

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

20th CONGRESS
First Regular Session

HOUSE BILL NO. 3293



Introduced by REP. JUAN CARLOS "ARJO" C. ATAYDE

AN ACT
ESTABLISHING A NATIONAL FRAMEWORK FOR THE MANDATORY
ENVIRONMENTAL INSURANCE COVERAGE OF ENVIRONMENTALLY
CRITICAL PROJECTS

EXPLANATORY NOTE

Article II, Section 16 of the 1987 Philippine Constitution mandates the State to *"protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature."* This constitutional principle imposes an obligation not only to prevent environmental degradation, but also to ensure the accountability of those who place our ecosystems and communities at risk.

Despite the country's robust framework of environmental laws, numerous ecological disasters in the Philippines have shown that accountability mechanisms remain insufficient, especially in terms of financial responsibility. The 1996 Marcopper mining disaster in Marinduque is a well-documented example. In that case, tailings from a mining project spilled into the Boac River, causing irreversible environmental harm and affecting the health and livelihood of thousands. A case study published in the *Asian Journal of Business Ethics* (Lindon et al., 2014) noted that while an Environmental Guarantee Fund (EGF) was in place, it was severely underfunded and eventually

exhausted. The authors concluded that “[once] the fund was depleted, regulators had no further leverage,” leaving most victims uncompensated and environmental damage largely unremedied.

This failure is not isolated. A 2022 legal thesis by Mendoza (DLSU) found that although some financial assurance mechanisms exist—such as rehabilitation bonds or tailings fees in mining—their structure is fragmented, reactive, and often insufficient. The study stressed the urgent need to create a dedicated, proactive financial safety net for environmental damage caused by high-risk projects. Mendoza proposed establishing a legislated fund, financed by industry contributions, to support rehabilitation and cleanup efforts when polluters are either unable or unwilling to pay.

In contrast, global and regional experiences show the benefits of mandatory environmental insurance. South Korea enacted a law in 2016 requiring high-risk industries to carry environmental liability insurance, ensuring coverage for environmental damage, third-party claims, and cleanup costs. In China, pilot programs in hazardous sectors have shown that compulsory environmental insurance improves pollution control and environmental transparency among covered firms. These findings are echoed in a 2024 study published in *Frontiers in Environmental Science* (Chen & Xie), which found that firms with environmental liability insurance not only had better environmental performance, but also increased investment in green innovation, driven by easier access to capital and regulatory incentives.

Even international stakeholders support this approach. A 2022 report by the United Nations Environment Programme Finance Initiative (UNEP FI) found that a majority of global experts—56%—favor making environmental liability insurance compulsory, citing its value in securing funding for rehabilitation and enforcing the “polluter pays” principle.

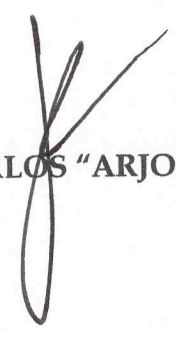
In the Philippines, the present system still allows projects with potentially catastrophic environmental consequences to operate without clear, enforceable financial

security. This bill seeks to correct that by establishing a Mandatory Environmental Insurance Coverage framework. All owners and operators of Environmentally Critical Projects (ECPs) – as identified under Presidential Proclamation Nos. 2146 and 803 – shall be required to secure either an environmental insurance policy or a performance bond. The insurance will cover environmental impairment, bodily and property damage, and the costs of rehabilitation, remediation, and cleanup.

Additionally, an inter-agency technical committee led by the Department of Environment and Natural Resources (DENR) shall be tasked with identifying risk thresholds, accrediting insurance providers, and ensuring that premiums and coverage levels reflect the true environmental risks involved. Importantly, the insurance proceeds will not be handled by government agencies directly, but disbursed via escrow accounts in designated banks upon advice of the DENR and with supporting documentation. This is to ensure accountability, efficiency, and proper use of funds.

The intent of this measure is not to burden investors or industries but to create a fair and effective system where those who stand to profit from high-risk operations also bear the cost of preventing and remedying the damage they may cause. By aligning financial responsibility with environmental stewardship, this measure upholds the Constitution's mandate to protect ecological balance and public welfare.

