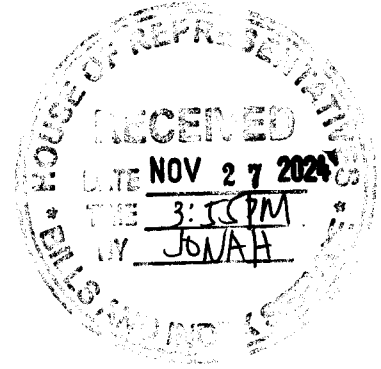




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
Third Regular Session

House Bill No. 11142



Introduced by Representative Midy N. Cua
Lone District, Quirino

AN ACT
ESTABLISHING THE CARBON RIGHTS ACT, PROVIDING FOR THE OWNERSHIP,
TRANSFER, AND BENEFIT-SHARING OF CARBON CREDITS, AND FOR OTHER
PURPOSES

EXPLANATORY NOTE

The proposed Carbon Rights Act aims to fill significant gaps in the legal and policy frameworks governing carbon rights in the Philippines. It seeks to create a comprehensive legal structure that will attract private sector investments in carbon projects, including both nature-based and technology-based solutions, contributing to global climate change mitigation and supporting local communities and indigenous peoples.

Several challenges hinder private sector investment in carbon projects in the Philippines:

1. Lack of clarity on carbon rights: Current laws do not explicitly define carbon rights, leading to uncertainties about ownership, transfer, and benefit-sharing.
2. Overlapping jurisdictions: Conflicts between state-declared forest lands and indigenous domains complicate project implementation.
3. Regulatory hurdles: The complex regulatory environment, lack of local validation bodies, and delayed processes discourage investment.
4. Proving additionality: Demonstrating that carbon sequestration activities provide additional benefits beyond existing laws is difficult.
5. Unclear revenue sharing: The absence of provisions detailing government revenue from carbon credits creates uncertainty about fair distribution of benefits.

To address these challenges, the Carbon Rights Act includes key provisions such as:

1. Clear definition of carbon rights ownership and transfer.
2. Resolution of overlapping jurisdictions between state lands and indigenous domains.
3. Market rights for owners to sell carbon credits domestically and internationally.
4. Exclusion of carbon credits from national climate commitments (NDCs) to avoid double-counting.
5. Comprehensive monitoring, reporting, and verification (MRV) systems for accurate accounting of climate actions.
6. Development of carbon stock baselines to reduce upfront project costs.
7. Government responsibility for maintaining carbon stocks after tenurial agreements expire.
8. Equitable benefit-sharing mechanisms for community and conservation support.

9. Streamlined regulatory processes to improve efficiency and reduce costs.
10. Tax incentives for carbon project developers to encourage investment.

In this regard, the approval of this bill is earnestly sought.



MIDO N. CUA
Representative
Lopo District, Quirino



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

ARTICLE 1
GENERAL PROVISIONS

SECTION 1. *Short Title.* - This Act shall be known as the "Carbon Rights Act of 2024."

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to promote sustainable development and address climate change through the establishment of a comprehensive legal framework for carbon rights. This includes the recognition, transfer, and benefit-sharing of carbon credits derived from carbon sequestration activities to foster private sector investment and support the socio- economic development of local communities and indigenous peoples.

SEC. 3. *Definition of Terms.* - For the purposes of this Act, the following terms are defined:

- a. *Carbon Rights* - The legal entitlements to the benefits derived from carbon avoidance, carbon reduction, or carbon removal activities. These rights pertain to the outputs of such activities, which shall not be deemed as natural resources. Carbon rights include the ownership, transfer, and trading of carbon credits resulting from these activities.

