

TWENTIETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

House Bill No. 2481

Introduced by Hon. Antonio B. Legarda, Jr.

AN ACT
PROMOTING A LOW CARBON ECONOMY, ESTABLISHING FOR THIS
PURPOSE AN EMISSIONS TRADING SYSTEM AND IMPLEMENTATION
MECHANISM TO ACHIEVE NATIONAL CLIMATE TARGETS

EXPLANATORY NOTE

The climate emergency is no longer a distant threat—it is a present and accelerating crisis. Rising global temperatures, more intense extreme weather events, and increasing socio-economic vulnerabilities are now part of everyday reality in the Philippines and across the world.

As of 2024, the Intergovernmental Panel on Climate Change (IPCC) confirms that the Earth's average surface temperature has risen by 1.1°C above pre-industrial levels, with warming accelerating. Without deep, rapid, and sustained cuts in greenhouse gas (GHG) emissions, the world is on track to breach the 1.5°C threshold by the early 2030s—a tipping point that would exponentially increase risks to human health, food systems, ecosystems, and national economies.¹

The scientific consensus is unequivocal: human activities—particularly fossil fuel combustion and deforestation—are the dominant causes of global warming.

The Philippines, despite contributing minimally to global emissions, is among the most climate-vulnerable nations. It faces stronger typhoons, prolonged droughts, sea-

¹ Retrieved June 26, 2025 from: IPCC AR6 Synthesis Report, 2023 - https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_LongerReport.pdf

level rise, and coastal displacement. Yet, the Climate Action Tracker currently rates the country's climate efforts as "Insufficient", signaling that existing measures fall short of the 1.5°C-aligned pathway.²

To fulfill its international commitment under the Paris Agreement, the Philippines submitted its Nationally Determined Contribution (NDC) in 2021, pledging a 75% reduction in GHG emissions by 2030, of which only 2.71% is unconditional. This ambition underscores the urgent need for robust institutional, financial, and regulatory mechanisms to operationalize climate goals. An enhanced NDC is currently being developed to reflect more realistic, sector-specific mitigation pathways, particularly in energy and transport.³

This bill proposes the establishment of a national emissions trading system (ETS) – a market-based cap-and-trade mechanism that sets emissions limits for covered entities, while allowing the buying and selling of emission allowances. Emitters that reduce their emissions below their cap can trade excess allowances to others, incentivizing cost-effective decarbonization and low-carbon innovation.

Such mechanisms have already proven effective in jurisdictions like South Korea and the European Union, demonstrating how carbon markets can drive private-sector engagement, clean energy investment, and green job creation, while ensuring national emissions remain within defined limits.

This measure also aligns with and supports existing national policy frameworks, including the:

1. National Climate Change Action Plan (NCCAP);
2. National Climate Risk Management Framework (NCRMF); and
3. Institutionalized Climate Change Expenditure Tagging (CCET).

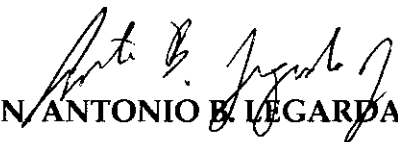
The proposed ETS is compatible with both market and non-market approaches under the UN Framework Convention on Climate Change (UNFCCC), providing flexibility in climate finance and implementation, especially for developing countries like the Philippines.

² Retrieved June 26, 2025 from: Climate Action Tracker, Philippines, 2024, - <https://climateactiontracker.org/countries/philippines/>

³ Retrieved June 26, 2025 from: UNFCCC NDC Registry, Philippines - <https://unfccc.int/sites/default/files/NDC/2022-06/Philippines%20-%20NDC.pdf>

A national carbon pricing mechanism is no longer optional – it is essential. It offers a pathway to meet our climate targets while unlocking co-benefits: climate-resilient infrastructure, clean energy transitions, and economic inclusion for vulnerable communities.

In line with the policy espoused by its original proponent, Senator Loren Legarda, this bill is being introduced as a counterpart measure. In view of the foregoing, the immediate passage of this measure is earnestly sought.


HON. ANTONIO B. LEGARDA JR.

TWENTIETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

House Bill No. 2481

Introduced by Hon. Antonio B. Legarda, Jr.

AN ACT
PROMOTING A LOW CARBON ECONOMY, ESTABLISHING FOR THIS
PURPOSE AN EMISSIONS TRADING SYSTEM AND IMPLEMENTATION
MECHANISM TO ACHIEVE NATIONAL CLIMATE TARGETS

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

Sec. 1. *Short Title.* - This Act shall be known as the "Low Carbon Economy Act."

Sec. 2. *Declaration of Policy.* - It is the policy of the State to promote sustainable development and adherence to the internationally agreed frameworks for mitigation of climate change and decreased vulnerability to its impacts. Towards this end, there is a need to maximize the contribution of the industrial and commercial sectors in reducing greenhouse gas emissions (GHG) and minimize the adverse effects of climate change through the establishment of a policy environment for technological development and transfer, capacity building, sustainable finance supporting just transition towards low carbon economy, including the configuration of a nationally-appropriate market-driven system of tradable GHG allowances, among other options, to optimize the country's carbon goal-based transformation. The participation of LGUs, academe, non-government stakeholders, especially champions in critical industries for just transition, banking, and financial institutions, civil society, and the development partners shall be ensured.

1 State-of-the-art and emerging low carbon technologies suitable for the
2 Philippine conditions, especially those that will increase the livelihoods and productivity
3 of the sectors concerned, and support a just transition across all GHG-emitting socio-
4 economic sectors with an emphasis on the energy and transport sector, including
5 those that will impact to building resilience and investments at the most vulnerable
6 communities, shall be supported under the means of implementation under the Paris
7 Agreement. Bilateral and multilateral approaches shall be optimized in ensuring
8 accelerated flow of support to the country under this Act.

