



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Batasan Hills, Quezon City

NINETEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 11149



Introduced by
HON. ATTY. GERVILLE “JINKY BITRICS” R. LUISTRO

**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**

EXPLANATORY NOTE

Between 2010 and 2019, global greenhouse gas (GHG) emissions reached their highest levels in recorded history. Without urgent and strategic reductions in GHG emissions across all sectors, limiting global warming to 1.5°C will remain unattainable. Achieving this target will necessitate a substantial decrease in fossil fuel consumption, significant transitions in the energy, transportation, and manufacturing sectors, and the widespread adoption of alternative fuels. Additionally, it will require the implementation of appropriate policies, infrastructure, technologies, and behavioral changes in society.

As a signatory to the Paris Agreement on Climate Change, the Philippines, as a State Party, has committed to reducing and avoiding GHG emissions by 75% through its Nationally Determined Contributions (NDCs) for the period 2020-2030. These contributions encompass the agriculture, waste, industry, transport, and energy sectors, with the reduction benchmarked against a projected "business-as-usual" emission scenario of 3,340.3 metric tons of carbon dioxide equivalent (MtCO₂e) over the same period.

This bill seeks to advance the transition to a "low-carbon economy" by reducing GHG emissions in the Philippines and mitigating the detrimental effects of climate change. The bill proposes the establishment of emission reduction targets and caps, along with the creation of a GHG

emissions trading system, which would allow for the trading of GHG allowances, also known as "carbon credits" and "offsets." This measure is designed to support the country's efforts to meet its NDCs and align with the goals of the Paris Agreement.

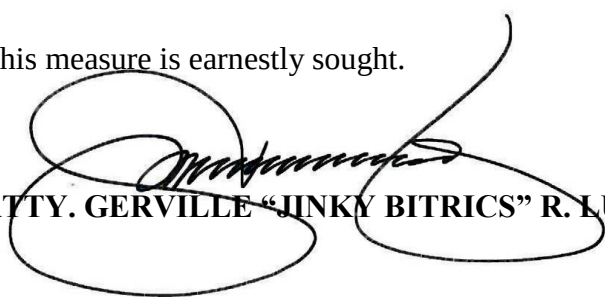
Specifically, the bill proposes that the Department of Environment and Natural Resources (DENR) and the Department of Science and Technology (DOST) set GHG emission caps for industrial and commercial establishments, individuals, and other entities emitting greenhouse gases. These caps will limit the amount of specific GHGs that can be emitted over a set period. Any excess emissions will result in penalties.

To balance this, the bill allows entities to offset their emissions by investing in GHG reduction projects, provided these projects are not related to their primary business activities. Such projects may include forestry initiatives, renewable energy ventures, carbon capture and storage technologies, and methane reduction efforts. In exchange for these investments, the entities will receive GHG emission allowances or "carbon credits" issued by the DENR. These credits can be used to offset any emissions exceeding the assigned cap for a given period. Each carbon credit represents the authorization to emit one metric ton of carbon dioxide, or the equivalent amount of other greenhouse gases.

The bill also proposes the establishment of a carbon credit trading system, where GHG emission allowances or carbon credits can be bought, sold, or traded by individuals or entities. This market will enable entities that exceed their emission targets to sell their surplus credits, while those falling short can purchase additional credits. Once a carbon credit is used to offset, sequester, or reduce emissions, it is considered "retired" and can no longer be traded.

The concept of carbon credits and the carbon trading mechanism aim to foster a transition toward a "low-carbon economy" by gradually reducing overall carbon emissions in the country, thereby mitigating their harmful impact on climate change. In addition to the environmental benefits, such as improved air quality, enhanced biodiversity, and better protection of natural resources, the bill is expected to generate economic benefits, including job creation and the transfer of green technologies.

In view of the foregoing, the passage of this measure is earnestly sought.



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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 (CO₂), 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, sulphur 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;

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. *Provided*, that in reforestation initiatives or other initiatives that aim to revitalize and rehabilitate areas with existing ecosystems, entities shall consult with the DENR as to avoid unwanted events like the introduction of invasive species or the loss of biodiversity.

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.