- 1 b. *Carbon Credits* - Certificates or instruments representing the reduction, avoidance, or
2 removal of one metric ton of carbon dioxide equivalent (CO₂e) from the atmosphere. These
3 credits are generated through verified carbon reduction or sequestration activities, and their
4 ownership is tied to the carbon rights defined in this Act.
5
- 6 c. *Certificate of Ancestral Domain Title (CADT)* - Refers to the formal recognition of the rights
7 of Indigenous Cultural Communities/Indigenous Peoples (ICCs/IPs) over their ancestral
8 domains as provided under the Indigenous Peoples' Rights Act (RA 8371).
9
- 10 d. *Corresponding Adjustments* - Refers to the process of adjusting a country's greenhouse gas
11 inventory to account for the transfer of mitigation outcomes to ensure that there is no double
12 counting of emission reductions.
13
- 14 e. *Internationally Transferred Mitigation Outcomes (ITMOs)* - Refers to internationally traded
15 units of greenhouse gas reductions or removals as provided under Article 6 of the Paris
16 Agreement, which can be used by countries to meet their Nationally Determined
17 Contributions (NDCs).
18
- 19 f. *Monitoring, Reporting, and Verification (MRV)* - Refers to a system of accurately
20 monitoring, reporting, and verifying greenhouse gas emissions reductions or removals to
21 ensure transparency and accountability in climate actions.
22
- 23 g. *Nationally Determined Contributions (NDCs)* - Refers to the climate action plans submitted
24 by countries under the Paris Agreement, outlining their efforts to reduce national emissions
25 and adapt to the impacts of climate change.
26
- 27 h. *Nature-Based Solutions (NBS)* - Refers to actions that protect, sustainably manage, and
28 restore natural or modified ecosystems to address societal challenges effectively and
29 adaptively, simultaneously providing human well-being and biodiversity benefits. NBS
30 includes activities such as Afforestation, Reforestation, and Restoration (ARR) and
31 Reducing Emissions from Deforestation and Forest Degradation (REDD+).
32
- 33 i. *Project Developers* - Refers to individuals, companies, or organizations that initiate,
34 develop, and implement carbon projects, including those involved in the generation and
35 trading of carbon credits.
36

1 j. *Tenurial Instruments* - Refers to legal documents issued by the DENR granting tenure
2 holders the rights to use and manage specific areas of public domain lands for conservation,
3 restoration, and other related activities. This includes instruments such as Forest Land Use
4 Agreement (FLAG), Community-Based Forest Management Agreement (CBFMA),
5 Integrated Forest Management Agreement (IFMA), Protected Area Community-Based
6 Resource Management Agreement (PACBRMA), and Special Use Agreement in Protected
7 Areas (SAPA).

8
9 k. *Voluntary Carbon Markets* - Refers to markets where carbon credits are traded on a
10 voluntary basis, allowing private entities, organizations, and individuals to offset their
11 carbon emissions by purchasing carbon credits from verified projects that reduce or
12 sequester greenhouse gas emissions.

13
14 **ARTICLE 2**
15 **SCOPE OF CARBON PROJECTS COVERED**
16

17 **SEC. 4. *Carbon Project Specifications.*** A carbon project, for purposes of this Act, refers to any
18 initiative, activity, or program that results in the reduction, removal, or avoidance of carbon dioxide
19 (CO₂) or other greenhouse gas (GHG) emissions, thereby generating carbon credits. Such projects
20 shall adhere to internationally recognized standards and methodologies, including those outlined by
21 the United Nations Framework Convention on Climate Change (UNFCCC), globally accepted
22 voluntary carbon market standards and certification programs. All projects must adhere to the
23 principles of these standards including demonstrating additionality, ensure proper monitoring,
24 reporting, and verification, and comply with relevant local, national, and international regulations.