9 Sustainable mobilization of financial resources, technological innovation, and
10 capacitation of both human resources and institutions, both government and non-
11 government, shall be a primary support mechanism under this Act.

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

- 14 a) "The Paris Agreement" shall refer to a legally binding international treaty
15 on climate change adopted by 196 Parties at the 21st Session of the
16 Conference of the Parties (COP 21) in Paris, on 12 December 2015 and
17 entered into force on 4 November 2016, with a goal to limit global
18 warming to well below 2, preferably to 1.5 degrees Celsius, compared
19 to pre-industrial levels;
- 20 b) "Low Emission Development Strategy (LEDS)" shall refer to a national,
21 high-level, comprehensive, long-term strategy, developed by domestic
22 stakeholders, which aims at decoupling economic growth and social
23 development from GHG growth;
- 24 c) "Low Carbon Technology" refers to equipment, infrastructure systems,
25 processes, methods, innovations, practices, and associated knowledge
26 that significantly reduce or eliminate GHG emissions compared to
27 conventional technologies. This includes, but is not limited to, renewable
28 energy systems, energy efficiency solutions, clean transport
29 technologies, sustainable agriculture practices, waste-to-energy
30 systems, carbon capture and storage, and nature-based solutions that
31 contribute to achieving a low carbon and climate-resilient economy.
32 Such technologies must be suitable to Philippine conditions and aligned

1 with the country's NDC, just transition goals, and long-term climate
2 strategies.;

3 d) "Sustainable Development" shall refer to development that meets the
4 needs of the present without compromising the ability of future
5 generations to meet their own needs;

6 e) "Just Transition" shall refer to maximizing the social and economic
7 opportunities of climate action, while minimizing and carefully managing
8 any social disruption, political and social risks – through effective social
9 dialogue among all groups impacted, and respect for fundamental labor
10 principles and rights;

11 f) "Common but Differentiated Responsibilities and Respective Capabilities
12 (CBDRRC)" shall refer to the principle recognizing that each country vary
13 in terms of contributions to global environmental degradation, and
14 acknowledging that developed countries should bear primary
15 responsibilities in the international pursuit of sustainable development,
16 including the pressures put by their societies to the environment, their
17 command on technologies and financial resources, and their contribution
18 to the largest proportion of historical and current GHG emissions;

19 g) "Climate Justice" shall refer to the allocation of burdens and benefits
20 among individuals, nations and generations;

21 h) "Net Zero Economy" shall refer to the means of cutting greenhouse gas
22 emissions to as close to zero as possible, with any remaining emissions
23 re-absorbed from the atmosphere, by oceans and forests for instance;

24 i) "Carbon Dioxide Equivalent" shall refer to the quantity of carbon dioxide
25 that makes the same contribution to global warming as a given amount
26 of greenhouse gas, taking into account the global warming potentials
27 published by the Intergovernmental Panel on Climate Change;

28 j) "Greenhouse Gas (GHG)" shall refer to the following gases covered
29 under the 2006 Intergovernmental Panel on Climate Change (IPCC)
30 guidelines: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons,
31 perfluorocarbons, sulfur hexafluoride, or any other anthropogenically-
32 emitted gas that is estimated by the Philippine Greenhouse Gas

1 Inventory Management and Reporting System (PGHGIMRS) agencies to
2 contribute to global warming;

3 k) "Covered Sector" shall refer to the industry and commercial sectors
4 and/or, to sectors as may be determined appropriate by the oversight
5 body;

6 l) "Levels of GHG Inventory" shall refer to different levels as prescribe by
7 the DENR-EMB such as global, national, community, sectoral, entity,
8 product, facility and projects; and

9 m) "Sector/s" shall refer to the sectors prescribed under the IPCC
10 guidelines used as basis for the Philippine Nationally Determined
11 Contribution (NDC), including: agriculture, forestry and other land use,
12 waste, industrial processes and product use (IPPU), energy, and
13 transport.

14 n) "Allowance" refers to a government-issued permit under the emissions
15 trading system established by this Act, authorizing the holder to emit
16 one (1) metric ton of carbon dioxide or its carbon dioxide equivalent
17 (CO₂e) of greenhouse gases during a specified compliance period.
18 Allowances may be allocated for free, auctioned, traded, or banked in
19 accordance with the rules and regulations issued by the implementing
20 agencies. Each allowance represents a unit of tradable emissions right
21 under the cap-and-trade system.

22 o) "Climate Reinvestment Fund" or CRF refers to a special account created
23 under this Act, into which proceeds from the auction of emissions
24 allowances, civil penalties for non-compliance, and other related
25 revenues are deposited. The CRF shall be administered by the DENR in
26 coordination with the CCC, and shall be used exclusively to finance
27 programs, projects, and activities related to climate change mitigation,
28 adaptation, just transition, technology deployment, and capacity
29 building, as aligned with the Nationally Determined Contribution (NDC)
30 and subject to transparent governance and audit mechanisms.

31
32 **ARTICLE II**

1 **Philippine Greenhouse Gas Inventory Management and Reporting System**
2 **(PGHGIMRS)**

3 Sec. 4. *Institutionalization of the PGHGIMRS.* - The PGHGIMRS under Executive
4 Order (EO) No. 174, s. 2014 is hereby institutionalized, to facilitate the GHG inventory
5 management and reporting system in relevant government agencies to enable the
6 country to transition towards a climate-resilient pathway for sustainable development.

