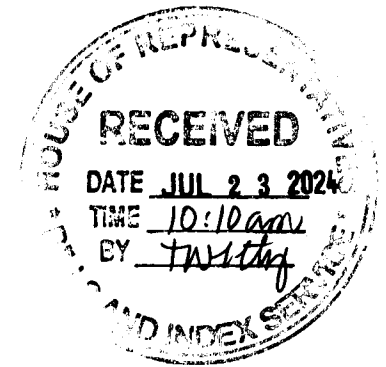




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



Nineteenth Congress
Third Regular Session
House Bill No. **10633**

Introduced by:
HON. MARISSA 'DEL MAR' MAGSINO
OFW PARTY LIST

EXPLANATORY NOTE

'Climate change' refers to the range of changes that are happening to our planet including rising sea levels, melting and shrinking mountain glaciers, and extreme weather conditions and disturbances, which are consequences of 'global warming' caused mainly by people and industries burning fossil fuels, emitting in the process greenhouse gases (GHG) trapped in the earth's atmosphere. Worldwide since 1880, the average surface temperature has risen about 1°C relative to the mid-20th century (1951-1980) baseline. This is on top of about an additional 0.15°C of warming from between 1750 and 1880.

Carbon dioxide (CO₂) is the main greenhouse gas resulting from human activities. It accounts for more than half of warming. Methane (CH₄) emissions have almost the same short-term impact. Nitrous oxide (N₂O) and fluorinated gases (F-gases) also contribute significantly. Meanwhile, electricity generation, heat and transport, including aviation, are major emitters. Deforestation and other changes in land use also emit carbon dioxide and methane. Similarly, fluorinated gases from refrigerants play an outsized role in total human emissions.

In 2010-2019, average annual global greenhouse gas emissions were at their highest levels in human history. Without immediate and strategic GHG emission reductions across all sectors, limiting global warming to 1.5°C is beyond reach. Limiting global warming will require substantial reduction in fossil fuel use, major transitions in the energy, transportation and manufacturing sectors, and the use of alternative fuels. Moreover, it will also involve the placement of appropriate policies, infrastructure and technology, and behavioral and lifestyle changes in people.

Under the Paris Agreement on Climate Change to which the Philippines is a State Party, the country commits to a projected GHG emissions reduction and avoidance of 75%, also known as the Nationally Determined Contributions (NDC) for the period 2020 to 2030 for the sectors of agriculture, wastes, industry, transport, and energy. This commitment is referenced against a projected business-as-usual cumulative economy-wide emission of 3,340.3 metric ton of carbon dioxide equivalence (MtCO₂e) for the same period.

This bill aims to promote and sustain a 'low-carbon economy' through the reduction of greenhouse gas emissions in the country to mitigate the adverse effects of climate change through the establishment of emission reduction targets and caps, and a trading system of GHG emissions tradable allowances, also known as 'carbon credits and off-sets'. It also intends to support the country's efforts to comply with its commitment to meet its NDC to achieve the goals of the Paris Agreement on Climate Change.

Specifically, this measure proposes to implement GHG emission caps on industrial and commercial establishments, individuals, and other entities emitting greenhouse gases to be determined by the Department of Environment and Natural Resources (DENR) and the Department of Science and Technology (DOST), only allowing the discharge of a specific amount of a specific greenhouse gas over a set period of time, under pain of penalty.

As counterbalance, the bill permits these entities to compensate for their greenhouse gas emissions by investing and engaging in GHG reduction projects, other than those ancillary to their primary business or commercial endeavors, such as forestry projects, renewable energy projects, carbon dioxide capture and storage projects, and the elimination of methane emissions. In return, the entities engaged shall receive GHG emission allowances or 'carbon credits' to be issued by the DENR which may be used, in appropriate cases, to compensate for the emission it generates in excess of its imposed cap for a given period. Each carbon credit shall authorize the emission of one (1) metric ton of carbon dioxide, or a carbon dioxide equivalent of other greenhouse gases.

Furthermore, the bill seeks to establish a trading system in the country under which GHG emission allowances or carbon credits may be sold, exchanged, purchased or traded by any person or entity. The trading system shall enable entities to trade in the carbon credit market to cover their shortfall in assigned amount units, and for entities that are exceeding their emission targets to sell their surplus units. However, when a carbon credit is used to reduce, sequester, or avoid emissions, it becomes an offset and considered 'retired' and is no longer tradable.

The concept of carbon credits and the mechanism of carbon trade are envisioned to achieve the goal of a 'low-carbon economy' where overall carbon emissions in the country are gradually reduced to mitigate their adverse contributions to climate change. Other advantages arising therefrom include environmental benefits such as better air quality, increased biodiversity and protection of the country's natural resources. Economic benefits could comprise job creation and technology transfer.