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



REP. JUAN CARLOS "ARJO" C. ATAYDE

Republic of the Philippines
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HOUSE BILL NO. **3293**

Introduced by REP. JUAN CARLOS "ARJO" C. ATAYDE

**AN ACT ESTABLISHING A NATIONAL FRAMEWORK FOR THE MANDATORY
ENVIRONMENTAL INSURANCE COVERAGE OF ENVIRONMENTALLY
CRITICAL PROJECTS**

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

3 **SECTION 1. Title.** — This Act shall be known as the "Mandatory Environmental
4 Insurance Coverage Act of 2025."

5 **SEC. 2. Definition of Terms.** — As used in this Act:

- 6 1. *Environmentally Critical Project* refers to a project that has high potential for
7 significant negative environmental impact and is listed as such under Presidential
8 Proclamation (P.P.) No. 2146, series of 1981, and P.P. No. 803, series of 1996, as well
9 as other projects which the President may proclaim as environmentally critical in
10 accordance with Section 4 of P.D. 1586 or the Philippine Environmental Impact
11 Statement System;
- 12 2. *Heavy industries* refer to non-ferrous metal industries, iron and steel mills,
13 petroleum, and petrochemical industries, including oil and gas smelting plants;

1 3. *Infrastructure projects* refer to major dams, major power plants, major reclamation
2 projects, and major roads and bridges; and

3 4. *Resource Extractive Industries* refer to major mining and quarrying projects; forestry
4 projects involving logging, major wood processing projects, introduction of fauna
5 or exotic animals in public or private forests, forest occupancy, extraction of
6 mangrove products, and grazing; and fishery projects, specifically fishpond
7 development projects and dikes for such projects.

8 **SEC. 3. *Establishment of a National Framework for Mandatory Environmental***
9 ***Insurance Coverage.*** — Within one (1) year following the effectivity of this Act, a national
10 framework for Mandatory Environmental Insurance Coverage (MEIC) shall be
11 established.

12 The framework shall consider the following:

13 1. *Coverage.* All owners and operators of Environmentally Critical Projects (ECPs)
14 shall be required to secure MEIC for ECPs as prescribed under this Section, to
15 compensate for the adverse environmental consequences which include damage
16 to health and property, and costs for environmental rehabilitation, remediation,
17 cleanup, and other environmental impairments arising from their operations. For
18 purposes of this Act, ECPs shall include heavy industries, major manufacturing
19 industries, major resource-extractive industries, major infrastructure projects, and
20 other similar projects that could pose serious risks to people and the environment.

21 2. *Forms of MEIC.* — The MEIC shall be in the form of:

22 a. Environmental guarantee cash fund established pursuant to existing
23 environmental laws; or

24 b. Environmental insurance policy (EIP) obtained from bonding or insurance
25 companies, whenever the environmental guarantee cash fund is insufficient
26 to cover the said adverse environmental consequences, upon determination

1 and recommendation of the Inter-Agency Technical Committee created
2 pursuant to Section 5 of this Act.

3 The EIP may take the form of the following:

4 1. *Environmental Performance Bond (EPB)* – which shall be required for all ongoing
5 activities or projects issued with an Environmental Compliance Certificate (ECC)
6 pursuant to P.D. 1586, to guarantee adequate and timely compliance with the
7 environmental standards and the terms and conditions set forth by the
8 Department of Environment and Natural Resources (DENR) during the pre-
9 development, development, and construction phases of the project. The EPB shall
10 answer for all environmental damages, penalties, and legal obligations which may
11 arise from the failure of the project proponent to comply with its undertakings
12 during the aforementioned phases; and

13 2. *Environmental Pollution, Impairment, and Cleanup Liability Insurance (EPICLI)* –
14 which shall be required for all existing and future activities or projects issued with
15 an ECC pursuant to P.D. 1586, to cover the operational phases. The EPICLI shall
16 answer for all claims arising from damages to the environment; bodily injury and
17 property damage arising from a pollution event; and for the cost of environmental
18 rehabilitation, cleanup, or remediation responses to address the contamination or
19 impairment of the environment.

20 **SEC. 4. *Pre-requisite to the Construction or Operational Phase.*** – Owners and
21 operators of ECPs shall not be allowed to commence construction or commercial
22 operation without initially obtaining the MEIC required under Section 3 of this Act.