7 Sec. 5. *Implementing Agency.* - The Climate Change Commission (CCC) shall
8 be the overall lead in the implementation of the PGHGIMRS. It shall be responsible to:

- 9 a) Provide direction and guidance in the accounting and reporting of GHG
10 emissions from identified key source sectors in order to develop and
11 maintain centralized, comprehensive, and integrated data on GHGs in all
12 levels of inventory particularly community-level and entity-level;
13 b) Develop a system for the archiving, reporting, monitoring, and
14 evaluating GHG inventories in all key levels; and
15 c) Provide and facilitate continuous capacity building initiatives in the
16 conduct of GHG inventories to ensure the application of updated
17 methodologies.

18 GHG data analytics generated under this measure shall be a reference for the
19 successive enhancement of the NDCs, especially in identifying policies and measures
20 that could be pursued economy-wide, respecting sectoral challenges and opportunities
21 for transformation, including human resources and cost or capital requirements
22 appropriate for government and non-government and industry stakeholders.

23 Sec. 6. *Sectoral Agencies.* - The following shall be the lead sectoral agencies
24 for the GHG inventories:

- 25 a. Department of Agriculture (DA) and the Philippine Statistics Authority
26 (PSA) for the agriculture Sector;
27 b. Department of Energy (DOE) for the energy sector;
28 c. Department of Environment and Natural Resources (DENR) for the
29 waste, industrial processes, and the forestry and other land-use sectors;
30 and
31 d. Department of Transportation (DOTr) for the transport sector.

1 The Department of Science and Technology (DOST), Department of Health
2 (DOH), Department of Public Works and Highways (DPWH), and Department of
3 Tourism (DOT) shall also be considered in ensuring close collaboration of the sectors
4 concerned in informing transformative options under the NDC.

5 The CCC shall invite the concerned local government units (LGUs), academe,
6 and private and public institutions to participate, complement, and assist in the
7 implementation of the PGHGIMRS and this Act.

8 The PSA may assist other lead agencies in the conduct of the sectoral GHG
9 inventories.

10 The Department of the Interior and Local Government (DILG), as an oversight
11 agency for local governments, shall ensure the compliance of local governments
12 through:

- 13 i. Issuance of guidelines for accounting community-scale GHG
14 emissions, managing community-scale GHG inventories, and
15 mainstreaming the results and findings thereof in the Comprehensive
16 Development Plan (CDP) and subsequent programming processes, in
17 coordination with the CCC;
- 18 ii. Provision of continuous capacity building to local governments related
19 to the foregoing;
- 20 iii. Incorporation in the Seal of Good Local Government mechanism of the
21 compliance of local governments; and
- 22 iv. Monitoring of the compliance of local governments

23 The DENR, Department of Trade and Industry (DTI), and Securities and
24 Exchange Commission (SEC) shall serve as oversight agencies in ensuring the
25 compliance of entities in the preparation and management of entity-level greenhouse
26 gas inventories, the reporting of mitigation measures addressing the results and
27 findings of the foregoing, and monitoring and reporting thereof through the issuance
28 of relevant policies and guidelines, and continuous capacity building.

29 *Sec. 7. Responsibilities of the Lead Agencies for National GHG Inventories.* The
30 lead agencies shall be responsible for the following:

- 31 a) Conduct, document, archive, and monitor sector-specific GHG
32 inventories;

- b) Mitigation co-benefits in adaptation, sustainable development, and poverty reduction;
- c) Means of implementation such as through finance, capacity building, technology transfer and development;
- d) Gaps and needs; and
- e) System for monitoring, evaluation, and reporting to enable participation of relevant stakeholders to address challenges and meet the objectives of inclusive just transition.

It must endeavor to indicate the Philippines' strategic directions and measures to build resilience and balance the investments and opportunities for just transition, by leveraging on the capacity of local governance units to transform the socio-economic conditions of the people, up to the smallest units of governance, through the means of the implementation espoused under the Paris Agreement.

Sec. 11. *The NDC Steering Committee.* - The CCC shall be the overall lead in the development, implementation, and monitoring and evaluation of the NDC, with the following agencies as members, to comprise the NDC Steering Committee:

- a) The Department of Economy, Planning, and Development (DEPDEV) - lead agency for the economy-wide GHG emissions modelling vis-a-vis gross domestic product (GDP) projections, integration in the Philippine Development Plan (PDP) that is spatially articulated through the National Spatial Strategy, and sectorally articulated through PDP chapters, and ensuring vertical coherence through Regional Development Plans and corresponding regional development strategies;
- b) Department of Agriculture (DA) - lead agency for the agriculture sector;
- c) Department of Energy (DOE) - lead agency for the energy sector;
- d) Department of Environment and Natural Resources (DENR) - lead agency for the waste, industrial processes and product use (IPPU) and forestry and other land use (FOLU), in coordination with Department of Human Settlements and Urban Development (DHSUD);
- e) Department of Transportation (DOTr) - lead agency for the transport sector;

