



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



First Regular Session

HOUSE BILL NO. 3018

Introduced by Hon. Arnulfo P. Fuentebella

EXPLANATORY NOTE

The need to adopt an energy conservation plan has never been felt more intensely than just recently, when the oil prices again soared to its all time high of \$50 per barrel. Improvements in the demand side of the equation will equally help resolve power shortage problems. The Department of Energy (DOE) estimated that the impact of various energy efficiency and demand-side management activities can reduce the total energy consumption equivalent to 94 megawatts of displaced generating capacity.

Indeed, the benefits that can be derived from exercising prudence in energy consumption cannot be underestimated. Energy conservation which means using the least amount of energy for the same level of output, thereby maximizing its use, would redound to money saved to the ordinary consumer and foreign exchange savings to the country in general.

It is, therefore, imperative to institutionalize energy conservation and promote a concerted effort between the government and the consumers to maximize the use of energy and enhance its availability to sustain the country's socio-economic development. This bill was filed by the undersigned in the 11th Congress as House Bill No. 4849.

Early approval of this bill is earnestly requested.


ARNULFO P. FUENTEBELLA
3RD District, Camarines Sur

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AN ACT
INSTITUTIONALIZING ENERGY CONSERVATION, ENHANCING THE EFFICIENT
USE OF ENERGY, AND GRANTING INCENTIVES TO ENERGY CONSERVATION
PROJECTS, AND FOR OTHER PURPOSES

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

SECTION 1. Title. – This Act shall be known as the “Energy Conservation Act of 2002”.

SEC. 2. Policy Declaration. – It is hereby declared the policy of the State to institutionalize energy conservation and enhance the efficient use of energy in order to ensure availability of energy supplies required to support the country’s economic and social goals.

SEC. 3. Functions and Powers of the Department of Energy. – To implement and coordinate the overall energy conservation program, the Department of Energy (DOE) is hereby empowered to:

(a) Plan, develop and implement the overall national energy conservation programs and activities, with emphasis on integrated resource planning (IRP) and demand side management (DSM), in accordance with Sections 2, 3, 4 and 5 of Republic Act No. 7638;

(b) Set, in consultation with the Department of Trade and Industry (DTI) and the Department of Science and Technology (DOST), standards of energy consumption for oil-powered or electric-driven machinery and equipment, including but not limited to boilers, kilns and furnaces, electrical equipment, appliances, and vehicles imported into, manufactured, assembled or sold in the Philippines for domestic use, taking into account the technical and economic limitations involved;

(c) Periodically review, in coordination with the Department of Transportation and Communications (DOTC), fuel consumption patterns of the transport sector and recommend appropriate measures to improve the consumption efficiency of the sector;

(d) Require industrial, commercial and transport establishments consuming more than five hundred thousand (500,000) fuel oil equivalent liters (FOEL), annually to submit fuel and electric consumption as well as production statistics, in order to properly monitor energy consumption and utilization efficiency;

(e) Set, in consultation with the Department of Public Works and Highways (DPWH), the Department of Environment and Natural Resources (DENR), and other government agencies concerned, energy use standards for industrial, commercial and transport establishments, taking into account the technical and economic limitations involved;

(f) Require industrial, commercial and transport establishments consuming more than two (2) million FOEL, including liquid fuels and electricity, annually to submit energy conservation programs and to employ qualified engineers to act as full-time energy managers and liaison officer with the DOE who shall be responsible for the planning and formulation of inter-entity programs for the efficient use of energy and the administration of energy conservation programs;

(g) Regulate, in consultation with appropriate government departments and agencies, the use of air conditioners in offices and in commercial and industrial establishments, including but not limited to requiring the use of thermostats and setting them to certain temperatures that will conserve energy but still assure reasonable convenience to the users thereof;

(h) Require industrial, commercial and transport entities or establishments to collect or cause the collection of waste oil for recycling as fuel or lubricating oil, in accordance with Section 12(b)(9) of Republic Act No. 7638;

(i) Require public and private power generating and distribution utilities to actively participate in the implementation of an Integrated Resource Planning (IRP) and Demand Side Management (DSM) Programs to be formulated by the DOE, in consultation with the affected utilities, which participation of said utilities may take the form of but shall not be limited to the following:

- (1) Providing rebates to consumers for buying and/or effectively using certified energy-efficient equipment;
- (2) Extending loans to consumers on the basis of electricity savings;
- (3) Providing technical assistance to power intensive consumers;
- (4) Imposing "time of use" rates for commercial and industrial consumers; and
- (5) Implementing information dissemination programs;

(j) Launch, in coordination with the Philippine Information Agency, the Office of the Press Secretary, and the Department of Education, Culture and Sports (DECS), a nationwide information campaign on energy conservation, in accordance with Section 12(b)(10) of Republic Act No. 7638.

SEC. 4. Functions of Other Government Agencies. – To implement a more dynamic and effective program for the conservation of energy and the efficient use of energy, the following departments and agencies of the government, including government-owned or controlled corporations, are hereby mandated to undertake, in consultation with the DOE, the following activities:

(a) The DTI shall require the manufacturers, importers, or dealers of oil and electric-consuming devices, equipment, appliances and vehicles manufactured or sold in the Philippines to show the energy requirements and consumption efficiency of their products. It is likewise mandated to provide fiscal incentives and priorities to energy-related and energy conservation projects, pursuant to the policies and programs of the State;

(b) The DECS shall incorporate in the curricula for elementary, high school and college education the awareness, applicable technologies, and practices on energy conservation and the relevance of the same on the economic development of the State;

(c) The DENR shall, in coordination with the Department of Transportation and Communications (DOTC) and the DOE, institute programs to encourage the use of energy-efficient vehicles, and institutionalize the Anti-Smoke Belching Programs;

(d) All government –owned and controlled financial institutions shall set aside funds for lending for energy-related and energy conservation projects at concessional rates of interest to attract private sector investments in these areas of concern consistent with the technologies deemed appropriate and projects involved in the Investment Priorities Plan of the DTI; and

(e) All national government agencies, bureaus and instrumentalities, including government-owned and controlled corporations, shall adopt measures to conserve energy and shall set examples and models on utilizing energy efficient through the application of appropriate technologies in their respective plants, buildings or offices.

