard the welfare, and  
11 protect the health of the people by improving air quality and by reducing the impact of  
12 greenhouse gas effects emitted from man-made sources such as vehicles operating on fossil  
13 fuels.

14           B) The State supports the need to promote the development of new technology to  
15 accelerate social progress and promote human development. The use of clean energy sources on  
16 vehicles intended for public and private use is encouraged to promote innovation, energy  
17 efficiency, security and conservation, and to speed-up the deployment of cleaner technology.

18           C) The State recognizes the indispensable role of the private sector, encourages private  
19 enterprise, and provides incentives to needed investments. To accelerate economic growth and  
20 generate employment, the state shall provide incentives to private enterprises and individuals  
21 engaged in the manufacture, assembly, conversion, and importation of electric, hybrid and other  
22 clean energy vehicles.

23           **SEC. 3. Definition of Terms.** As used herein, the following shall mean:

1 (a) Electric Vehicle (EV) shall refer to any vehicle that uses electric motors solely for  
2 propulsion.

3 (b) Hybrid Vehicle (HV) shall refer to any vehicle that combines the technologies of  
4 using internal combustion engine (ICE) with a battery-powered electric motor to gain advantages  
5 of both propulsion systems.

6 (c) Other Clean Energy Vehicle (CEV) shall refer to any vehicle using clean energy  
7 sources such as but not limited to: solar, wind, hydrogen fuel cell, compressed natural gas (CNG)  
8 or liquefied natural gas (LNG), methane and liquefied petroleum gas (LPG), other than  
9 conventional sources of energy like petroleum and gasoline for propulsion.

10 (d) Manufacturer or Assembler shall mean any individual, partnership, corporation or  
11 other entity engaged in the manufacture, assembly and conversion of electric, hybrid and other  
12 clean energy vehicles incorporated, organized and existing under Philippine laws.

13 (e) Importer shall mean any individual, partnership, corporation or other entity engaged  
14 in the importation of completely built units (CBUs) of electric, hybrid and other clean energy  
15 vehicles incorporated, organized and existing under Philippine laws.

16 **SEC. 4. Coverage.** - This Act shall cover electric, hybrid and other clean energy vehicles  
17 but shall not include vehicles powered by gasoline, petroleum, bio-diesel and bio-ethanol.

18 **SEC. 5. Incentives to Manufacturers or Assemblers.** - The provision of any special or  
19 general law to the contrary notwithstanding, the manufacture or assembly of completely  
20 knocked-down (CKD) parts of electric, hybrid and other clean energy vehicles, including the  
21 conversion of vehicles into electric, hybrid and other clean energy vehicles, shall be exempt from  
22 the payment of excise taxes and duties for nine (9) years from the effectivity of this Act.

23 The imposition of the Value Added Tax (VAT) for the purchase and importation of raw  
24 materials, spare parts, components and capital equipment used in the manufacture or assembly of  
25 electric, hybrid and other clean energy vehicles shall be suspended for nine (9) years from the  
26 effectivity of this Act.

27 **SEC. 6. Incentives to Importers.** - The provision of any special or general law to the  
28 contrary notwithstanding, the importation of completely built units (CBUs) of electric, hybrid  
29 and other clean energy vehicles shall be exempt from the payment of excise taxes and duties for  
30 nine (9) years from the effectivity of this Act.

31 **SEC. 7. Exemption from the Payment of Motor Vehicle User's Charge (MVUC).** -  
32 Electric, hybrid and other clean energy vehicles shall be exempt from the payment of the Motor  
33 Vehicle User's Charge (MVUC) imposed by the Land Transportation Office (L TO) under  
34 Republic Act No. 8794, otherwise known as "Motor Vehicle User's Charge (MVUC) Act" for  
35 nine (9) years from the effectivity of this Act.

36 **SEC. 8. Non-Fiscal Incentives.** -

37 1. **Priority in Registration and Issuance of Plate Number.** - Registration and renewal of  
38 registration of electric, hybrid and other clean energy vehicles shall be prioritized by the LTO for

1 nine (9) years from the effectivity of this Act. A special type of vehicle plate to be prescribed by  
2 the LTO shall be exclusively issued to all electric, hybrid and other clean energy vehicles upon  
3 registration.

4 *2. Priority in Franchise Application.* - Public Utility Vehicle (PUV) operators exclusively  
5 utilizing electric, hybrid and other clean energy vehicles shall be granted priority by the Land  
6 Transportation Franchising and Regulatory Board (LTFRB) in the approval of applications for  
7 franchise to operate, including its renewal, for nine (9) years from the effectivity of this Act.

8 *3. Exemption from Unified Vehicular Volume Reduction Program (UVVRP) or Number-*  
9 *Coding Scheme.* - All electric, hybrid and other clean energy vehicles shall, for nine (9) years  
10 from the effectivity of this Act, be exempted from the mandatory Unified Vehicular Volume  
11 Reduction Program (UVVRP) or Number-Coding Scheme being implemented by the Metro  
12 Manila Development Authority (MMDA) and other local government units (LGUs) concerned.

13 *4. Provision for Free Parking Spaces in New Establishments.* - Business and commercial  
14 establishments to be constructed after the effectivity of this Act are mandated to provide  
15 exclusive parking spaces free of charge for all electric, hybrid and other clean energy vehicles.  
16 No building permit shall be issued for the construction of business and commercial  
17 establishments that include parking spaces unless the owner submits an affidavit that there shall  
18 be free parking spaces to be exclusively designated for electric, hybrid and other clean energy  
19 vehicles, for nine (9) years from the effectivity of this Act.

20 **SEC. 9. Registration, Implementation and Monitoring.** - The Department of Finance  
21 (DOF) and Department of Trade and Industry (DTI) shall be responsible for the administration  
22 and implementation of the incentives granted under this Act.

23 Manufacturers, assemblers, converters and importers of electric, hybrid and other clean  
24 energy vehicles shall register with DOF in order to avail of the incentives provided under this  
25 Act. For proper monitoring, DOF and DTI shall meet regularly to monitor and review the  
26 implementation of the incentives provided herein.

27 **SEC. 10. Implementing Rules and Regulations.** - The Department of Finance (DOF) in  
28 coordination with the Department of Trade and Industry (DTI) shall promulgate the necessary  
29 rules and regulations for the effective implementation of this Act.

30 **SEC. 11. Separability Clause.** - If any provision of this Act is declared unconstitutional  
31 or invalid, other parts or provisions hereof not affected thereby shall continue to be in full force  
32 and effect.

33 **SEC. 12. Repealing Clause.** - All other laws, orders, issuances, circulars, rules and  
34 regulations or parts thereof, which are inconsistent with the provisions of this Act are hereby  
35 repealed or modified accordingly.

36 **SEC. 13. Effectivity Clause.** - This Act shall take effect fifteen (15) days following its  
37 publication in at least two (2) newspapers of general circulation or the *Official Gazette*.

Approved,