- 1 f) Department of Foreign Affairs (DFA) - lead agency to facilitate, along
2 with the CCC, coordinating with the development partners viable,
3 country-driven, needs-based technical assistance, as may be
4 recommended by agencies concerned, consistent with the PDP and
5 other investment and resilience-related and the multi-decadal climate
6 action planning and programming framework;
- 7 g) Department of Finance (DOF), to coordinate on matters concerning fiscal
8 policies related to climate change and monitor and report measures on
9 climate finance, including recommendations on matters related to
10 receiving donations and/or grants by the CCC under RA 10174;
- 11 h) Department of Budget and Management (DBM), to ensure annual
12 appropriations for implementation;
- 13 i) Department of Labor and Employment (DOLE), to ensure that the
14 provisions of this Act are aligned with the Green Jobs Act;
- 15 j) Department of Science and Technology (DOST), to facilitate innovation
16 options through technology development and transfer appropriate to the
17 conditions of the subnational units and relevant stakeholders, linking
18 said initiative towards enhancing human capital development in
19 coordination with industries, higher education institutions, LGUs, among
20 others;
- 21 k) Department of the Interior and Local Government (DILG), to facilitate
22 coordination with the various subnational governance units to ensure
23 they contribute to the continuing enhancement and implementation of
24 the NDCs, especially on informing transformative options for investment
25 and resilience building purposes, consistent with local development
26 opportunities and priorities, as may be incorporated in their respective
27 CDPs, Annual Investment Plans (AIPs), and Local Climate Change Action
28 Plan (LCCAPs);
- 29 l) Department of Health (DOH), to lead in the determination of low-carbon
30 investments, efficient transformation of the health sector consistent with
31 energy just transition and sustainable consumption and production, and
32 health co-benefits measurement of climate mitigation in other sectors;

- 1 m) Department of Public Works and Highways (DPWH), to integrate the
2 policies and measures under the Build-Build-Build Program, and ensure
3 the mainstreaming of policies and regulations on infrastructure
4 component of the NDC for implementation industry-wide and by the
5 LGUs, in coordination with the DILG;
- 6 n) Department of Tourism (DOT), to consider nature-based solutions in
7 developing, promoting, and monitoring tourism enterprises consistent
8 with whole of ecosystem approaches, creation of green jobs, and
9 sustainable consumption and production that benefit the various LGUs,
10 for inclusive and responsible, climate-aligned tourism sector;
- 11 o) Department of Human Settlements and Urban Development (DHSUD),
12 to effectively and efficiently link local investment and transformation
13 through the NDC alignment with the various local plans under its
14 jurisdiction, to ensure integrated low carbon development and
15 sustainable development options under the New Urban Agenda,
16 especially the vulnerable communities;
- 17 p) The Department of Trade and Industry (DTI), together with the Board
18 of Investments (BOI), to ensure investment opportunities of the local
19 industries, especially the micro, small, and medium enterprises
20 (MSMEs), are considered in the just transition mechanism under the
21 NDC; and
- 22 q) The Education Sector, namely the Department of Education (DepEd) and
23 Commission on Higher Education (CHED), to ensure the proper
24 information, education, and communication (IEC), contribute to
25 research development, extension, and innovation and assist in the
26 implementation of this Act.

27 The Members of the CCC Advisory Board and the National Panel of Technical
28 Experts (NPTE) under Republic Act No. 9729, as amended, and other government
29 agencies and stakeholders in the areas of coastal resources, health, agriculture, water,
30 forestry, biodiversity, environment, ecosystem, energy, education, tourism, trade,
31 infrastructure, and settlement, among others, shall participate in the development and
32 implementation of the NDC.

1 To ensure alignment among development plans and climate change strategies,
2 the DEPDEV and CCC shall be responsible for harmonizing and ensuring the
3 complementation of NDC with national and local development planning instruments.
4 The DEPDEV shall integrate the NDC into the Philippine Development Plan. The CCC
5 and DILG shall assist LGUs in the integration of the NDC in the LCCAPs, Local
6 Development Plans (LDPs), and Comprehensive Land Use Plans (CLUP).

7 The NDC Steering Committee shall formulate the NDC policies and measures
8 based on the best available science and in keeping with robust development and
9 transformative aspirations of the country, consistent with national circumstances.

10 The CCC, along with the national government agencies (NGAs) concerned, shall
11 establish a local NDC Steering Committee to jumpstart and sustain local-based
12 transformative strategies in alignment with the NDC, subject to the issuance of policy
13 guidance following multi-sectoral consultation, especially with the Regional
14 Development Councils (RDCs) under the supervision of the DEPDEV.

15 Specifically, the RDCs shall be considered points of convergence for low carbon
16 development at the regional or subnational levels that inform pathways for
17 transformation, including optimization of investment options, as may be aligned with
18 physical and socio-economic challenges due to climate change impacts.

19 Parallel effort shall be the formation of local counterparts for scientific and
20 technological advice to said Sub-National Steering Committees to be comprised of the
21 members of the NPTE and field units of the DOST, subject to the issuance of policy
22 guidance by the CCC and DOST, especially with regard to engaging the Higher
23 Education Institutions (HEIs) /State Universities and Colleges (SUCs) through
24 CHED.

25 The CCC should formulate and implement robust communication and advocacy
26 strategies, in coordination with relevant government and non-government
27 stakeholders, across levels of governance, to ensure that the low carbon development
28 directions are communicated effectively to inspire convergence at the broadest scope
29 possible, up to the smallest unit of governance.

30 *Sec. 12. Allocation of funds.* - The aforementioned agencies shall allocate from
31 their annual appropriations adequate funds for the implementation of their mandates,

including training and capacity building, under this Act, subject to support under the mechanism of the means of implementation of the Paris Agreement.

Sec. 13. *Annual Report on the NDC Implementation.* - The CCC and NDC Steering Committee shall submit to the President and to both Houses of Congress, not later than 30 March of every year following the effectivity of this Act, a progress report on the implementation of the NDC, and recommend legislation, where applicable and necessary.