For the foregoing reasons, the immediate approval of this bill is earnestly sought.


HON. MARISSA 'DEL MAR' MAGSINO



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AN ACT
TO PROMOTE A 'LOW CARBON ECONOMY' BY ESTABLISHING THE GREENHOUSE
GAS EMISSION CAP, EMISSION REDUCTION OFF-SETTING, CREDITING, AND TRADE
SYSTEM IN THE PHILIPPINES TO REDUCE GREEN HOUSE EMISSIONS AND
MITIGATE THE ADVERSE EFFECTS OF CLIMATE CHANGE

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

Section 1. *Short Title* – This Act shall be known as the 'Low Carbon Economy Act'.

Section 2. *Declaration of Policy* - It is the policy of the State to promote sustainable living and development through the reduction of greenhouse gas emissions in the country to mitigate the adverse effects of climate change through the establishment of emission reduction targets and caps, and a trading system of greenhouse gas tradable allowances, also known as 'carbon credits and off-sets'.

Likewise, it is the policy of the State to establish programs and mechanisms on the reduction of greenhouse gas emissions to enable the country to comply with its commitment to meet its Nationally Determined Contributions (NDC) to achieve the goals of the Paris Agreement on Climate Change.

Section 3. *Definition of Terms* – For purposes of this Act, the following shall mean:

- a) *Carbon credit or off-set* - represents a reduction, avoidance or removal of one (1) metric ton of carbon dioxide (CO₂e), or carbon equivalent relative to other greenhouse gas emissions;

- b) *Carbon credit retirement* – when a carbon credit has been used after the target emission has been avoided or removed from the atmosphere, it is taken off from the registry and cannot be sold or traded again;
- c) *Carbon standards* - sets of rules, regulations, reporting criteria, and methodologies used to verify that carbon reduction projects are legitimate, effective, and are delivering on the environmental and community benefits they claim to be delivering;
- d) *Climate change* - a long-term shift in global or regional climate patterns, often referring specifically to the rise in global temperatures from the mid-20th century to present;
- e) *Double counting* - when a carbon credit is claimed by more than one entity, even though no additional carbon benefit is produced;
- f) *Emissions cap* - a limit on the overall volume of greenhouse gases that can be emitted by power plants, industry factories, the aviation sector, and other entities emitting greenhouse gases to be determined by the relevant government agencies;
- g) *Emission reduction* - refers to lowering of greenhouse gas emissions generated by an individual, business entity, organization or country achieved through various methods, including the use of renewable energy sources, energy efficiency measures, reforestation, carbon capture and storage, or other greenhouse gas emission off-set projects;
- h) *Emissions trading scheme* – a system where a central authority or governmental body allocates or sells a limited number of permits that allow a discharge of a specific quantity of a specific pollutant over a set time period. Within their caps, companies and entities may receive or buy emission allowances or carbon credits which they can trade as needed;
- i) *Global warming* - a gradual increase in the overall temperature of the earth's atmosphere generally attributed to the greenhouse effect caused by increased levels of carbon dioxide, chlorofluorocarbons, and other greenhouse gases;
- j) *Greenhouse gas* - a gas that contributes to greenhouse effect by absorbing infrared radiation, including carbon dioxide, methane, nitrogen oxide, chlorofluorocarbons (CFCs), hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and any other anthropogenically-emitted gas determined to contribute to global warming;
- k) *Greenhouse gas allowance* – equivalent to a carbon credit;
- l) *Greenhouse gas emission cap* – the specific quantity of emission of a specific greenhouse gas allowed of an entity over a set period of time;
- m) *Greenwashing* – the practice of allowing business entities to use carbon off-setting to avoid making larger and significant greenhouse gas emission reduction at source;
- n) *Nationally Determined Contributions* - self-defined mitigation targets for reducing a country's emissions and addressing climate impacts as required from each State Party under the Paris Agreement;
- o) *The Paris Agreement on Climate Change* - a legally binding international treaty on climate change adopted at the UN Climate Change Conference (COP21) in Paris,

France, on 12 December 2015, to which the Philippines is a State Party, and with the goal to hold and limit the increase in the global average temperature to 1.5°C above pre-industrial levels.

Section 3. *Emission Reduction Targets* – Emission reduction measures shall be formulated and adopted by the Department of Environment and Natural Resources (DENR) in consultation with the Department of Science and Technology (DOST), the Climate Change Commission (CCC) and other relevant government agencies to achieve cost-effective reductions in greenhouse gas emissions in the country.

National annual emission reduction targets shall be set by the President through the DENR consistent with the country's commitment to comply with its Nationally Determined Contribution (NDC) under the Paris Agreement. It shall include the greenhouse gas emission caps imposed upon industrial and commercial entities, and organizations with greenhouse gas emission in the operation of their business or conduct of their activities in the country.