25
26 **SEC. 5. *Types of Carbon Projects covered.*** Carbon projects covered in this act covered the
27 following types:

28
29 a. *Nature-Based Solutions (NBS)*: Projects utilizing natural processes to reduce, remove, or
30 avoid GHG emissions, including but not limited to:

31
32 i. *Afforestation, Reforestation, and Revegetation (ARR)*: Initiatives involving the planting
33 of trees or vegetation on land that has not been forested for a significant period, or
34 restoring previously forested or vegetated land to enhance carbon sequestration.
35

- 1 ii. *Improved Forest Management (IFM)*: Practices aimed at enhancing the carbon
2 sequestration potential of existing forests through sustainable management techniques,
3 such as selective logging, extended rotation periods, and reduced-impact logging.
4
- 5 iii. *Reduced Emissions from Deforestation and Forest Degradation (REDD+)*: Projects
6 aimed at reducing emissions by preventing deforestation and forest degradation,
7 conserving forest carbon stocks, and promoting sustainable forest management.
8
- 9 iv. *Wetland Restoration and Conservation (WRC)*: Rehabilitation and conservation of
10 wetlands to enhance their capacity for carbon sequestration, including peatland
11 restoration and the protection of freshwater and coastal wetlands.
12
- 13 v. *Mangrove Restoration*: Replanting and protection of mangrove ecosystems to enhance
14 their carbon storage benefits and provide coastal protection.
15
- 16 vi. *Soil Carbon Sequestration*: Practices that increase carbon storage in soils through
17 improved agricultural techniques, such as no-till farming, cover cropping, and
18 agroforestry.
19
- 20 b. *Technology-Based Solutions (TBS)*. Projects applying technological innovations to reduce or
21 capture GHG emissions, including but not limited to:
22
- 23 i. *Renewable Energy Projects*: Generation of energy from renewable sources such as
24 solar, wind, hydro, biomass, and geothermal. Methodologies include those under
25 Verra's Verified Carbon Standard (VCS) and Gold Standard.
26
- 27 ii. *Energy Efficiency Projects*: Implementation of measures to reduce energy consumption
28 and improve efficiency in industrial, commercial, and residential settings.
29 Methodologies include energy savings through improved appliances, lighting, and
30 building retrofits under Verra and Gold Standard frameworks.
31
- 32 iii. *Carbon Capture and Storage (CCS)*: Capture of carbon emissions from industrial
33 processes and their storage underground to prevent release into the atmosphere. This
34 includes methodologies recognized by Verra and other international standards.
35

1 granted rights to carbon credits gained from the conservation, restoration, and protection
2 activities of the tenure holders.

3
4 **SEC. 8. *Carbon Rights for NBS Carbon Projects on Private Land and Indigenous Peoples'***
5 ***Land.*** The Ownership of carbon rights on activities that generate carbon credits on private lands and
6 ancestral domains are hereby defined:

7
8 a. *Carbon Rights on Private Land.* The full rights of private landowners to carbon credits
9 generated from activities that generate carbon credits on private lands are hereby affirmed.
10 These rights are based on the provisions of the Public Land Act and the 1987 Philippine
11 Constitution, specifically Article 12, Section 6.

12
13 b. *Carbon Rights on Ancestral Domains.* The full rights of Indigenous Cultural Communities /
14 Indigenous Peoples (ICCs/IPs) to carbon credits generated from activities that generate
15 carbon credits on ancestral domains are hereby affirmed. These rights are based on the
16 provisions of the Indigenous Peoples Rights Act (RA 8371) and the 1987 Philippine
17 Constitution, specifically Article 12, Section 5.

18
19 **SEC. 9. *Carbon Rights for NBS Carbon Projects in Overlapping Jurisdictions.*** Carbon rights in
20 jurisdictions where there are overlaps are hereby defined:

21
22 In cases where there is an overlap in jurisdiction between an Ancestral Domain Title (ADT) or
23 Certificate of Ancestral Domain Title (CADT) and tenurial instruments issued by the DENR, the
24 carbon rights shall be vested in the holders of the CADT. This provision recognizes the precedence of
25 ancestral domain claims over conflicting tenurial instruments, ensuring that the Indigenous Cultural
26 Communities / Indigenous Peoples (ICCs/IPs) retain their full carbon rights within their ancestral
27 domains.

28
29 *Provided, however,* that in areas declared as part of the National Integrated Protected Areas
30 System (NIPAS) under the NIPAS Act, the carbon rights shall belong to the State, even if these areas
31 are part of a CADT. This exception ensures that the State retains carbon rights within nationally
32 protected areas to support national conservation goals.