ARTICLE IV

Local Climate Change Action Plan (LCCAP) Quality Assessment Review System

Sec. 14. *LCCAP*. - Pursuant to Section 14 of RA 9729, the LGUs are the frontline agencies in the formulation, planning, and implementation of LCCAPs in their respective areas consistent with the Local Government Code, the National Strategic Framework on Climate Change (NSFCC), and the National Climate Change Action Plan (NCCAP).

The LCCAP shall describe strategic policy measures of the LGUs to reduce/avoid greenhouse gas emission (mitigation actions) and increase the community's resilience (adaptation actions) to the negative impacts of climate change.

Further, the LCCAP shall indicate the transformative opportunities present in LGUs towards green or low emission technological capacity building innovations that will support long-term low emission industrial development, livelihoods, ecosystems and environment, and well-being of the people, especially those most exposed to climate hazards. The modification of baseline information consistent with the best available science shall be pursued to inform the investment planning and programming aligned with the multi-decadal climate considerations, especially the location of human settlements and vital infrastructure programs of the government, including those pursued through public-private partnerships (PPP) approach.

The LGUs and HEIs concerned shall be supported in the development and review of the LCCAPs, as priority impacts under this Act are those attributed to holistic and inclusive mobilization of resources and opportunities of the LGUs, with

1 concomitant connection to building resilience for sustainable development up to the
2 smallest units of governance.

3 *Sec. 15. Establishment of a LCCAP Quality Assessment Review System (QAR).*

4 - The CCC together with the DILG shall formulate and institutionalize the LCCAP QAR
5 and establish a means of implementation and institutionalization for both agencies.

6 The LCCAP QAR process would provide an opportunity to provide a feedback
7 mechanism to LGUs to improve on their LCCAP ensuring its responsiveness to local
8 hazards and risks, and be able to shift towards resilience, and socio-economic
9 transformation through low carbon and sustainable pathways.

10 The CCC together with DILG, shall formulate and disseminate a mechanism or
11 instrument of quality assurance, after due consultation with relevant stakeholders.
12 Further, the CCC and DILG shall identify relevant NGAs, SUCs and HEIs, and other
13 stakeholders, which shall conduct and implement the quality assurance mechanism
14 that may be established.

15 *Sec. 16. Local Government Accountability - Performance on LCCAPs, including*
16 *verified emissions reporting, shall be integrated into the criteria of the Seal of Good*
17 *Local Governance (SGLG). Access to climate finance and technical assistance may be*
18 *linked to measurable progress on GHG reduction and climate resilience, as determined*
19 *by the DILG, in coordination with the CCC.*

20
21 **ARTICLE V**

22 **Climate Change Expenditure Tagging (CCET)**

23
24 *Sec. 17. Institutionalization of the CCET as an audit tool to track climate change*
25 *adaptation and mitigation projects and programs. - The CCET jointly administered by*
26 *the CCC and the DBM pursuant to Joint Memorandum Circular 2015-01 at the national*
27 *level, and with the DILG pursuant to Joint Memorandum Circular 2015-01 at the local*
28 *level, is hereby institutionalized. All annual expenditure programs of the government*
29 *related to low carbon development, including those designed to increase climate and*
30 *disaster resilience, shall be tagged and reported to determine the allocative efficiency*
31 *of domestic funds towards those ends. A mechanism for reporting allocation and*
32 *expenditure shall be issued jointly by the CCC, DBM, the DILG, Office of Civil Defense*

1 (OCD), and other relevant agencies. The Commission on Audit (COA), subject to audit
2 rules and regulations, shall produce timely reports on findings of climate expenditure
3 audit.

4 Such allocation and expenses tagged shall be part of the assessment for the
5 country's low carbon needs that are aligned to the NDC. Any funding gaps should be
6 addressed using the climate finance mechanisms under the Paris Agreement, as may
7 be pursued bilaterally or multilaterally, in coordination with the CCC, DFA, DOF,
8 DEPDEV, DBM and other agencies concerned.

9 The progress of the CCET, both at the national and local levels, shall be
10 reported to the Office of the President, the Senate and the House of Representatives
11 by the CCC in accordance with the reportorial requirement under RA 9729, as
12 amended.

13 The continuing capacity building for CCET shall be pursued through convergent
14 approaches of all the stakeholders, especially of the non-government stakeholders, to
15 contribute to identifying critical climate programs and projects that need to be funded,
16 including monitoring and evaluating institutional and support mechanisms under the
17 CCET.

18 19 **ARTICLE VI**

20 **National Integrated Climate Change Database and Information Exchange** 21 **System (NICCDIES)** 22

23 *Sec. 18. Institutionalization of the NICCDIES as a Primary platform on Climate*
24 *Change Information.* - Notwithstanding existing and related mandates of other
25 agencies, the CCC shall issue guidelines to accelerate its utilization, including engaging
26 agencies, academia, and the private sector to populate the data sets therein, and
27 instituting a feedback mechanism to enhance content, access, and continuous
28 improvement to support long-term, national driven, people and planet-centric climate
29 governance in the country.
30

31 **ARTICLE VII**

32 **Cap and Trade System**

1 Sec. 19. *Emission Reduction Measures/Targets.* - Emission avoidance/reduction
2 measures shall be geared towards equitable implementation of just transition using
3 nationally-appropriate carbon market and non-market approaches. This shall be
4 adopted upon the recommendation of the NDC Steering Committee, after careful
5 study and consultation, to achieve maximum technologically-feasible and cost-
6 effective avoidance/reduction strategies, programs, and projects to meet the carbon
7 goal considered in this Act, with direct impact to low carbon industrial productivity and
8 sustainable development.

9 Annual emission avoidance/reduction targets, including the sector/s and levels
10 to be covered, shall be set for each calendar year by the President, through the
11 recommendation of the NDC Steering Committee, with supporting investment and
12 social safeguards roadmap, and upon consultation through multi-stakeholder, whole
13 of government, and whole of society approaches.