SEC. 5. Functions of Private and Non-Government Agencies. – To promote the judicious conservation, renewal and efficient utilization of energy resources in energy-consuming industries, private and non-government agencies, in coordination with the DOE, are hereby encouraged to perform the following activities:

(a) Conduct an inventory and analysis of energy flows in energy-intensive industries; provide energy policy guidelines consistent with local and international standards;

(b) Conduct energy audits, technical training, energy management advisory services, and technology application projects on energy-efficient utilization; and

(c) Provide an educational package on energy-efficient technology procurement.

SEC. 6. Energy Conservation Projects. - The following favored energy conservation projects shall be entitled to the incentives provided in Section 6 hereof;

(a) Installation of building energy management system (BEMS) composed of microprocessor-based devices which control and optimize the energy efficiency of a building or facility;

(b) Installation of variable air volume system (VAVS) which vary the quantity of air at a constant temperature to match the system load requirements of cooled spaces in a building or facility;

(c) Variable speed motor drives (VSMD) which involve the installation of specially designed electronic motors, the speed of which could be varied to match the load requirements of motor-driven equipment in a building or facility:

(a) Highly energy efficient motors (HEEM) which involves the installation of specially designed electric motors in which iron and copper loss has been reduced by twenty percent (20%) to thirty (30%); and

SEC. 7. Energy Conservation Fund. - An Energy Conservation Fund is hereby created to be funded out of the contributions from industrial, commercial and transport establishments consuming more than two (2) million FOEL annually, including liquid fuels and electricity. Such amount of contribution will be determined by the DOE, after due process of public hearing, and shall be used for, among others, providing cash rewards to the most energy-efficient establishment for each year.

SEC. 8. Incentives for Energy Conservation Projects. - The favored energy conservation projects listed in the preceding section shall, for a period of five years (5) upon the effectivity of this Act, be entitled to the following incentives;

(a) **Tax and Duty-Free Importation of Capital Equipment.** - The importation of machinery, equipment and spare parts of energy conservation projects defined herein shall be exempt to the extent of one hundred percent (100%) of the customs duties and national internal revenue taxes payable thereon subject to the conditions that said machinery, equipment and spare parts of comparable quality, delivery time and price (1) are not manufactured domestically; (2) are reasonably needed and will be used exclusively by the proponent enterprise for the energy conservation projects; and (3) the approval of the DOE was obtained by the proponent enterprise for the importation of such machinery, equipment and spare parts. In granting said approval, the DOE may require international canvassing: provided, That if the total cost of the capital equipment exceeds five million US dollars (US\$5,000,000.00), the DOE may avail of the provisions of Presidential Decree No. 1764 on international competitive bidding; and

(b) Tax Credit on domestic Capital Equipment. - A tax credit equivalent to one hundred percent (100%) of the customs duties and national internal revenue taxes on the machinery, equipment and spare parts which would have been waived had these items been imported, shall be given to the proponent enterprise which purchases said machinery, equipment and spare parts from a domestic manufacturer: *Provided, That* (1) the said machinery, equipment and spare parts are reasonably needed and will be used exclusively by the proponent enterprises for energy conservation projects; (2) the machinery, equipment and spare parts would have qualified for tax and duty-free importation under Paragraph (a) above; and (3) the prior approval of the DOE was obtained by the proponent enterprise.

SEC. 9. Rules and Regulations. - The DOE, in coordination with the various departments and/or entities empowered to perform certain acts in the preceding sections, shall within sixty (60) days from the effectivity of this Act, conduct public hearings and issues such rules and regulations as may be necessary to implement this Act. Such rules and regulations shall be subject to the approval of the President and shall take effect fifteen (15) days after their last publication in at least two (2) newspapers of general circulation in the Philippines once a week for two (2) consecutive weeks. Where necessary, the DOE or the departments mandated to undertake activities as herein provided may seek assistance from other government agencies or non-government organizations for the effective implementation of this Act.

SEC 10. Penalties. - Any person who willfully violates any rule or regulation promulgated pursuant to the authority granted in this Act shall, upon conviction, be punished by a fine of not less than ten thousand pesos (P10,000.00) but not more than five hundred thousand pesos (P500,000.00) or by imprisonment of not less than six (6) months but not more than one (1) year or both, at the discretion of the court; *Provided, That* if the violation is committed by a juridical person, the penalty herein shall be imposed upon the official and/or employee thereof responsible for the violation: *Provided, further, That* if the violation is committed by a government official or employee including those in government-owned or controlled corporations, he shall in addition to the penalty provided above, be subjected to administrative disciplinary action.

SEC. 11. Contingency Powers. - In times of critical energy supply disruptions or imminent danger thereof, the President shall direct the adoption of stringent energy conservation measures, including but limited to power/fuel allocations or rationing, limiting the operating hours of commercial, industrial and similar establishments, restricting the use of government and private motor vehicles, staggering or limiting working hours in both public and private sectors and the temporary closure of fuel intensive industries.

SEC 12. Repealing Clause. - Any provision of law, presidential decree, executive order, or rules and regulations inconsistent with the provisions of this Act or with the rules and regulations issued pursuant thereto, is hereby repealed or modified accordingly.

SEC. 13. Effectivity. - This Act shall take effect upon its approval.



Approved,