The reduction in emission must meet the following minimum criteria:

- 1) It must last indefinitely or for a considerable long period of time;
- 2) It must be additional to emission reduction that will happen anyway such as if it is already required by existing laws and regulations on environmental protection; and
- 3) It must be measured and monitored to assure that the amount of reduction targeted has in fact been attained.

Section 4. *Greenhouse Gas Emission Caps* – To achieve the emission reduction targets set pursuant to this Act, greenhouse gas emission caps as determined by the DENR in coordination with DOST, shall be imposed on the greenhouse gas emissions of entities covered by this Act. The cap shall be indicated in a permit issued by DENR allowing the discharge of a specific amount of a specific greenhouse gas over a set period of time. Each covered entity shall hold permits in amounts equivalent to their current specific greenhouse gas emissions.

Section 5. *Greenhouse Gas (Carbon) Emission Off-Setting Projects* – Entities covered by this Act may compensate for their greenhouse gas emissions by investing and engaging in projects, other than their primary business or commercial endeavors, that reduce, avoid or remove emissions elsewhere. These greenhouse gas reduction projects may include forestry projects such as avoidance of logging activities and planting of saplings; renewable energy projects such as wind farms and biogas digesters; carbon dioxide capture and storage projects; and the elimination of methane emissions in various settings.

When an entity invests and engages in a greenhouse gas emission reduction project, it shall receive a greenhouse gas emission allowance or a 'carbon credit' to be issued by the DENR which may be used to compensate for the emission it generates in excess of its imposed cap for a given period. Each carbon credit shall authorize the emission of one (1) metric ton of carbon dioxide, or a carbon dioxide equivalent of other greenhouse gases. 'Greenwashing' is hereby prohibited.

For purposes of this Section, the DENR in coordination with the DOST, shall develop and promulgate methodologies and protocols that are specific to the type of off-setting project involved to ensure that the reduction in greenhouse gas emissions complies with the criteria provided for in Section 3 of this Act prior to certification, and as prerequisites for the issuance of the corresponding carbon credits.

The DENR shall establish a national registry of approved off-setting projects and the corresponding carbon credits certified and issued therefor. The registry shall be under a program for reporting and tracking offset project information, including project status, project documents, credits generated, ownership, sale and carbon credit retirement.

Section 6. Greenhouse Gas Emission Tradeable Allowances (Carbon Credits) and Trading System - There shall be established a trading system under which greenhouse gas emission allowances or carbon credits may be sold, exchanged, purchased or traded by any person or entity. The trading system shall enable entities to trade in the carbon credit market to cover their shortfall in assigned amount units, and for entities that are exceeding their emission targets to sell their surplus units.

When a carbon credit is used to reduce, sequester, or avoid emissions, it becomes an offset, is retired and no longer tradable. 'Double-counting' shall be prohibited.

The DENR and the Department of Trade and Industry (DTI) shall establish the implementing guidelines to regulate and supervise the trading system and the carbon credit market, including the certification and valuation of carbon credits, and the determination of carbon standards. The agencies shall ensure that greenhouse gas emissions and the use of tradeable allowances or carbon credits issued under this Act are lawfully traded, accurately tracked, reported and verified, to ensure that emission caps and the trade system established are fully implemented.

Section 7. Penalties -

- 1) In cases of unauthorized greenhouse gas emissions or in excess of the emission cap during any calendar year of any entity, a fine to be determined by the DENR shall be imposed, without prejudice to the suspension or cancellation of the entity's Environmental Compliance Certificate (ECC) as may be determined by

the DENR after due process, and the imposition of other penalties under existing laws and regulations, including penal and special laws, as may be applicable.

- 2) In cases of 'greenwashing' and 'double counting', and any other violation of the provisions of this Act, the penalties imposed in the preceding paragraph shall also apply.

Section 8. *Climate Reinvestment Fund* – There is hereby established a fund to be known as the Climate Reinvestment Fund, hereinafter referred to as the Fund, consisting of the amount fines assessed under Section 7 of this Act. It shall be administered by the DENR and shall be utilized exclusively for the implementation of this Act.

Section 9. *Appropriations* – The amount necessary for the initial implementation of this Act shall be charged to the current budgets of the DENR, DOST and the DTI. Thereafter, such sums as necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

Section 10. *Implementing Rules and Regulations* – The DENR, the DOST and the DTI, in coordination with other relevant government agencies, and in consultation with concerned stakeholders, shall issue the necessary rules and regulations for the effective implementation of this Act within ninety (90) days from the effectivity of this Act.

Section 11. *Separability Clause* - If for any reason, any part or provision of this Act shall be declared or held to be unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

Section 12. *Repealing Clause* - All republic acts, executive orders, rules and regulations, and other issuances, or parts thereof, that are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

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

Approved.