14 Sec. 20. *Sectoral Decarbonization Roadmaps.* - Each covered sector shall
15 develop and submit a five-year decarbonization roadmap that outlines sector-specific
16 emission reduction targets, technology adoption pathways, and financing strategies
17 aligned with the Philippines' NDC.

18 These roadmaps shall be submitted to the CCC for review and consolidation,
19 and shall serve as inputs to the setting of sectoral caps under this Act, the
20 development of allowance allocation strategies, and the monitoring and reporting
21 frameworks of the national government. The CCC shall ensure that the preparation
22 and review of these roadmaps follow a participatory, science-based, and gender-
23 responsive approach.

24 Sec. 21. *Cap on Greenhouse Gas Emissions.* - To achieve the emission targets
25 set pursuant to this Act, Caps on greenhouse gas emissions shall be applied to covered
26 sectors based on criteria including: (a) total emissions volume, (b) cost-effectiveness
27 of emissions reduction opportunities, and (c) potential co-benefits and social
28 safeguards, as determined by the NDC Steering Committee.

29 Sec. 22. *Allowances.* - The DENR, upon the recommendation of the NDC
30 Steering Committee and further upon appropriate consultation, shall issue annually a
31 quantity of GHG emissions allowances equivalent to the emissions allowed under the
32 cap imposed for such year. Each allowance shall authorize the emission of one (1)

metric ton of carbon dioxide equivalent (CO₂e), covering all greenhouse gases as defined under this Act.

Sec. 23. *Distribution of Allowances.* - The allowance shall be distributed by the DENR to the covered sector by allocation.

At least thirty percent (30%) of the total annual GHG emissions allowances shall be auctioned beginning in the third year of implementation of the emissions trading system. The percentage of auctioned allowances shall increase annually and shall reach one hundred percent (100%) auctioning by the tenth year.

During the transition period, the remaining allowances may be allocated for free based on transparent benchmarking criteria, taking into account emissions intensity, best available technology, and sectoral competitiveness to ensure a just and equitable transition.

All revenues generated from the auctioning of allowances shall be deposited into the Climate Reinvestment Fund, and shall be used exclusively for climate mitigation, adaptation, and just transition programs in accordance with this Act.

Sec. 24. *Carbon Trading System.* - There shall be an established and interoperable central registry, trading and reporting system under the DENR, which allowances issued under this Act may be sold, exchanged, purchased, or traded by any person or entity, subject to policy guidelines to be issued upon due consultation. Notwithstanding the foregoing, non-market approaches consistent with just transition strategies needed to accelerate the attainment of low carbon economy, shall be pursued, subject to further review and consultation process, along with the mechanisms concerning carbon market activities in this Act.

Sec. 25. *Creation or Engagement of a Carbon Market Operator.* — The DENR, shall serve as the primary technical and enforcement agency for the operational aspects of the emissions trading system. This shall include the administration of emissions allowances, oversight of carbon trading activities, enforcement of compliance obligations, and implementation of market integrity safeguards in accordance with this Act and its implementing rules and regulations.

For the purpose of administering the registry, auction system, and trading platform under this Act, the DENR may either:

1 (a) establish, pursuant to this Act, a dedicated office within the DENR that
2 shall function as the Carbon Market Operator (CMO); or

3 (b) engage the services of an independent Carbon Market Operator through
4 concession agreement, public bidding, other procurement methods, or
5 other means allowed by law, subject to applicable rules and standards
6 on performance, transparency, and accountability.

7 The CMO shall be responsible for designing, operating, and maintaining the
8 central registry, trading platform, and auction system established under this Act, in
9 accordance with policy guidelines and technical standards to be issued by the DENR.

10 Should the services of an external CMO be engaged, it shall be subject to
11 regulatory oversight by the DENR and the CCC, and shall comply with all requirements
12 on data integrity, system security, market transparency, and fair access. A portion of
13 the auction revenues, not exceeding a percentage jointly determined by the DENR
14 and the DOF, may be allocated for the compensation of the CMO, provided that the
15 majority of such revenues shall accrue to the Climate Reinvestment Fund.

16 To promote transparency, integrity, and public accountability in the
17 administration of the emissions trading system, the Carbon Market Operator shall
18 develop and maintain a publicly accessible online portal that discloses information on
19 allowance allocations, auction results, trading volumes and prices, and compliance
20 status of covered entities. The DENR, in coordination with the CCC, shall ensure that
21 the CMO's operations are subject to annual independent audits, the results of which
22 shall be submitted to Congress and published on the portal. A multi-stakeholder
23 oversight panel composed of representatives from government, industry, academe,
24 and civil society shall be convened by the CCC to provide advisory input and monitor
25 the integrity and equity of market operations. All personnel and entities involved in
26 the CMO shall be required to disclose potential conflicts of interest and adhere to strict
27 rules against insider trading and market manipulation, as provided in the implementing
28 rules and regulations.

29 *Sec. 26. Consumer Protection in Market Operations.* — In implementing the
30 emissions trading system under this Act, the DENR, in coordination with the
31 Department of Trade and Industry (DTI), the Department of Energy (DOE), and the
32 Department of Social Welfare and Development (DSWD), shall ensure that cost pass-

1 through to consumers, particularly low-income and vulnerable households, does not
2 result in undue or unjust financial burden.

3 To this end, appropriate social safeguards, transitional support measures, or
4 sectoral interventions may be developed and integrated into market operations or the
5 implementing rules and regulations, to protect consumer welfare during the transition
6 to a low-carbon economy.

