



Philippine Chamber of  
Commerce and Industry

# Business Sector Proposal: Securing Competitive Electricity Rates

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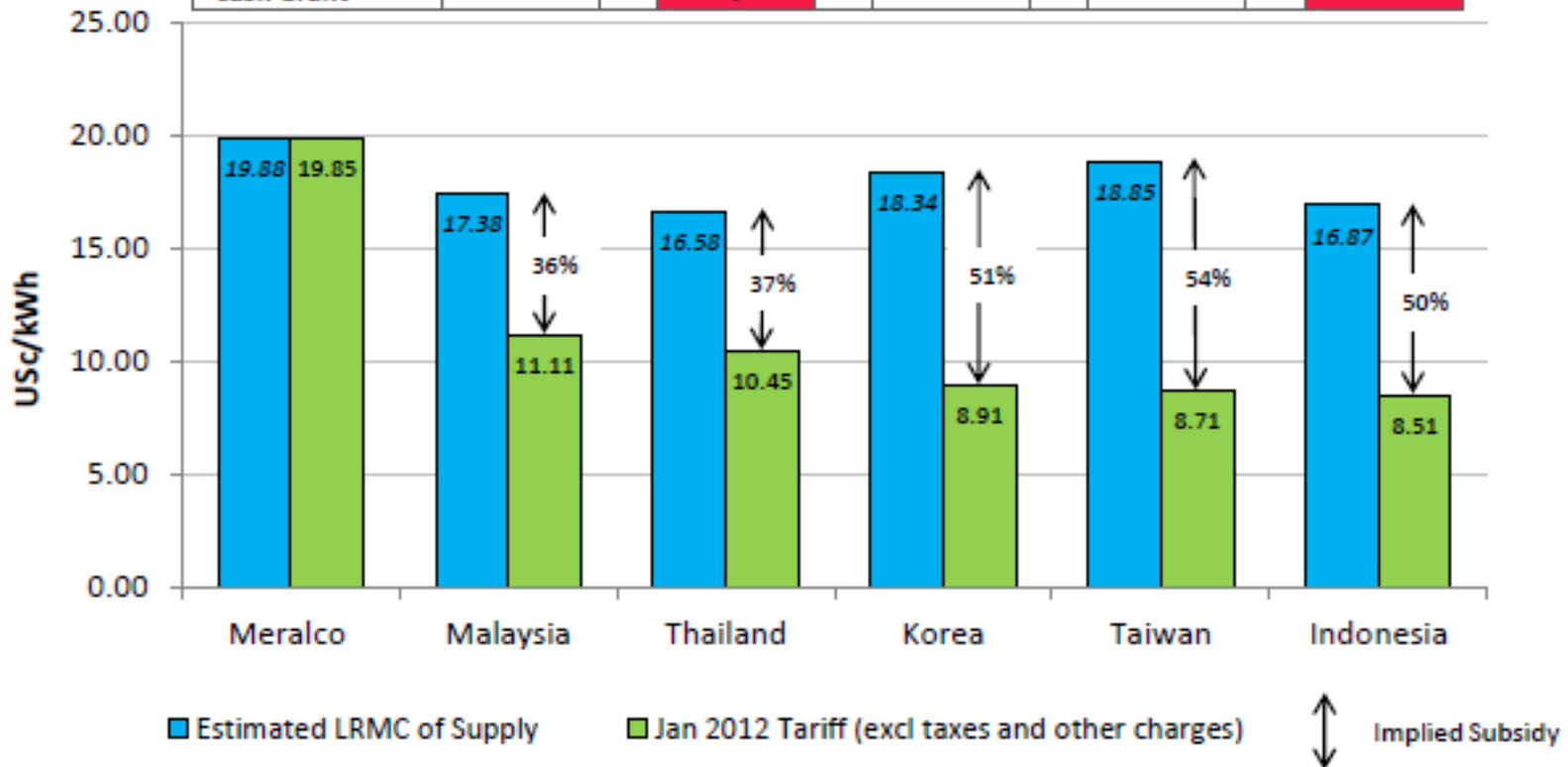


# How our electricity rates compare with other ASEAN countries?

## Regional Comparison of Subsidies

Subsidy Mechanism

Subsidized Fuel						?		
Deferred Capex	?							
Additional Debt	?		?					
Cash Grant			?					





## Selected Economic Indicators

Countries	Exports (in USD Mn, 2012)	Export growth (2006- 2012)	FDIs (in USD Mn, 2000- 2012)	GDP Growth (2000- 2012)	GDP Per Capita (in USD, 2012)	Unemploy ment Rate (%, 2012)
Indonesia	123,369	12.06	81,154	5.9	3,578	6.1
Malaysia	172,347	7.13	72,527	4.7	10,338	3.0
<b>Philippines</b>	<b>45,706</b>	<b>3.36</b>	<b>22,264</b>	<b>5.0</b>	<b>2,565</b>	<b>6.8</b>
Singapore	298,363	8.57	352,491	5.6	52,069	2.8
Thailand	154,216	11.13	93,852	3.5	5,391	0.7
Vietnam	53,243	21.93	59,075	6.6	1,596	3.2

*Lack competitive infrastructure necessary to lower the cost of power and logistics have been cited the main culprits in growing the country's manufacturing sector and attracting FDIs*



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## *Laying the framework*

### ❖ Establish objective

- Revival of manufacturing industry
- Attract FDIs
- Attain sustainable and inclusive growth

### ❖ Determine specific, achievable targets and timelines

- How low do we want our power rate to be?
- Where and how can reductions be made?
- What can be achieved within the short, medium and long-terms?



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## *Key Proposals*

1. Officially designate power sustainability, quality and reliability (SQR) and power cost as major components of the national strategy to achieve growth
2. Coordinate the efforts of the entire cabinet cluster in responding to the challenges
3. Stop tinkering with the EPIRA
4. A change in mindset... "subsidy", whether in the form of IPP incentives, reduced taxes and royalties on fuel used for power generation, adoption of uniform franchise tax for distribution utilities, etc., must be considered as investment and not as a cost with no payback.
5. And these should be done with some sense of urgency.



# *How to proceed*

1. Review fuel cost content
2. Introduce some financial easement, e.g., deferred capex, (foreign exchange depreciation) removal of VAT on electricity (franchise tax, systems losses and ICERA)
3. Review and improve processes:

- ❖ Harness the combined market powers of electric cooperatives

→ Revival of manufacturing industry



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## *How to proceed*

4. Introduce the use of solar power commercial establishments and public buildings to release 15% of current capacity to the market
5. Develop an over-all power development premised on power SQR, competitive cost
6. Enhance joint effort of economic cluster and public and private sectors



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*Thank You!*