33
34 **SEC. 10. *Transfer of Ownership of Carbon Rights for NBS Carbon Projects.*** The transfer of
35 ownership of carbon rights shall be governed by the following provisions:

- 1 a. *Contractual Agreements*: The transfer of carbon rights from carbon rights owners to carbon
2 project developers shall be effected through contractual agreements. These agreements shall
3 be duly notarized and shall specify the terms and conditions of the transfer, including the
4 duration, scope, and any associated rights and obligations.
5
- 6 b. *Benefit-Sharing Agreements*: Contractual agreements transferring carbon rights shall
7 include provisions for equitable benefit-sharing. These agreements shall clearly define the
8 allocation of revenues generated from carbon credits, ensuring fair compensation for all
9 parties involved. Benefit-sharing mechanisms shall consider the extent of land use, carbon
10 sequestration potential, and project profitability.
11
- 12 c. *Transparency and Equity*. All agreements for the transfer of carbon rights shall be
13 transparent and equitable. The terms of the agreements shall be communicated clearly to all
14 parties, and provisions shall be made to ensure that the agreements are mutually beneficial
15 and just.
16
- 17 d. *Registration*: The transfer of carbon rights and the associated contractual agreements shall
18 be registered with the Climate Change Commission (CCC) for monitoring and compliance
19 purposes. The agreements shall comply with all relevant laws and regulations.
20
- 21 e. *Dispute Resolution*: In case of disputes arising from the transfer of carbon rights or the
22 implementation of benefit-sharing agreements, the parties shall first seek resolution through
23 mediation or arbitration. If disputes remain unresolved, they may be brought before the
24 appropriate legal or administrative bodies for adjudication.
25

26 **SEC. 11. Carbon Rights for Technology-Based Solutions (TBS) Carbon Projects.** Carbon rights
27 for Technology-Based Solutions (TBS) carbon projects are hereby defined:
28

- 29 a. *Ownership*: Carbon rights for TBS carbon projects shall belong to the project developers.
30 Project developers shall have full rights to these carbon projects, including the right to use,
31 sell, trade, or transfer the carbon credits generated from such projects.
32
- 33 b. *Full Entitlement*: Project developers shall be entitled to all benefits arising from the carbon
34 credits, and they shall have the authority to engage in transactions involving these credits,
35 whether in local or international markets, under voluntary or compliance frameworks.
36

ARTICLE 4
SALE OF CARBON CREDITS

SEC. 12. *Sale in Voluntary Carbon Markets.* This section provides legal certainty and facilitates market access for carbon credits generated by private entities and indigenous communities. The following aspects are hereby defined:

- a. *Liberty to Transact.* Owners of carbon credits, as defined under the carbon rights and transfer provisions of this Act, are hereby granted the unrestricted right to sell, trade, or transfer said carbon credits in both local and international voluntary carbon markets, or to buyers operating under voluntary carbon market frameworks. This right includes entering into agreements with buyers, brokers, and other market participants without undue interference.
- b. *Compliance with Market Standards:* All transactions involving the sale of carbon credits must comply with the standards and requirements of the respective voluntary carbon markets. This includes adherence to certification, validation, and verification processes recognized by reputable international voluntary carbon market standards.
- c. *Benefit-Sharing Agreements:* Transactions must honor existing benefit-sharing agreements with local communities, indigenous peoples, and other stakeholders. Sellers must ensure that the benefits derived from the sale of carbon credits are distributed equitably and in accordance with previously established agreements.
- d. *Penalties for Double Selling or False Claims.* Any individual or entity found guilty of double selling carbon credits or making false claims regarding the carbon credits shall be subject to penalties and potential criminal charges as per the relevant laws. The Climate Change Commission (CCC) shall have the authority to investigate and enforce these penalties to maintain the integrity of the carbon market.