8 **ARTICLE VIII**

9 **Transparency and Reporting**

10
11 *Sec. 27. Submission of national reports to the UNFCCC.* - The Philippines, as a
12 Non-Annex I Party to the UNFCCC, shall submit national reports mandated under the
13 Convention and its Paris Agreement, especially the National Communications and
14 Biennial Transparency Reports, in accordance with capacities and provision of timely
15 and appropriate means of implementation. These reports shall incorporate those
16 outputs and reports mentioned in the previous sections, as appropriate.

17 *Sec. 28. Role of the CCC.* - The CCC shall develop systems for transparency
18 and reporting, including measurement, reporting, and verification, and enhance
19 existing institutional arrangements to ensure continued and timely preparation of
20 national reports, in coordination with relevant government agencies, observing whole-
21 of-society and participatory processes.

22 In the implementation of this Act, the CCC shall serve as the overall policy lead
23 and integrator for climate transparency systems and climate governance, including
24 the development of MRV standards and methodologies, the formulation and updating
25 of the NDC, the conduct of national greenhouse gas inventories, and the coordination
26 of climate monitoring and reporting frameworks across sectors. The CCC shall also
27 lead in ensuring the alignment of national and local development plans with the
28 objectives of this Act and the Paris Agreement.

29 *Sec. 29. Means of Implementation for Transparency and Reporting.* - The
30 necessary means of implementation for transparency and reporting, especially
31 provisions for hardware, software, and human resource requirements, shall be

1 accessed and provided in accordance with resources made available to Parties to the
2 UNFCCC and reasonable domestic resources.

3 Sec. 30. *MRV Enforcement and Oversight.* - The DENR shall serve as the lead
4 implementing agency for enforcing the Measurement, Reporting, and Verification
5 (MRV) processes required under this Act. It shall coordinate with covered entities in
6 receiving annual emissions reports, conducting third-party verification, and issuing
7 compliance notices. The CCC shall provide oversight by developing the MRV standards
8 and methodologies in line with UNFCCC guidance and IPCC protocols.

9 The DENR shall accredit third-party verifiers based on technical competence,
10 independence, and adherence to internationally recognized standards for greenhouse
11 gas validation and verification. The list of accredited verifiers shall be made publicly
12 available and subject to regular performance reviews. The CCC and DENR shall jointly
13 develop guidelines for accreditation, renewal, suspension, or revocation of verification
14 authority, including mechanisms for complaints, conflict of interest declarations, and
15 quality control audits.

17 **ARTICLE IX**

18 **The Role of LGUs, DepEd, HEIs and SUCs in the implementation of this Act**

19
20 Sec. 31. *Devolution of Role to LGUs and IP Communities.* - Pursuant to
21 Executive Order No. 138 otherwise known as the Mandanas-Garcia Ruling which fully
22 transfers the delivery of basic services to LGUs, LGUs should integrate climate change
23 adaptation and mitigation measures in their local plans and programs.

24 Sec. 32. *Role of DepEd, HEIs, and SUCs.* - Pursuant to RA 9729, the DepEd
25 shall integrate climate change into the primary and secondary education curricula
26 and/or subjects, such as but not limited to, science, biology, sibika, history, including
27 textbooks, primers, and other educational materials, basic climate change principles
28 and concepts.

29 HEIs and SUCs should integrate climate change as part of the curricula for all
30 college courses in order to provide tertiary level students with sufficient grounding on
31 said subject.

1 **ARTICLE X**

2 **The Role of the Private Sector and Non-Government Stakeholders**

3
4 Sec. 33. *Role of the Private Sector, Non-Government Stakeholders, and*
5 *Indigenous Cultural Communities.* - To ensure inclusive and consultative nature of the
6 processes and systems towards low carbon economy, just transition, multi-
7 stakeholder, whole of government and whole of society approaches to build
8 consensus on nationally-appropriate just transition arrangements shall be considered.

9 In this regard, representatives of critical industries, groups of innovators,
10 academics, civil society, people's organizations, financial institutions and
11 intermediaries, and other related entities shall be enjoined to participate in the
12 deliberations and decision-making activities under this Act, subject to appropriate
13 guidelines to be formulated by the NDC Steering Committee, through the endorsement
14 of the CCC.

15 Special consideration shall be given to the participation of Indigenous Cultural
16 Communities and local communities located in or managing natural carbon sinks.
17 Mechanisms for inclusive consultation, equitable benefit-sharing, and respect for
18 customary governance structures shall be incorporated in the implementation of this
19 Act and its implementing rules and regulations, in accordance with Republic Act No.
20 8371.

21
22 **ARTICLE XI**

23 **Polluters-Pays Principle for GHG Emissions**

24
25 Sec. 34. *Enforcement.* - The DENR, in coordination with the agencies
26 concerned, shall formulate immediately upon approval of this Act a system of
27 enforcement and indemnification or appropriate sanctions consistent with the
28 "polluters pay principle." The DENR shall establish the method of determining such
29 market price, in coordination with the CCC, DOF, DTI/BOI, and DEPDEV.

30 Sec. 35. *Monitoring.* - The DENR shall ensure that greenhouse gas emissions
31 and the use of allowances issued under this Act are accurately tracked, reported, and

1 verified, aligned with the provisions of this Act, to ensure that the cap-and-trade
2 system established under this Act is fully implemented.

3 *Sec. 36. Penalties.* - Any covered entity that emits greenhouse gases in excess
4 of its allowable emissions under this Act shall be liable to pay a civil penalty equivalent
5 to twice the prevailing market price of one emissions allowance per metric ton of
6 excess emissions.

