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## Philippines

### Bio-Fuels

## Philippine Senate Approves Bio-fuels Bill

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**Approved by:**

Emiko Purdy  
U.S. Embassy

**Prepared by:**

Pia Abuel-Ang

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**Report Highlights:**

The Philippine Senate has approved the Biofuels Bill which mandates a 5 percent blend of bio-ethanol in gasoline and a 1 percent mix of coco methyl ester in diesel within two years of the law's enactment. The blend would then be increased to 10 percent for bio-ethanol and to 2 percent for bio-diesel four years after enactment.

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Includes PSD Changes: No  
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[RP]

On October 11, the Philippine Senate approved on the third and final reading of the proposed Bio-fuels Act of 2006, which would require blending of ethanol and coco methyl ester (CME). The bill has been pending in the upper chamber for nearly a year.

Similar to the version passed by the House of Representatives in November 2005, Senate Bill 2226 mandates a 5 percent blend of bio-ethanol in gasoline and a 1 percent mix of CME in diesel within two years of the law's enactment. The blend would then be increased to 10 percent for bio-ethanol and to 2 percent for bio-diesel four years after enactment.

The biofuels bill also calls for the creation of a Philippine Biofuels Board to monitor the implementation of the law and oversee local production of bio-fuels in the country. The board will be composed of representatives from the departments of Energy, Trade and Industry, Science and Technology, Agriculture, Transportation and Communications, Finance, and of Environment and Natural Resources, as well as representatives from the bio-fuels, petroleum and automotive industries.

SB 2226 provides for a zero-rated specific tax on local and imported biofuels components and exempts water effluents in the production of biofuels from fees imposed under the Clean Water Act. It also extends financial assistance from government financial institutions for the production, storage, handling, and blending of biofuels.

In November 2005, House Bill 4629 was passed which mandates a 5 percent bio-ethanol blend. Moreover, it grants exemption from value-added tax on the sale of bio-ethanol and levies a 1 percent duty on the importation of equipment for producing bio-fuels. However, the House of Representatives has not yet approved HBs 4426 and 4341, which mandate a 1 to 5 percent coco-diesel blend. However, legislators are generally optimistic that there would be no major problems in reconciling the House and Senate version of the bio-fuels act.

If passed, the 5 percent bio-ethanol blend will require an estimated volume of 161 million liters of ethanol. It is projected that initially about 2.26 MMT of sugarcane will be needed or roughly 10 percent of total domestic sugarcane production. This volume of ethanol required is expected to rise to 379 million liters after 4 years when the mandated ethanol blend increases to 10 percent and reach 530 million liters after 10 years.

For coco diesel, the total volume of CME required for the 1 percent blend would be equivalent to roughly 70 million liters. This would translate to about 70,000 MT of coconut oil, less than a month's average export volume of coconut oil or roughly 2-3 percent of the total annual coconut oil production (please refer to GAIN RP 6019).

At present, the Philippines does not produce any ethanol and relies on imports for most of its ethanol supply. While there has been significant interest from several foreign investors to build ethanol plants in the Philippines using sugarcane as feedstock, only the construction of an ethanol plant in San Carlos City, Negros Occidental, a joint venture between the U.K. Bronzeoke Group and the Philippine National Development Corporation, has actually began. There are currently three CME producers accredited by the DOE with an aggregate CME production capacity estimated at 110 million liters annually.