SEC. 13. *Sale and Transfer of Credits Under the Paris Agreement Article 6.* Carbon project developers may collaborate with the government to sell carbon credits under the Paris Agreement, specifically through Article 6 mechanisms. These mechanisms include Internationally Transferred Mitigation Outcomes (ITMOs) under Article 6.2 and the Sustainable Development Mechanism (SDM) under Article 6.4.

ARTICLE 5
ROLE OF GOVERNMENT AGENCIES

SEC. 14. Lead Agency - Mandate to the Climate Change Commission (CCC). The Climate Change Commission (CCC) is hereby mandated to establish the necessary protocols, procedures, and systems to effectively implement the mechanisms for ITMOs and other Article 6 transactions, including:

- a. *Coordination of Mitigation Outcomes:* The CCC shall serve as the lead agency for coordinating and consolidating mitigation outcomes from various sectors, including agriculture, waste, industry, transport, forestry, and energy. This integrated approach ensures a comprehensive and unified national climate action and reporting framework.
- b. *Monitoring of GHG Emissions Mitigation Outcomes Under the Nationally Determined Contribution (NDC):* The CCC shall establish a comprehensive Monitoring, Reporting, and Verification (MRV) system to dynamically adjust the Nationally Determined Contributions (NDC) mitigation outcomes. This system shall ensure accurate and transparent accounting of national climate actions and compliance with international carbon market standards.
- c. *System for Issuance of Letter of Authority (LoA):* The CCC shall be responsible for issuing Letters of Authority (LoA) to project developers seeking to engage in ITMOs. This LoA shall serve as official government approval for the transfer of carbon credits under Article 6 mechanisms, ensuring compliance with national and international regulations.
- d. *System for Corresponding Adjustments:* The CCC shall establish a system for making corresponding adjustments to the national greenhouse gas inventory and mitigation outcomes to reflect the transfer of ITMOs. This system shall prevent double-counting of emission reductions and ensure the integrity of the country's NDC commitments. Carbon credits based on carbon rights granted by the government to tenure holders for lands of the public domain, as well as those generated in public lands and ancestral domain lands, shall not be claimed by the government as part of its NDC accomplishment or must be removed from government accounts. Such credits must be excluded from government accounts to prevent double-counting and ensure they remain available for market transactions. This provision aims to uphold the integrity of private and indigenous carbon projects and their contributions to global climate mitigation efforts.

- 1 e. *Coordination for NDC Targets*: The CCC shall be responsible for coordinating with relevant
2 agencies to ensure that NDC targets are met even as project developers are entitled to sell
3 ITMOs to other countries. The CCC shall develop a mitigation strategy for the government
4 to deliver mitigation action to meet NDC targets, such as through conservation and
5 restoration efforts in the forestry sector, or investments in GHG emissions mitigation in the
6 waste sector. This mandate ensures that the government fulfills its NDC commitments while
7 allowing the private sector to engage in international carbon markets.

8
9 **SEC. 15. Mandates to the Department of Environment and Natural Resources (DENR).** The
10 DENR is provided the following mandates:

- 11
12 a. *Monitoring and Reporting*: The DENR is mandated to work with the CCC to monitor and
13 report mitigation outcomes in the forestry, waste, and industry sectors. The DENR shall
14 implement conservation, restoration, and waste management practices that contribute to
15 GHG emission reductions and ensure these are accurately accounted for in the national
16 climate action framework.
- 17
18 b. *Baseline Development for Carbon Stock*: The DENR is required to develop carbon stock
19 baselines to reduce upfront costs for project developers and facilitate project registration.
20 This includes establishing a 10-year historical deforestation or forest degradation baseline
21 for areas suitable for carbon forestry projects. The provision aims to standardize and provide
22 scientifically robust data to support carbon sequestration projects.
- 23
24 c. *Government Responsibility for Carbon Stock Maintenance*. The DENR shall ensure the
25 government assumes responsibility for maintaining carbon stocks upon the expiration of
26 tenurial instruments. This responsibility includes protecting and ensuring carbon stock is
27 maintained or increased upon the return of the land to the government, given the 25-year
28 renewable period of tenurial instruments. This provision aims to ensure the long-term
29 sustainability and carbon sequestration benefits of forestry projects beyond the tenure
30 period.

