

HOUSE OF REPRESENTATIVES

Republic of the Philippines
Quezon City, Metro Manila

First Regular Session

HOUSE BILL NO. 2893



Introduced by Honorable Ferjenel G. Biron

EXPLANATORY NOTE

This bill seeks to provide tax and other financial incentives to developers/owners investors/operators of wind power as a renewable energy source in order to encourage them to take the risks in going into this business venture.

Compared with the thermal sources of electricity generation, wind power is less cost – competitive so that its development needs support mechanisms from the national government as envisioned in this bill. For instance, the government can lower the cost of acquisitions of turbines and other equipment needed in the development and operations of wind energy by exempting these from custom duties. Similarly, if wind farms happen to be located in areas without access to roads and water supply, the government shall provide these infrastructures.

If fully harnessed, it is believed the wind power in the Philippines can supply at least 12 % of the country's energy need. This will reduce tremendously our dependence on the importation of crude oil, thereby saving our country millions of U.S. dollars which can bolster our reserves.

Current reports about the world-wide development and utilization of wind power are very encouraging. The global wind energy capacity within the last ten years has doubled every three years. Reportedly, no other energy technology has grown at this rate.

The Greenpeace International through its Southeast Asia Campaign Director, Chris Harris after visiting potential wind farm sites in Negros Occidental expressed optimism "that the Philippines can become a wind energy powerhouse if leaders have the will to do so." Athena Ronquillo Ballesteros, energy campaigner of Greenpeace

International predicted that "once harnessed and supported by the right policy and financial incentives, the Philippines could easily leapfrog into the renewable age and avoid being locked in an obsolete fossil – based energy path."

The Philippines has several wind – swept areas comparable to California which has more than 11,000 wind turbines. It is encouraging to know that 11 percent of the entire world's wind-generated electricity is found in California.

In view of the enormous economic and environmental benefits the country will derive from the maximum utilization of wind energy, approval of this bill is earnestly requested.



FERJANEL G. BIRON, M.D.
Representative, 4th District of Iloilo

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

AN ACT

PROVIDING FOR TAX AND OTHER FINANCIAL INCENTIVES TO OWNERS OF AND INVESTORS IN BUSINESSES ENGAGED IN THE EXPLORATION, DEVELOPMENT AND OPERATIONS OF WIND ENERGY.

SEC. 1. Short Title – This Act shall be known as the **Wind Energy Investors' Incentives Act of 2004**.

SEC. 2. Declaration of Policies. The state shall encourage and promote the exploration, exploitation and development of alternative sources of energy in order to reduce the country's dependence on imported crude oil.

The state shall endeavor to harness sources of energy which are renewable, locally available and environmentally friendly. The state will give priority in the development of the renewable sources of energy because they reduce emissions of greenhouse gases. To achieve self-sufficiency in the country's energy requirements, the state shall broaden the range of its explorations of non- conventional energy resources in the context of present -day technologies to include ocean, solar, and wind energy. Toward this end, the State under this Act shall:

- a) encourage the exploration, exploitation and development of wind power as a viable, abundant alternative source of energy by providing tax and other financial incentives to owners and developers of and investors in wind energy; and
- b) ensure infrastructural support to the wind farm sites such as road and water supply

SEC. 3. *Definition of terms* – when used in this Act,

a) Wind power as source of electricity means the conversion of the Kinetic energy of the wind to electrical energy. The process involves the blowing wind spinning blades on a wind turbine attached to a hub which is mounted on a turning shaft. The shaft goes through a gear transmission box where the turning speed is increased. The transmissions are attached to a high speed shaft which turns a generator that makes electricity.

b) Renewable energy sources means resources which do not have maximum limit on the quantity to be used. They are renewed regularly and made available indefinitely like the wind energy.

c) Wind farms are those areas of land whether offshore or onshore where wind turbines and other support structures needed in the conversion of wind power to electricity are set up.

d) Tax incentives refer to exemptions from custom duties of equipment like wind turbines and other types of equipment or devices used in the exploration, development and utilization of wind energy; exemption from payment of income taxes on the part of the business corporations, owners and investors for the first 5 years of its business operations and faster depreciation of equipment and devices.

e) Government Financial Institutions include the Development Bank of the Philippines, the Philippine National Bank, the Land Bank of the Philippines, the GSIS and the SSS.

SEC. 4. *Tax Incentives.* Any provisions of the Internal Revenue Code and existing laws, and decrees notwithstanding, the following tax incentives are provided for owners, developers, investors and operators of the wind energy business.

a) Imported equipment, machinery, vehicles and other devices and spare parts thereof used in the exploration, development and utilization of wind energy shall be exempt from payment of custom duties to the extent of one hundred percent (100%), Provided, these equipment or spare parts thereof are not domestically produced or if produced locally are insufficient, more costly or not of comparable quality.

b) The corporations, partnerships or single proprietors who own the wind energy business shall be exempt from payment of income taxes during the first five (5) years of their operations.

- c) The assets of the business which are depreciable and have a life of Ten (10) years or less shall be depreciated to the extent of twice as fast as the normally allowable rate of depreciation. The depreciation allowed thereon as deduction from taxable income shall take effect on the sixth (6) years of the business operations when the first 5 years of income tax exemptions provided under this Act shall have expired.

SEC. 5. *Priority Loan Assistance from Government Financial Institutions.* Government financial institutions heretofore engaged or may hereafter engage in financing business ventures on energy exploitation, exploration, development and generation, shall consistent with their charters and loan policies accord preferential treatment to loan applications of the owners, investors and operators of the wind energy business.

SEC. 6. *Exception to favored treatment.* Nothing in this Act shall be construed to compromise the paramount interests of the environment. In the choice of wind farms, careful considerations shall be given to: (1) effects of noise to the inhabitants; (2) disturbance to wildlife, especially birds and (3) free access of the people to recreational beaches in the case of the wind farm located "onshore."

SEC. 7. Separability Clause – If for any reason any provision of this Act is declared unconstitutional or invalid, such parts not affected thereby shall remain in full force and effect.

SEC. 8. Repealing Clause – All laws, decrees, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 9. Effectivity Clause – This Act shall take effect fifteen (15) days after its approval.

Approved,