7 For the purposes of this section, the "market price" shall be determined based
8 on the average clearing price of the most recent auctions conducted under this Act or
9 such other pricing reference as may be set in the implementing rules and regulations,
10 subject to periodic review by the DENR and DOF.

11 Moreover, any person or entity engaged in market manipulation, insider
12 trading, or fraudulent allowance transactions under the emissions trading system shall
13 be subject to fines, imprisonment, or trading bans, pursuant to applicable penal laws,
14 securities regulations, and the implementing rules and regulations of this Act.

15 The DENR and DOF, in consultation with the CCC, may establish appropriate
16 minimum or maximum penalty rates through the IRR to ensure equity, predictability,
17 and market stability.

18 If the excess emissions result from willful misrepresentation, fraudulent
19 reporting, or deliberate non-compliance, the responsible entity shall be subject to
20 additional administrative and criminal penalties under relevant laws, including possible
21 suspension or revocation of permits or trading rights.

22 All penalties collected under this section shall accrue to the Climate Reinvestment
23 Fund.

24 *Sec. 37. Climate Reinvestment Fund.* - There is an established fund to be known
25 as the Climate Reinvestment Fund (CRF). The CRF shall consist of the amount of civil
26 penalties assessed under Section 36 of this Act.

27 The CRF shall be administered by the DENR, in coordination with the CCC and
28 the DOF, and shall be used exclusively for programs and projects that:

- 29 a. Implement renewable energy and energy efficiency solutions in off-grid
30 and underserved areas, including solar microgrids, solar-powered water
31 systems, and climate-smart agriculture applications;

- b. Deploy nature-based solutions such as reforestation, mangrove restoration, sustainable watershed management, and coastal ecosystem protection in areas with high climate vulnerability;
- c. Support just transition measures for displaced or transitioning workers and communities in carbon-intensive sectors, including skills retraining, green job placement programs, and small enterprise incubation;
- d. Rehabilitate and climate-proof critical infrastructure in disaster-prone and climate-impacted areas, including community evacuation centers, water supply systems, and resilient housing for low-income or displaced groups;
- e. Provide direct financial assistance to local communities and Indigenous Peoples (IPs) who are verified victims of climate-related disasters or slow-onset climate impacts, subject to reasonable criteria, monitoring plans, and performance-based evaluation under the IRR;
- f. Strengthen community-based early warning systems and localized climate risk information services, including hazard mapping, preparedness tools, and emergency response capability building;
- g. Support the development and deployment of national and local GHG emissions tracking systems, carbon accounting tools, and digital infrastructure for monitoring and verification; and

Fund innovation, and pilot projects on low-emission technologies, climate-resilient livelihoods, and circular economy models aligned with the Philippines' NDC.

At least ten percent (10%) of the Climate Reinvestment Fund shall be allocated annually for targeted social protection measures to address price shocks and livelihood disruptions experienced by low-income households as a result of emissions pricing or transition policies.

The IRR shall include a mandatory, time-bound framework for mitigating consumer cost burdens, including, but not limited to, rebates, socialized utility rates, or direct cash transfers, particularly for low-income and climate-vulnerable households.

All disbursements from the CRF shall be subject to the regular audit processes of the Commission on Audit (COA) and to a results-based monitoring and evaluation

1 system, to be developed in coordination with the CCC, to ensure transparency,
2 accountability, and effectiveness in the use of funds. The CCC shall include a summary
3 of CRF utilization and outcomes in its annual report to Congress under Section 39 of
4 this Act.

5 The CRF may accept contributions from Official Development Assistance (ODA),
6 private sector corporate social responsibility (CSR) programs, and other climate-
7 related funding sources, provided such contributions are consistent with the objectives
8 of this Act.

10 **ARTICLE XII**

11 **Miscellaneous Provisions**

12
13 *Sec. 38. Appropriations.* - The amount necessary for the initial implementation
14 of this Act shall be taken from existing allocations of the agencies concerned.
15 Thereafter, such sums as shall be necessary to carry out the provisions of this Act
16 shall be included in the annual General Appropriations Act.

17 *Sec. 39. Annual Report to Congress.* - The DENR, in coordination with the CCC
18 and the DOF, shall submit to Congress an annual report on the implementation of this
19 Act.

20 The report shall include:

- 21 a. GHG emissions data and trends;
- 22 b. Sectoral compliance with emissions caps and allowances;
- 23 c. Performance of the carbon trading system, including revenues
24 generated and utilization of the Climate Reinvestment Fund;
- 25 d. Progress on implementation of the Sectoral Decarbonization
26 Roadmaps and LCCAPs;
- 27 e. Any proposed amendments to improve the implementation of this Act
28 based on evolving science, technology, and global standards.

29 *Sec. 40. Implementing Rules and Regulations.* - The CCC, in coordination with
30 the NDC Steering Committee agencies, shall draft and issue implementing rules and
31 regulations necessary, in coordination with other relevant and appropriate government
32 agencies within sixty (60) days after its approval.

1 Sec. 41. *Separability Clause.* - If for any reason any section or provision of this
2 Act is declared by the Court as unconstitutional or invalid, the other sections or
3 provisions thereof shall not be affected thereby.

4 Sec. 42. *Repealing Clause.* - All laws, ordinances, rules, and regulations, and
5 other issuances or parts thereof, which are inconsistent with this Act, are hereby
6 repealed or modified accordingly.

7 Sec. 43. *Effectivity.* - This Act shall take effect fifteen (15) days after its
8 complete publication in the Official Gazette or in two (2) newspapers of general
9 circulation.

10 Approved,