31
32 **SEC. 16. Mandates to Other Relevant Agencies.** The following agencies are also provided the
33 following mandates:

- 34
35 a. *Department of Agriculture (DA)*: The DA is mandated to collaborate with the CCC to
36 monitor and report mitigation outcomes in the agriculture sector. The DA shall implement

1 and oversee agricultural practices that contribute to GHG emission reductions and ensure
2 these are accurately accounted for in the national climate action framework.

3
4 b. *Department of Energy (DOE)*: The DOE is mandated to coordinate with the CCC to monitor
5 and report mitigation outcomes in the energy sector. The DOE shall implement and oversee
6 energy efficiency and renewable energy projects that contribute to GHG emission reductions
7 and ensure these are accurately accounted for in the national climate action framework.

8
9 c. *Department of Transportation (DOTr)*: The DOTr is mandated to collaborate with the CCC
10 to monitor and report mitigation outcomes in the transport sector. The DOTr shall
11 implement and oversee transportation initiatives that contribute to GHG emission reductions
12 and ensure these are accurately accounted for in the national climate action framework.

13
14 **ARTICLE 6**
15 **INCENTIVES TO PROJECT DEVELOPERS**

16
17 **SEC. 17. *Tax Incentives for Carbon Project Developers.*** The following incentives shall be
18 provided to project developers:

19
20 a. *Tax Deductibility of Expenses*: All expenses incurred by carbon project developers related to
21 the registration of their projects in recognized carbon certification programs shall be 100%
22 deductible from their taxable income. This includes, but is not limited to, costs associated
23 with project validation, verification, monitoring, reporting, and any other expenses directly
24 related to the certification process.

25
26 b. *Tax Incentives on Sale of Credits*: The sale of carbon credits shall be exempt from all forms
27 of taxation. This exemption includes, but is not limited to, income tax, value-added tax
28 (VAT), and any other applicable taxes on the income derived from the sale or transfer of
29 carbon credits.

30
31 **ARTICLE 7**
32 **MISCELLANEOUS PROVISIONS**

33
34 **SEC.18. *Appropriations.*** The amount necessary for the initial implementation of this Act shall
35 be charged against the current year's appropriations of the department/ agencies concerned.

1 Thereafter, such sums as may be necessary for the continued implementation of this Act shall be
2 included in the annual General Appropriations Act.

3
4 **SEC. 19. *Annual Report to Congress.*** The implementing agencies shall report to Congress on
5 their progress in carrying out the provisions of this Act for each fiscal year. The reports shall be
6 consolidated by the CCC for presentation to the appropriate Committee in Congress at a meeting
7 called for the purpose.

8
9 **SEC. 20. *Allocation of funds.*** Pursuant to Article 4 of this Act, the aforementioned agencies
10 shall allocate from their annual appropriations the adequate funds for the implementation of their
11 mandates, including training and capacity building, under this Act, subject to support under the
12 mechanism of the Means of Implementation of the Paris Agreement.

13
14 **SEC. 21. *Implementing Rules and Regulations.*** - The CCC, in coordination with relevant
15 agencies, shall draft and issue implementing rules and regulations necessary, in coordination with
16 other relevant and appropriate government agencies within sixty (60) days after its approval.

17
18 **SEC. 22. *Separability Clause.*** If for any reason any section or provision of this Act is declared
19 by the Court as unconstitutional or invalid, the other sections or provisions thereof shall not be
20 affected thereby.

21
22 **SEC. 23. *Repealing Clause.*** All laws, ordinances, rules, and regulations, and other issuances or
23 parts thereof, which are inconsistent with this Act, are hereby repealed or modified accordingly.

24
25 **SEC. 24. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in the
26 Official Gazette or in a newspaper of general circulation.

Approved.