23 **SEC. 5. *Creation of an Inter-Agency Technical Committee.*** – Within one (1) year
24 following the effectivity of this Act, the Secretary of the DENR shall establish and chair
25 an Inter-Agency Technical Committee (IATC), with the Commissioner of the Insurance
26 Commission and representatives of the insurance industry, the mining industry, and

1 other stakeholders that the DENR may deem fit, as members. Within the same period,
2 the IATC shall:

- 3 1. Identify the perils or possible negative environmental impacts, activities,
4 processes or undertakings that need to be mandatorily insured as provided in
5 Section 3 hereof;
- 6 2. Conduct risk assessment to determine the appropriate insurance coverage for
7 different ECPs and activities;
- 8 3. Formulate guidelines for the identification of primary impact areas and
9 prescription of rehabilitation or remediation measures in cases of environmental
10 damages;
- 11 4. Formulate cleanup guidelines;
- 12 5. Formulate guidelines for the identification of beneficiaries of the MEIC;
- 13 6. Ensure that the premium rates of the EIP are commensurate to the risks covered;
- 14 7. Formulate guidelines for the determination of veracity of claims;
- 15 8. Accredited insurance companies; and
- 16 9. Undertake such activities as may be necessary to fulfill the objectives of this Act.

17 For purposes of paragraph (h) of this Section, the Insurance Commission, in
18 coordination with the DENR, shall formulate guidelines for the accreditation of insurance
19 companies, within one (1) year following the effectivity of this Act.

20 **SEC. 6. Beneficiaries.** - The beneficiaries of the MEIC include affected
21 communities, stakeholders, and local government units within the projects' primary
22 impact areas. Also included as beneficiaries are government departments, bureaus, and
23 agencies which are tasked under the law to undertake the rehabilitation, cleanup, and
24 monitoring of sites affected by the pollution or insurable event, for which no responsible
25 private or public entity is specified.

1 The beneficiaries shall be represented by the government, particularly the DENR.
2 The IATC shall identify the affected areas and prescribe rehabilitation or remediation
3 measures pursuant to Sec. 5 of this Act.

4 **SEC. 7. *Payment of Claims.*** – The insurance company shall place all payments of
5 claims into special escrow accounts in government depository banks, which shall in turn
6 disburse the corresponding payment to beneficiaries, upon advice of the DENR and with
7 proper documentation.

8 The DENR may create an ad-hoc body composed of representatives from business,
9 labor, government, civil society, and other stakeholders to assure that claims are verified
10 and rightful parties are compensated, and the environment is properly rehabilitated,
11 cleaned up, remediated, stabilized, and protected.

12 The DENR shall not receive and handle payment of claims for environmental
13 damages, penalties, and charges, except for the claims component which properly
14 accrues to it as an insurance beneficiary.

15 The government agency tasked with rehabilitation and assigned as the beneficiary
16 of the MEIC as provided under Section 6 of this Act, shall undertake the same utilizing
17 funds coming from the insurance claim upon approval of the DENR.

18 **SEC. 8.** The failure of the owner and operator of an ECP to secure an MEIC as
19 prescribed under Section 3 hereof, or of the insurance company to pay a verified claim in
20 violation of the provisions of this Act and within reasonable time, shall be punished with
21 a fine of Five hundred thousand pesos (P500,000.00) but not more than Two million pesos
22 (P2,000,000.00) or imprisonment of not less than six (6) years but not more than twelve
23 (12) years, or both, at the discretion of the court.

24 In the case of a partnership, association, corporation, or any juridical entity, the
25 fine shall be imposed upon the president, treasurer, or any other officer or person
26 responsible for the violation.

1 If the offender is a foreigner, the offender shall, after the service of sentence, be
2 deported immediately without further proceedings by the Bureau of Immigration.

3 Government officials, employees, and agents who approve the construction or
4 operation of environmentally-critical projects without the necessary MEIC, in violation
5 of the provisions of this Act, shall suffer the penalty of suspension of not less than thirty
6 30) days, but not more than six (6) months after due notice and hearing in the appropriate
7 administrative proceedings.

8 **SEC. 9. *Implementing Rules and Regulations.*** — Within sixty (60) days from the
9 approval of this Act, the DENR shall, in coordination with the Insurance Commission,
10 promulgate the necessary rules and regulations for the effective implementation of this
11 Act.

12 **SEC. 10. *Repealing Clause.*** — All laws, decrees, orders, rules, and regulations, and
13 other issuances inconsistent with the provisions of this Act are repealed, amended, or
14 modified accordingly.

15 **SEC. 11. *Effectivity.*** — This Act shall take effect fifteen (15) days after its
16 publication in the Official Gazette or in a newspaper of general circulation.

17 *Approved,*